



Swann

Combined FY14 – FY17 Channel Strategy & FY15 Business Plan

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Private & Confidential

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Background information – please read before completing the document

Document Purpose

Channel Strategy and Business Plan development are part of CGU's overall strategy & planning cycle, which can be summarised as follows:



The purpose of this document is to articulate the medium – long term (3 – 5 year horizon) strategy for one of CGU's go-to-market channels. The Channel Strategy will need to be supported by various Divisional business plans (for the Divisions that make up the Channel) to ensure the Channel Strategy is realised. Together in concert they also need to ensure CGU's Purpose, Ambition, and brand promise of certainty.

In addition, the FY15 Business Plan for the Channel, will be included in the Appendix section of the document. Its purpose is to articulate the short term (12 – 18 months horizon) business plan for the business function.

Instructions for filling out this template

This is a high level template that stipulates the minimum-required information to be captured in the Channel Strategy/Business Plan document. It is part of a suite of templates designed to foster consistency across all levels of CGU to ensure alignment between CGU and its go to market Channel strategies, as well as divisional plans to ensure the realisation of the strategies.

A note on the coloured text used in the template:

Red text = description of the content required for section

Purple text = prompter questions to help fill out the content

Text highlighted in yellow = sections required to be completed for the first iteration of the FY15 process

Stakeholders

The stakeholders involved with completing the Channel Strategy document can be summarised according to the following RAPID roles:

Recommend	Agree	Perform	Input	Decide
<ul style="list-style-type: none"> Operational Strategy Managers for the Divisions that contribute to the Channel 	<ul style="list-style-type: none"> CEO/LT 	<ul style="list-style-type: none"> Divisions that contribute to the Channel 	<ul style="list-style-type: none"> Operational Strategy Managers Finance (for the Financials section) Corporate Strategy (governance) Risk & Compliance (for the Assumptions & Risks section) People & Culture Strategy Managers (for people aspects of Areas of Excellence) 	<ul style="list-style-type: none"> GMs respective to the Channel



Version Control

Version	Description	Modified By	Date
0.1	1 st Iteration	Sue-Anne Luong	18/03/2014
0.2	2 nd Iteration	Sue-Anne Luong	04/04/2014
0.3			



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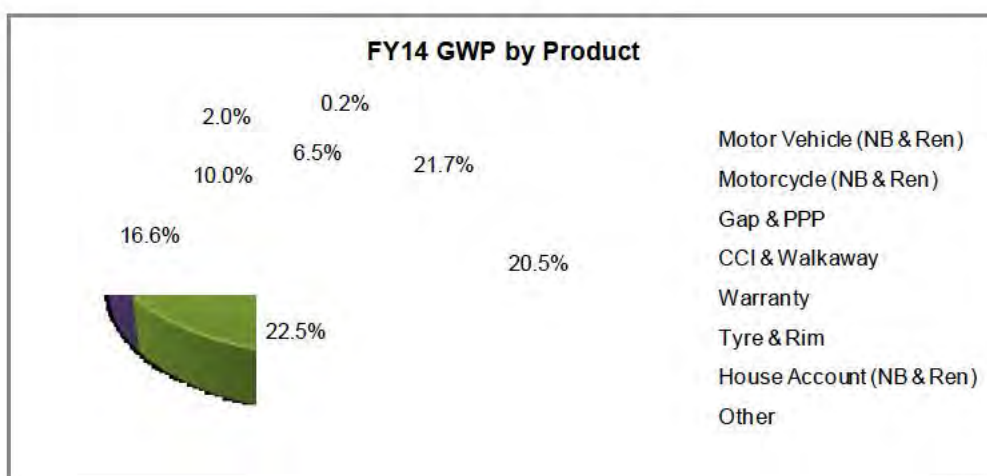
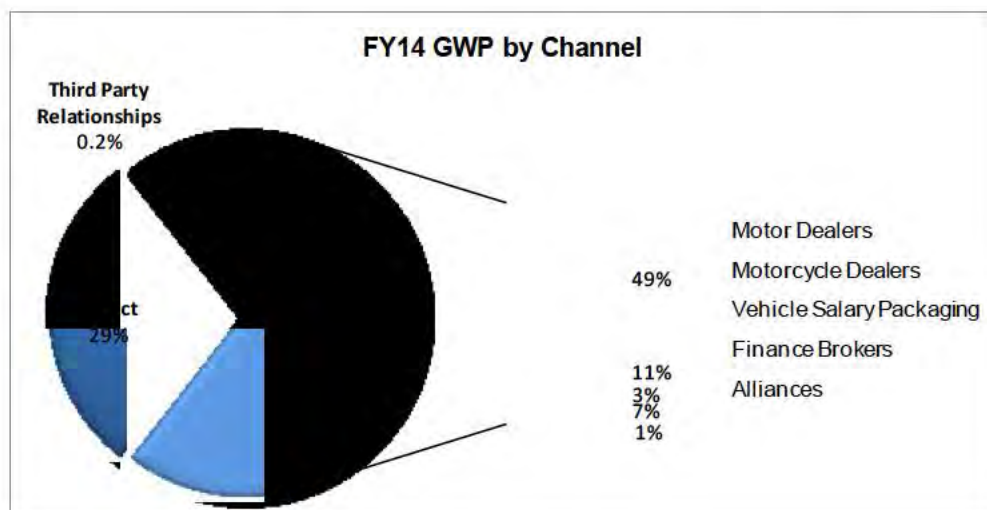
1 Channel Overview (3 pages max)

1.1 Channel Description

Swann Insurance ('Swann') is an independently licensed general insurer that has been in operation for 58 years. Traditionally, Swann distributes via a dealer sales & distribution model. However, our focus on diversification over recent years has created new market opportunities via third party relationships and a direct distribution model.

The GWP forecast result for FY14 is \$227m (LYR\$211m). Swann has a tradition of delivering strong financial performance, consistently exceeding return on risk based capital targets.

In FY14, Dealer Sales & Distribution delivered 71% of Swann's GWP, a result of a product profile that is heavily weighted towards non commodity single term products, that allows Swann to compete effectively against much larger insurers. The remaining 29% resulted from the Direct channel. This includes motor vehicle and motorcycle policy sales via online and phone (including renewals). Third Party Distribution sales have been negligible to date, however we expect to see growth in this channel as we move into FY15.





Strategy on a Page

Swann's strategy is to deliver sustainable profitable growth through:

- providing high quality and differentiated services to intermediaries and consumers
- focusing on niche products, where price leadership & business scale are important
- distribution in niche markets where Swann has an opportunity to take a market leadership position

Financial
Insurance Result -
\$13.7M

Sales & Service
Positive Agent Win/Loss
Retention rate >75%

Operations/Technical
Controllable expenses
between 57 – 58% of NEP

People
OCI result from
constructive cluster - 220
to 240

Dealer Sales & Distribution
Motor Vehicle Dealers
Motor Cycle Dealers
Finance Brokers
Salary Packaging
Companies
Alliances

Third Party Distribution
AMP
Bohai
NRMA

Direct Distribution
Motorcycle
Bill Protection
Bicycle

Dealer Sales & Distribution - We utilise our expertise & provide broad service offering that differentiates us from our competitors and maximises partners income from their core operations

Third Party Relationships – Identify partners where we can leverage our knowledge & expertise together with their distribution reach to achieve mutually beneficial outcomes

Direct Distribution - We understand our customers and provide tailored products and experiences that meet their individuals needs in niche markets

How to Win

People

- Ensure all Leaders continue to drive our constructive culture
- Improve capability of Swann's Leaders through SLG, SELF, development opportunities and leadership courses
- Identify and develop talent

- Deployment of new front-end sales system
- Leverage Group capabilities to improve position in the market
- Develop and implement iLearn enhancement strategy

- Enhance the customer experience in the Motorcycle segment
- Implement Single Customer View
- Deploy Customer Portal

- Develop & implement Third Party Distribution strategy
- Continue to evolve Asia strategy
 - Development of Distribution, Administration and Claims Systems where required
 - Continue to support product development & pricing
 - Assist in the development of specialised procedures and personnel

Organisational Enablers

- Drive Operational Excellence by implementing MOS principles and behaviours
- Collaborate with each other to develop a cohesive business and deliver improved organisational benefits



1.2 Market Context

	Trends	Net Impact of all Trends to CGU/Channel (+ve/-ve)	CGU's Response
Political/ Regulatory	<ul style="list-style-type: none"> Ongoing CCI review by ASIC. The vehicle salary packaging segment is subject to policy changes such as the ATO's assessment of fringe benefits. Future financial reforms may ban product issuers from providing commission to business partners. 	-ve	CGU Legal, Swann & Business Partners continue to work co-operatively with ASIC / ICA Steering Committee / others to influence the reform agenda. Continue with diversification strategy <ul style="list-style-type: none"> Direct channel IAG Asia market
Economic	<ul style="list-style-type: none"> Many of Swann's niche product purchases across all distribution channels are largely driven by consumer sentiment and disposable income. New motor vehicle sales have been steadily increasing since the GFC. However, this trend is not expected to last. Eg. mining slowdown in Queensland has impacted the dealer channel. Organic growth in motorcycle sales continues as the economy improves. Insurance is a grudge purchase and price is the major driver for consumers, especially those purchasing insurance online. 	-ve	Continue with diversification strategy <ul style="list-style-type: none"> Direct channel IAG Asia market
Social	<ul style="list-style-type: none"> Changing buyer behaviour will sustain growth in the online channel as consumers become accustomed to purchasing online, placing pressure on Swann's traditional distribution networks. Urbanisation and increasing traffic congestion could increase popularity of motorcycle and bicycle riding. 	+ve	Continue with diversification strategy <ul style="list-style-type: none"> Direct channel IAG Asia market
Technology	<ul style="list-style-type: none"> The ability to purchase insurance online is having a substantial impact as consumers can more readily compare prices. The adoption of telematics will impact the pricing of risks. 	+ve	Continue to monitor competitor pricing in the direct channel and price products competitively for Swann's target segments. Monitor the market as telematics is introduced to the Australian market and leverage experience from CGU/wider group.
Environmental	<ul style="list-style-type: none"> Customer attitudes and increasing motivation to reduce motor vehicle emissions may encourage bicycle and motorcycle riding. Major weather/peril events will increase Swann's loss exposure. 	-ve	Continue with diversification strategy in Direct channel. Grow House Account insurance in motorcycle dealer market to reduce volatility.



1.3 SWOT Analysis

STRENGTHS		
Dealer Sales & Distribution	Third Party Relationships	Direct
Reputable brand name, company size & strength	Backed by IAG	Reputable brand name
National presence	Willingness to partner	Access to direct customers to grow GWP
Industry expertise / knowledge & market share	Flexible systems	Competitive Motorcycle pricing
Willingness to partner	Back-end administration expertise	Online quoting system fulfils through to policy issuance
Extensive Alliance partnerships in the motorcycle channel (multi-level)	Product expertise & knowledge	Proactive and innovative
Footprint of Account Managers	Deliver cost effective solutions	Multi-bike capabilities
Whole of account offering (Motor Vehicle & Motorcycle dealer House Account)	Speed to market	Access to competitor pricing
Proactive		Dedicated resource/management
Accessibility to Swann Management		Speed to market
Flexible & efficient commission / remuneration		Growing social media presence
Business structure: end-to-end control		

WEAKNESSES		
Dealer Sales & Distribution	Third Party Relationships	Direct
Motor Vehicle comprehensive pricing	IAG infrastructure	Limited experience in Direct
Lack of personal watercraft product	No clear management structure: lack of focus on this segment	Limited marketing expenditure
Lack manufacturer & financier alliances in Motor Vehicle channel		Inability for customers to self service
Channel conflict (MCD)		



OPPORTUNITIES		
Dealer Sales & Distribution	Third Party Relationships	Direct
Basic 'no frills' Motor Vehicle comprehensive policy	Extend Warranty distribution admin & claims system to the partner insurers	Single customer view
Innovation - product enhancements	Leverage new IT solutions e.g. Atom feeds, Cloud	Product development
New Alliance opportunities in Motor Vehicle	Leverage expertise in new & unique markets	Online quote support: click to call, click to chat
Grow motorcycle House Accounts		
Activ8 as a sales tool		
Limited kilometre option for Motorcycle		
Leveraging CTP in NSW		

THREATS		
Dealer Sales & Distribution	Third Party Relationships	Direct
Dealer consolidation	Loss of Swann's IP	New companies entering the market and diminishing profit margins eg. Youi is now offering Motorcycle insurance
Legislation changes & interpretation	Brand damage	Evolving market
Manufacturer & financier alignment		Channel conflict
Lack manufacturer & financier alliances in Motor Vehicle segment		
Wholesale model		
Financiers launching insurance products		
Financiers reluctant to fund insurance		
Mining slowdown		
Exit of local car manufacturing		
Motor comprehensive pricing		
Potential Suncorp acquisition of MTA		
Allianz remuneration strategy		
TFS and Nautilus gaining market share		
QBE continues to price match and pay dealer full commission		



1.4 Competitive Dynamics

No information on market size publicly exists for Swann's channels, but the following represents our best estimates.

Channel	Market Share	Market Rank
Dealer Sales & Distribution		
Motor Dealer	> 35%	2 nd
Motorcycle Dealer	> 85%	1 st
Finance Broker	> 50%	1 st
Vehicle Salary Packaging	< 35%	2 nd
Direct		
Motorcycle Direct	< 10%	4 th

1.4.1 Dealer Sales & Distribution Competitors

Motor Dealer

	Competitor	Estimated Size of Market	Key Strategy/Propositions
1	Allianz	45%	To provide whole of account leverage, trading off Motor Vehicle Dealer sales and account renewals. Allianz provide a one stop shop, removing the need for multiple relationships. This supplies them with pricing flexibility.
2	Toyota Financial Services	7.5%	To grow the Toyota franchise as a one stop shop and partner with dealers for insurance in the same way they do for finance.
3	MTA Insurance	7.5%	To offer dividends to shareholders of MTA (owners of dealerships) in lieu of commission to encourage insurance sales.
4	The Warranty Group	5%	To provide low cost retail insurance products that can be retailed at higher margins.

Motorcycle Dealer

	Competitor	Estimated Size of Market	Key Strategy/Propositions
1	QBE	15%	To offer flexible prices on competitive products.
2	Nautilus	5%	To leverage the strength of the YMI (Yamaha Marine Insurance) brand and reach to offer a broad range of products and utilise their relationships with non-Yamaha dealers via their personal watercraft product.



Finance Broker

	Competitor	Estimated Size of Market	Key Strategy/Propositions
1	Avea	40%	To provide an additional income opportunity and are the lowest wholesale cost provider.
2	Allianz	10%	Allianz offer a large range of price competitive products with strong brand resonance amongst Australian consumers. They are a one stop shop, removing the need for multiple relationships. This provides them with pricing flexibility.

Vehicle Salary Packaging

	Competitor	Estimated Size of Market	Key Strategy/Propositions
1	Avea	40%	To provide an additional income opportunity and are the lowest wholesale cost provider.
2	Allianz	25%	Allianz offer a large range of price competitive products with strong brand resonance amongst Australian consumers. They are a one stop shop, removing the need for multiple relationships. This provides them with pricing flexibility.

1.4.2 Third Party Relationships Competitors

Not applicable as this segment is relationship driven.

1.4.3 Direct Competitors

This competitor review is focused on the motorcycle direct market.

	Competitor	Estimated Size of Market	Key Strategy/Propositions
1	QBE	25%	To offer flexible prices on competitive products.
2	Insure My Ride	35%	A low cost provider of motorcycle insurance that has generated strong brand awareness.
3	Shannons	20%	Positioned as an insurer for motorcycle enthusiasts.
4	IAG Direct Insurers	10%	To provide all personal insurance needs under one roof and offer multi-policy discounts.



2 Channel Strategy (5 pages max)

2.1 Vision & Goals

2.1.1 Vision

Swann's Purpose – To protect what people love

Swann's Ambition – For our people, products and

Swann's Vision

At Swann, we protect what our customers love. We do this by delivering the insurance cover they need while being accessible, open and straight with them every time they deal with us.

We are action-orientated and business-focussed. We are passionate about what we do and believe in our business and the innovative products we offer. We find new solutions that enable us to lead in our chosen markets. We stay in touch with our partners and deliver on their expectations.

Our people work hard and achieve great results. We are proud to work for Swann, are focussed on what we do, and are committed to success and delivering on our goals. We are pro-active and unafraid of change – we win, and enjoy the ride.

Our stakeholders are rewarded by our drive and service



2.1.2 FY16 Goals

Financial		Sales & Service	
Goals	Measure/Target	Goals	Measure/Target
<ul style="list-style-type: none"> Insurance Result 	<ul style="list-style-type: none"> \$14.6m 	<ul style="list-style-type: none"> Positive Agent Win / Loss Overall Retention Rate 	<ul style="list-style-type: none"> > \$0.0m > 75%
Operational/Technical		People	
Goals	Measure/Target	Goals	Measure/Target
<ul style="list-style-type: none"> Controllable expenses % of NEP <p><i>*Controllable expenses includes CHE, Admin, Commission and DAC</i></p>	<ul style="list-style-type: none"> 56.8% 	<ul style="list-style-type: none"> OCI result from constructive cluster 	<ul style="list-style-type: none"> 220 - 240

2.2 Where will we play?

2.2.1 Customer Segment

2.2.1.1 Dealer Sales & Distribution

- Motor Dealers - The focus for Swann is to grow our position within the market via acquisition. Successfully leveraging group resources through DI's parts strategy will create additional barriers to exit as well as opportunities for Swann to acquire new accounts.
- Motorcycle Dealer – As Swann are the market leaders in this segment, our focus is to defend our position. The introduction of 'whole of account' will assist Swann in achieving this. We also expect to see some organic growth as the economy continues to improve.
- Finance Brokers – The focus for Swann is to defend our position, however, Swann are mindful that this segment has reputation concerns attached.
- Alliances – Swann are focused on increasing our activity in this segment with motor vehicle manufacturers and financiers. Within the motorcycle segment, Swann hold 4 of the top 5 manufacturer Alliances (Harley Davidson, Kawasaki, Honda & Suzuki).
- Vehicle Salary Packaging – This is a segment that has experienced increased competitor activity, with the loss of a major account, Smart Salary during FY14. Swann's focus is to defend our current position but also acquire some of the larger accounts within the segment.
- House Accounts – The focus for Swann is to grow our position, in line with our strategy of house accounts being offered to dealers who support Swann Retail Paper. Continuing to grow our motorcycle house account book, which was implemented in FY14 will assist in diversifying our risks in this portfolio. Successfully working with CTP to deliver a seamless strategy for the dealer network will enhance our whole of account offering.



2.2.1.2 Third Party Relationships

As this is a relatively new channel for Swann, the focus is to grow this segment. Swann need to investigate opportunities where we can leverage our existing core competencies together with a third party's distribution reach to achieve mutually beneficial outcomes. This is expected to occur within the Asian market, through our relationship with IAG Asia. Some progress was made with the China warranty venture with Bohai in FY14, but sales have been slow to date.

2.2.1.3 Direct

The focus is to grow our book of motorcycle direct customers. We acknowledge that consumer buying behaviours are changing, with more consumers looking to purchase directly from insurers online and over the phone. Additionally, there is an increasing need to provide customers with the ability to self service.

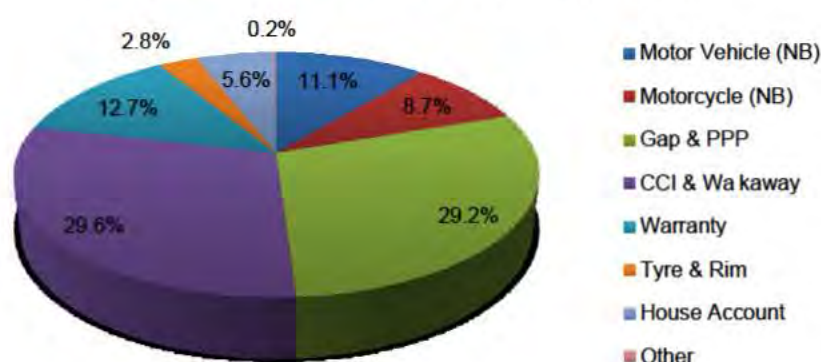
Segment	FY14(F)	FY15(F)	FY16(F)	FY17(F)
Direct	12.5	13.6	15.0	17.0
Dealer Sales & Distribution	201.8	206.7	210.4	212.8
House Accounts	12.9	13.4	13.6	14.2
Total	227.2	233.7	239.0	244.0

2.2.2 Products & Services

2.2.2.1 Dealer Sales & Distribution

All Swann products are distributed via this channel, with a large focus on increasing the number of products per customer to maximise dealer F&I income.

FY14 Dealer Sales & Distribution GWP by Product



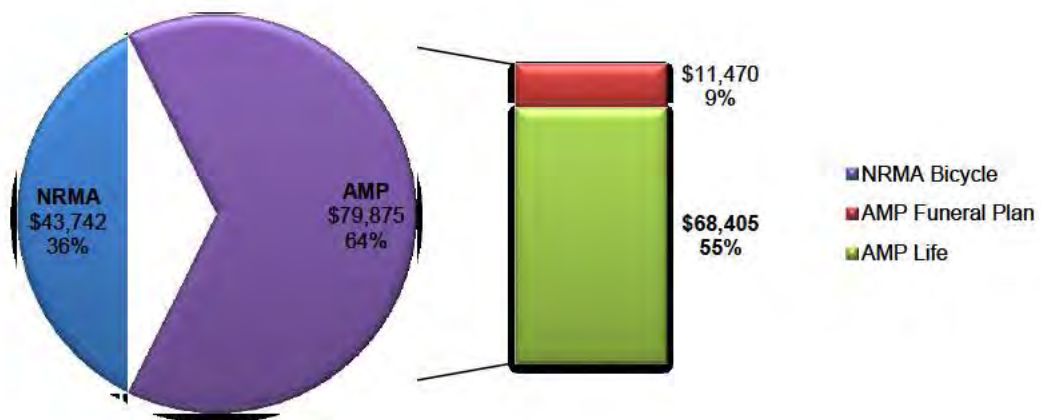


2.2.2.2 Third Party Relationships

This is tailored to the partner's needs. Our current arrangements are as follows:

- AMP – Front-end system for the distribution of a term life and funeral product developed for AMP, both online and through their call centre. Policy and claims administration is provided as a service by Swann.
- NRMA – Swann's bicycle product (branded NRMA) is distributed via NRMA's call centre and website.
- Bohai –In FY14, Swann developed a warranty distribution, administration and claims system for use by Bohai in China. A profit share arrangement and administration fee has been agreed. To support our relationship with Bohai and IAG Asia, Swann has recently appointed a dedicated resource, based in China.

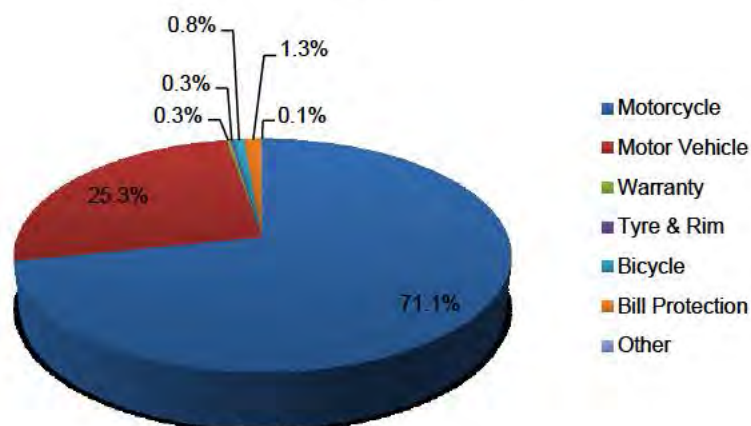
FY14 Third Party Distribution Retail Sales



2.2.2.3 Direct

A sub-section of the products offered within Dealer Sales & Distribution are offered in Swann's direct channel, either over the phone or online. The major focus for the channel is motorcycle insurance, which represented 71% of Direct sales in FY14.

FY14 Direct Retail Sales





Segment	FY14(F)	FY15(F)	FY16(F)	FY17(F)
Motorcycle	46.0	48.8	50.7	52.1
Credit Insurance	23.7	24.1	24.5	25.0
GAP Insurance	52.3	54.8	55.8	56.8
Warranty	22.5	22.9	23.3	23.7
Motor General	49.6	50.4	51.3	52.2
Tyre & Rim	4.7	4.6	4.7	4.7
Bicycle	0.1	0.1	0.1	0.1
Walkaway	14.8	14.3	14.5	14.8
Other Personal Lines	0.8	0.7	0.7	0.8
Other Commercial Lines	12.6	13.1	13.3	13.9
Total Swann	227.2	233.7	239.0	244.0

2.2.3 Geography

Swann will aim to grow GWP across all segments:

- Dealer Sales & Distribution – Australia wide
- Third Party Relationships – Australia wide and Asia
- Direct Distribution - Australia wide

2.2.4 Partner/Intermediary Segments

2.2.4.1 Dealer Sales & Distribution

Swann's top 10 accounts within Dealer Sales & Distribution are:

Rank	Agent Name	Account Class	Sub Channel	FY14 Forecast New Business & Renewal Premium	%
1	PETER STEVENS MOTORCYCLE GROUP	A	Motorcycle	\$11,598,071	3.9%
2	GEOFF PICKERING GROUP	A	Motor Vehicle	\$9,697,192	3.2%
3	MAXXIA GROUP	A	Fleet	\$9,497,009	3.2%
4	MOTORCYCLE HOLDINGS GROUP	A	Motorcycle	\$9,281,588	3.1%
5	JLT GROUP	A	Motor Vehicle	\$8,379,178	2.8%
6	THE GROUP	A	Motor Vehicle	\$7,976,830	2.7%
7	ALLEN/SCHOOLLAND GROUP	A	Motor Vehicle	\$7,795,772	2.6%
8	PETER TERRY GROUP	A	Motor Vehicle	\$7,488,588	2.5%
9	JARVIS HOLDING GROUP	A	Motor Vehicle	\$7,414,735	2.5%
10	NATIONAL CAPITAL MOTORS GROUP	A	Motor Vehicle	\$5,445,156	1.8%
11	Other			\$215,878,960	71.9%
	Total			\$300,453,077	100%



Swann's accounts are classified into 3 groups based on annual premiums generated.

- A - greater than \$1m pa
- B - \$250k to \$1m pa
- C - less than \$250k pa

Each group has different servicing requirements attached (see Appendix).

In FY14, class 'A' accounts generated 70% of all new business sales for Dealer Sales & Distribution.

FY14 New Business Retail Sales by Account Class



In addition to retaining our top accounts, our Dealer Sales & Distribution team will continue to focus on acquiring new accounts. The expectation is that opportunities will grow once we have successfully executed our key initiative of leveraging IAG capability within the motor vehicle dealer segment.

2.3 How will we win?

2.3.1 Customer Value Proposition

Direct

Customer's primary need from insurer:

- Provide protection for the things that they are passionate about / need protecting.

Swann value proposition:

- We understand our customers and provide tailored products and experiences that meet the individual's needs.

Swann focus areas to support value proposition:

- Customer focused processes
- Customers can interact with us when and how they want to
- Meet or exceed customer expectations
- Manage the customer experience
- Service consistency across the business
- Investment in customer and market research
- Simple to use systems
- Customer service levels to support/enhance 'Swann' consumer brand
- Price competitive (in our target market) products, channel specific, affordable & easy to understand
- Ongoing investment in marketing to support brand as appropriate



2.3.2 Partner/Intermediary Value Proposition

Dealer Sales & Distribution

Intermediary's primary need from insurer:

- Provide products and services that assist them to maximise business income potential.

Swann value proposition:

- We utilise our expertise & provide broad service offering that differentiates us from our competitors and maximises partners' income from core operations.

Swann focus areas to support value proposition:

- S&D 'trusted business advisors', specialisation, account service levels & strong personal relationships
- Company reputation
- Analysis, benchmarking, advice, sales penetration & results focused
- Business scale, 'end to end' control, decision making, risk acceptance & innovation
- Technical market/product knowledge, pricing capability and commission levels
- Comprehensive range of products and services
- Specialist dealer trainers & training programs
- Market specific front end sales systems and models

Third Party Relationships

Customer's primary need from Swann:

- Knowledge and expertise to assist their potential to sell products & services that will maximise their business income potential.

Swann value proposition:

- Willingness to share our knowledge and partner to achieve mutually beneficial outcomes.

Swann focus areas to support value proposition:

- Technical expertise
- IT systems and development capability
- Efficient Customer Service and back end processes
- Tailored products
- Appetite for innovation and change
- Reputation and trust

2.4 Areas of Excellence

2.4.1 Maturity Assessment & Progress Against Desired State

Scoring system: 1 – No Capability; 2 – Below Market; 3 – At Market; 4 – Above Market; 5 – Best in Market



2.4.1.1 Dealer Sales & Distribution

The gap between our current and desired states are smaller within Dealer Sales & Distribution than other segments, as this is Swann's traditional channel, which we have spent many decades refining.

Technical	Current	Desired by G16	FY15 Focus	FY16 Focus
Business & market intelligence	3.5	4	✓	
Product & pricing innovation & expertise	3	3.5		✓
Effective data management & reporting	3	4	✓	
Innovative & adaptive systems & applications	3	3.5	✓	
Tailored training programs	3.5	4		✓
Business & market intelligence	3.5	4	✓	

Operational	Current	Desired by G16	FY15 Focus	FY16 Focus
Efficient processes	3	3.5	✓	
Defined service standards	3	4	✓	
Flexible operating model	3.5	3.5		
Effective change management	3	4	✓	
Productivity	3.5	4	✓	
Appropriate workforce management tools	3	4	✓	

People	Current	Desired by G16	FY15 Focus	FY16 Focus
Achievement of preferred culture	3	4.5	✓	✓
Attract, retain & develop capability	3	4	✓	✓
Reward high performance	3.5	4	✓	✓
Clear measurable, aligned objectives	3.5	4	✓	✓
Right people, right roles	3	4.5	✓	✓
Leadership Capability	3	4	✓	✓
Talent Management	2.5	4	✓	✓

Sales & Service	Current	Desired by G16	FY15 Focus	FY16 Focus
Defined value proposition	3	4	✓	
Market leading benchmarking & reporting	3.5	4		✓
Aligned incentive programs	3	4	✓	
Trusted Business Advisor	4	4.5	✓	
Results Driven	4	4.5	✓	✓

2.4.1.2 Third Party Relationships

Technical	Current	Desired by G16	FY15 Focus	FY16 Focus
Product & pricing innovation & expertise	2.5	3	✓	
Effective data management & reporting	2.5	3		✓
Innovative & adaptive systems & applications	3	3.5	✓	
Legal and compliance expertise	3	3.5	✓	



Operational	Current	Desired by G16	FY15 Focus	FY16 Focus
Efficient processes	2.5	3.5		✓
Defined service standards	2.5	3.5	✓	
Flexible operating models	2.5	3	✓	
Project management competence	3	3.5		✓

People	Current	Desired by G16	FY15 Focus	FY16 Focus
Achievement of preferred culture	3	4	✓	✓
Attract, retain & develop capability	2.5	3.5		✓
Reward high performance	3	3.5		✓
Clear measurable, aligned objectives	2.5	4	✓	
Right people, right roles	2.5	4	✓	
Channel knowledge	2	3.5	✓	✓

Sales & Service	Current	Desired by G16	FY15 Focus	FY16 Focus
Defined value proposition	2	3.5	✓	
Third party insight	2	3.5		✓
Relationship focus	2	3	✓	✓
Allocated resources	1	3	✓	
Trusted partner & capability	2	3.5	✓	✓
Results Driven	2	3.5	✓	✓

2.4.1.3 Direct

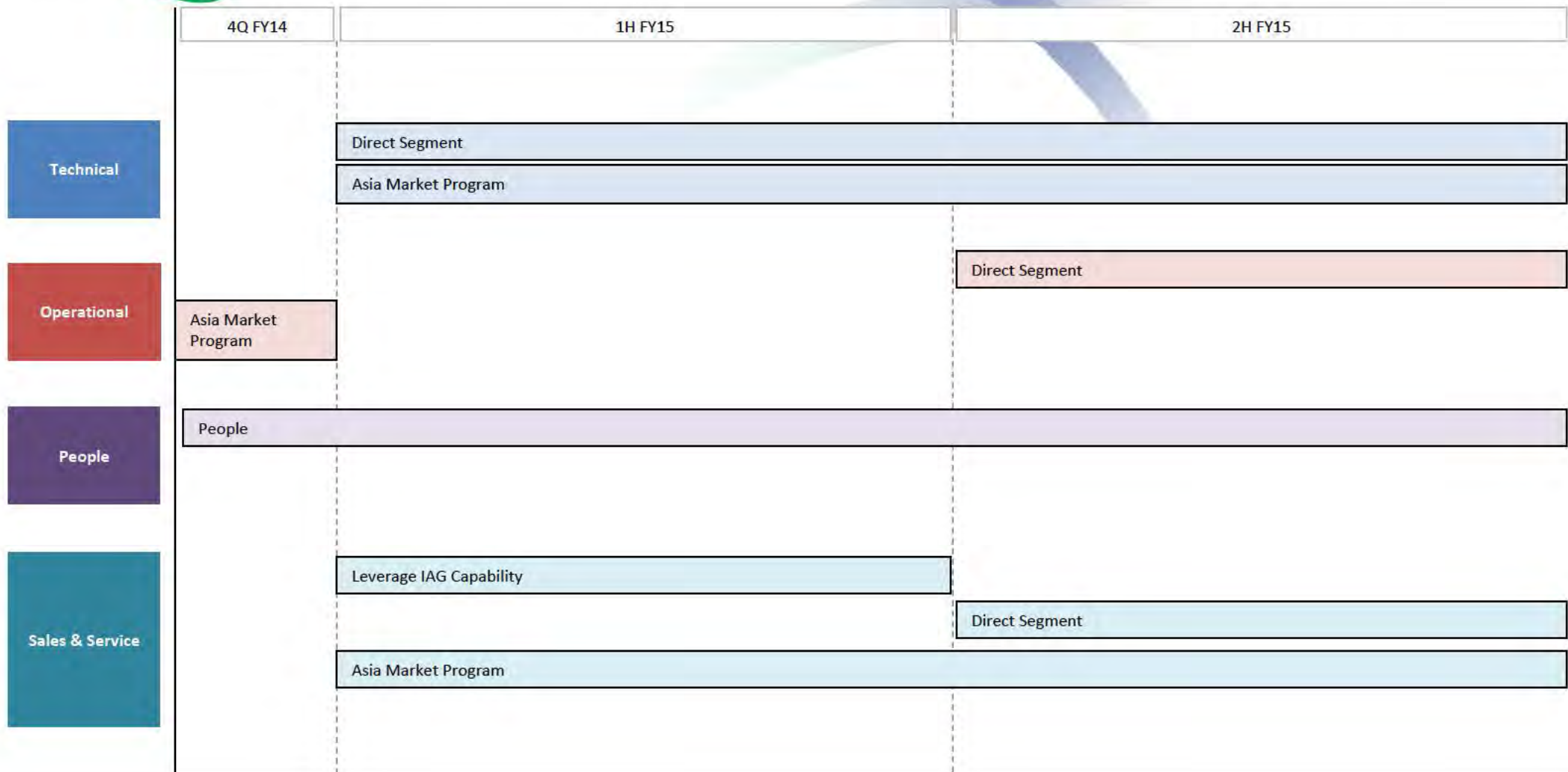
Technical	Current	Desired by G16	FY15 Focus	FY16 Focus
Product & pricing innovation & expertise	3	3.5	✓	
Effective data management & reporting	2.5	3	✓	
Innovative & adaptive systems & applications	3	4	✓	
Competitor & market intelligence	3	3		

Operational	Current	Desired by G16	FY15 Focus	FY16 Focus
Efficient customer focus processes	1.5	2	✓	
Defined service standards	2	2.5	✓	
Customer self service capability	1.5	3	✓	
Appropriate workforce management tools	2	2.5	✓	
Straight through processing	2	3	✓	

People	Current	Desired by G16	FY15 Focus	FY16 Focus
Achievement of preferred culture	3	3.5	✓	✓
Attract, retain & develop capability	2.5	3	✓	✓
Reward high performance	3.5	3.5		
Clear measurable, aligned objectives	3	3		
Right people, right roles	3	3.5	✓	✓
Channel knowledge	2.5	3	✓	✓

Sales & Service	Current	Desired by G16	FY15 Focus	FY16 Focus
Defined value proposition	3	3		
Customer insight & segmentation	2	3		✓
Customer experience	1	3	✓	
Allocated resources	2.5	3		✓
Exceed customer expectations	1	3	✓	✓
Effective management of marketing program	2	3	✓	✓

3 Strategic Roadmap (1 page max)



4 Risk Management & Assumptions (2 pages max)

4.1.1 Strategic

#	Risk or Assumption	Impact to the Business Plan if the risk event occurs or the assumption does not hold true	RESIDUAL Impact Likelihood Risk rating	Action plans: Preventative or Recovery
1	Asia Market Program - China Warranty Venture Swann's lack of experience in the Chinese market may impact our ability to achieve desired warranty sales volumes.	<ul style="list-style-type: none"> We will not succeed in executing on our diversification strategy. Financial returns via profit share arrangement and administration fee will be limited. 	Moderate Possible High	<ul style="list-style-type: none"> Swann has recently appointed a dedicated resource based in China to support our relationship with Bohai and IAG Asia. Finalise and agree on Swann's partnership responsibilities within the Asia region.
2	House Account Insurance Exposure Risk of major loss exposure greater than the reinsurance limit on House Accounts due to major weather/peril event or fire at a large dealership.	<ul style="list-style-type: none"> Profit and loss volatility 	Moderate Possible High	<ul style="list-style-type: none"> Keep and maintain hail register Spill over cover tipping losses back to CGU Dedicated Swann House Account Underwriting team to drive the right risk selections. Offer house account insurance to Swann's motorcycle dealer segment to reduce volatility
3	Lack of Experience in the Direct Market Swann have limited experience and a lack of unprompted brand awareness in the Direct market.	<ul style="list-style-type: none"> Swann's low brand presence may impact our ability to generate the desired sales volumes and the return on investment will not be realised. We will not succeed in executing on our diversification strategy. We may be susceptible to fraudulent activity, thereby incurring additional claims costs and impacting our profitability results. 	Minor Likely High	<ul style="list-style-type: none"> Continue to invest in marketing to promote the Swann brand. Continue with pricing strategy to be competitive in our target markets to promote sales growth. Continually monitor performance and adjust rates as required.

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4.1.2 External

#	Risk or Assumption	Impact to the Business Plan if the risk event occurs or the assumption does not hold true	RESIDUAL Impact Likelihood Risk rating	Action plans: Preventative or Recovery
1	Regulatory Changes There is a risk of new legislation being introduced, or changes to interpretation of existing legislation. Potential changes could be: <ul style="list-style-type: none"> - prevention of CCI products being sold at point of sale (similar to that in the UK) - banning product issuers from providing commission to intermediaries (future of financial reforms) - Government/regulator restriction or prescription on products and/or pricing (eg. NSW CTP price freeze) 	<ul style="list-style-type: none"> • May impact on Swann's ability to sell its products through dealers and prevent Swann from achieving its financial goals. 	Major Possible Critical	<ul style="list-style-type: none"> • Legal, Swann & Business Partners to continue to work co-operatively with ASIC/ICA Steering Committee/others to influence the reform agenda. • Continue with the diversification strategy.
2	Activity of Competitors & Market Consolidation There is a risk of further dealer market consolidation as well as continued aggressive competitive "whole of account" / "packaged" insurance approaches by Allianz and QBE.	<ul style="list-style-type: none"> • Swann may lose key accounts to competitors, resulting in lower sales and impacting adversely on Swann's financial targets. 	Moderate Almost certain Critical	<ul style="list-style-type: none"> • Continue to leverage Swann's House Account offering together with Retail. • Continue to work with CTP to deliver a seamless strategy for the dealer network. • Leverage DI's parts strategy when approved and implemented. • Continue with the diversification strategy.
3	Financial Market Uncertainty Market uncertainty will result in changing or fluctuating market conditions and consumer confidence.	<ul style="list-style-type: none"> • This may result in a possible reduction in vehicle sales and/or restriction of credit available to motor vehicle dealers, finance brokers and motorcycle dealers. 	Moderate Likely Critical	<ul style="list-style-type: none"> • Continue to monitor economic and market activity • Continue with the diversification strategy. • Maximising products per customer, mix and strict adherence to Dealer Sales & Distribution

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	<ul style="list-style-type: none"> Opportunities to sell Swann products are likely to reduce and therefore impact on Swann's financial results. 		non negotiables.
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4.1.3 Operational

#	Risk or Assumption	Impact to the Business Plan if the risk event occurs or the assumption does not hold true	RESIDUAL Impact Likelihood Risk rating	Action plans: Preventative or Recovery
1	Inability to Attract & Retain Quality/Specialist People There is a risk of Swann being unable to attract/retain quality/specialist people (eg Sales & Distribution, mechanics). Swann has a relatively flat structure and opportunities for career progression are limited within management.	<ul style="list-style-type: none"> Key/talented/specialist staff may be poached or attracted to roles with competitors/new entrants to the market, impacting on the delivery of key initiatives. 	Minor Likely High	<ul style="list-style-type: none"> BAU HR practices for attracting, recruiting & retaining staff. Improving our recruitment brand by keeping wages aligned to market conditions.
2	Inability to Execute on Key Initiatives There is a risk of Swann not being able to achieve delivery of all key initiatives on time, within budget and delivering on the benefits as expected.	<ul style="list-style-type: none"> Swann may not succeed in executing on our diversification strategy through Direct and Third Party Relationships. Our focus on growing the motor dealer segment will not be achieved. Swann will be adversely affected financially. 	Major Possible Critical	<ul style="list-style-type: none"> BAU standard project management and ensuring the right people are implementing the right processes. Highlighting the importance of timely and transparent issue escalation so these can be addressed.
3	Failure to Successfully Execute the Operational Efficiency Initiative Productivity may be impacted during the collection of data, prior to improvements being rolled out and benefits realised.	<ul style="list-style-type: none"> Swann will be adversely affected financially if benefits cannot be realised. 	Minor Possible Medium	<ul style="list-style-type: none"> Use of external consultants Effective change management Staggered rollout across the organisation

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5 Appendix – FY15 Business Plan (4 pages max)

5.1 FY15 Goals

Financial		Sales & Service	
Goals	Measure/Target	Goals	Measure/Target
<ul style="list-style-type: none"> • GWP Target • RoRBC 	<ul style="list-style-type: none"> • 233.7m • 19.2%* 	<ul style="list-style-type: none"> • Positive Agent Win / Loss • Overall Retention Rate • Motorcycle Direct Retention Rate 	<ul style="list-style-type: none"> • > \$0.5m • > 75% • > 80%
Operational/Technical		People	
Goals	Measure/Target	Goals	Measure/Target
<ul style="list-style-type: none"> • Controllable expenses % of NEP • Customer Service Index 	<ul style="list-style-type: none"> • 57.4%* • > 60% 	<ul style="list-style-type: none"> • OCI result from constructive cluster 	<ul style="list-style-type: none"> • TBA (waiting on FY14 results)

*Controllable expenses includes CHE, Admin, Commission and DAC

*Ratios subject to further refinement as expense allocations are reviewed



5.2 Key Initiatives

Initiative Name	Opportunity/Problem	G16 Area of Excellence & Focus Area	Impacts	Timing	Alignment Assessment (P – Primary or direct alignment to goals; S – Secondary or indirect alignment to goals) Nb. There can only be 1 primary alignment				Owner	Cost to Implement
					Financial	Sales & Service	Operational/ Technical	People		
Leverage IAG capability	(i) Leverage DI's parts strategy when approved and implemented	Area of Excellence Sales & Service Focus Area Dealer Sales & Distribution <u>CGU Alignment</u> Part (i) & (ii) Operational Excellence/ Process Optimisation Part (iii) Operational Excellence/ Service Delivery	DI Supply Chain Internal Swann	Jul-14 – Dec-14	S	P			Paul Ayton	Budgets/BAU Opportunity cost for processes
	(ii) Work with CTP to deliver a seamless strategy for the dealer network		CTP Internal Swann	Jul-14 – Dec-14	P	S			Paul Ayton	
	(iii) Assess the viability of distributing a non-Swann manufactured motor vehicle product through the Dealer Channel		DI / CGU Internal Swann	Jul-14 – Dec-14	S	P			Paul Woodhouse	



Initiative Name	Opportunity/Problem	G16 Area of Excellence & Focus Area	Impacts	Timing	Alignment Assessment (P – Primary or direct alignment to goals; S – Secondary or indirect alignment to goals) Nb. There can only be 1 primary alignment				Owner	Cost to Implement
					Financial	Sales & Service	Operational/ Technical	People		
Direct Segment	(i) Implement single customer view & deploy customer portal	Area of Excellence Sales & Service Operational Technical Focus Area Direct Distribution	Internal Swann	Jul-14 to Jan-15		P	S		Stephen Rosengren	Budgets/BAU Opportunity cost for systems & processes
	(ii) Investigate additional product development or segment opportunities to drive greater diversification	<u>CGU Alignment</u> Operational Excellence/ Partner & Customer Value Propositions Operational Excellence/Partner & Customer Focused Processes Information & Technology Excellence/Digital Service & Transactions Information & Technology Excellence/Data Management		Jan-15 to Jun-15	P	S			Paul Woodhouse Glenn Rosbrook	Budgets/BAU Opportunity cost for processes



Initiative Name	Opportunity/Problem	G16 Area of Excellence & Focus Area	Impacts	Timing	Alignment Assessment (P – Primary or direct alignment to goals; S – Secondary or indirect alignment to goals) Nb. There can only be 1 primary alignment				Owner	Cost to Implement
					Financial	Sales & Service	Operational/ Technical	People		
Asia Market Program	<ul style="list-style-type: none"> Finalise and agree on Swann's partnership responsibilities within the Asia Region 	Area of Excellence Sales & Service Operational Technical Focus Area Third Party Relationships <u>CGU Alignment</u> Operational Excellence/Partner & Customer Focused Processes Information & Technology Excellence/Digital Service & Transactions Information & Technology Excellence/Partner & Customer Relationship Management	IAG Asia Internal Swann	Mar-14 to Jun-14	P	S	S		Paul Ayton	Budgets/BAU Opportunity cost for processes
	<ul style="list-style-type: none"> Development of Distribution, Administration and Claims Systems where required Continue to support product development & pricing Continue to provide Sales & Distribution training and support Assist in the development of specialised procedures and personnel 			Ongoing					Paul Ayton	Budgets/BAU Opportunity cost for systems & processes



Initiative Name	Opportunity/Problem	G16 Area of Excellence & Focus Area	Impacts	Timing	Alignment Assessment (P – Primary or direct alignment to goals; S – Secondary or indirect alignment to goals) Nb. There can only be 1 primary alignment				Owner	Cost to Implement
					Financial	Sales & Service	Operational/ Technical	People		
People	<ul style="list-style-type: none"> Demonstrate application of MOS principles & behaviours in daily work Ensure all Leaders are aware of their responsibility to deliver the desired improvements in constructive culture Having the right people in the right roles through quality and consistent hiring and promotion processes Improve capability of Swann's Leaders through SLG, talent programs, development opportunities and leadership courses 	Area of Excellence People Focus Area Dealer Sales & Distribution Third Party Relationships Direct Distribution <u>CGU Alignment</u> People Excellence/Achievement Culture People Excellence/Leadership Capability	P&C Culture & Leadership Internal Swann	Ongoing	S	S	S	P	SEC SLG	Budgets/BAU Leadership courses < \$100k pa



5.3 Financials

5.3.1 Channel P&L

Dealer Market - Retail	FY13(A)	FY14(F)	FY15(F)	FY16(F)	FY17(F)
Market Size (GWP)	480	485	490	495	499
Market Share by GWP	43.1%	41.6%	42.2%	42.5%	42.6%

Motor Cycle Direct	FY13(A)	FY14(F)	FY15(F)	FY16(F)	FY17(F)
Market Size (GWP)	344	347	351	354	358
Market Share by GWP	1.6%	2.0%	2.6%	3.1%	3.7%

Measure	FY13(A)	FY14(F)	FY15(F)	FY16(F)	FY17(F)
Gross Written Premium (ex FSL)	231.3	227.2	233.7	239.0	244.0
Gross Earned Premium (ex FSL)	214.0	222.2	226.2	231.4	235.7
Total Reinsurance Expense	7.4	6.6	5.7	5.6	5.7
Net Earned Premium (ex FSL)	206.6	215.6	220.5	225.8	230.0
Net Claims Expense (incl CHE)	89.8	91.8	95.5	97.3	99.0
Total Commission Expense	85.5	87.0	88.7	90.6	92.1
Other Underwriting Expense (excl FSL)	0.3	0.2	0.0	0.0	0.0
Administration Expense	37.3	35.7	38.0	37.8	38.0
Deferred Acquisition Expense	(18.0)	(7.7)	(7.9)	(8.0)	(5.5)
Total Expenses (ex FSL)	105.0	115.2	118.9	120.3	124.7
Underwriting Result	11.7	8.7	6.1	8.2	6.3
Investment Income	6.1	5.7	6.0	6.4	6.8
Immunised Net Result	17.8	14.4	12.2	14.6	13.0
Immunised Combined Operating Ratio (ex FSL)	94.3%	96.0%	97.2%	96.4%	97.3%
Insurance Margin	8.6%	6.7%	5.5%	6.4%	5.7%

- Steady growth in GWP expected in the next 3 years.
- Mix of GWP will shift with the growth of the Direct channel.
- Reduction in reinsurance costs in FY15 due to House Accounts leveraging CGU Cat and Liability treaties offset by increased costs of moving from Per Risk to Property Surplus Treaty.
- Commission costs in core dealer business remain under pressure.
- Claims ratio is anticipated to remain stable with some increase in costs forecast for the Motorcycle portfolio as the direct book grows.
- Increased risk of P&L volatility with the adoption of CGU RI Treaties with significantly higher deductibles.
- Administration expenses require further review with result not accepted by Swann.
- RoRBC reduced to 19.2% due to significant increase in expense allocations moving into FY15.



5.3.2 Expenses

Measure	FY13(A)	FY14(F)	FY15(F)	FY16(F)	FY17(F)	Var FY15 v FY14 (%)
Income	-6.5	-4.0	-3.6	-3.6	-3.6	-11.7%
Expenses						
Salaries & Oncosts	24.7	23.9	25.2	25.9	26.5	5.4%
Other Staff Expenses	4.2	3.7	3.8	3.9	3.9	2.6%
Consultants	0.6	0.3	0.3	0.3	0.3	-20.1%
Advertising	1.7	2.0	2.4	2.4	2.4	17.3%
Depreciation	0.0	0.1	0.1	0.1	0.0	44.1%
IT System Expenses	0.1	0.3	0.3	0.2	0.2	2.5%
Postage & Telephone External	0.8	0.6	0.6	0.6	0.6	-2.5%
Printing & Stationery	0.3	0.3	0.3	0.3	0.3	2.3%
Motor Vehicle Expenses	0.7	0.8	0.8	0.8	0.7	1.7%
Rent	2.4	2.6	2.9	3.0	3.1	9.7%
Other Expenses	0.8	0.8	0.8	0.7	0.7	-3.0%
Total Controllable Expenses	36.3	35.4	37.4	38.1	38.8	5.5%
Internal Charges	6.8	4.1	3.7	3.2	3.2	-10.5%
Management Fees	6.6	8.1	7.3	7.1	7.1	-9.0%
Total Expenses	49.7	47.6	48.4	48.4	49.0	1.6%
Net Expenses	44.3	43.6	44.8	44.8	45.4	2.9%
People						
FTE	226.38	229.35	228.85	228.85	228.85	1.3%

- Non-Controllable cost changes between FY13 to FY14 impacted by changes to allocation methodologies following introduction of ABC.
- Salary cost increases reflecting a focus on reinvestment within the business. FY14 MOS program in operations has delivered a saving of \$1.1m which has been factored into expense budgets. Key areas where we have reinvested are Sales & Distribution, Process Improvement, Diversity, Reporting and System Developers.
- Increase in Advertising reflects ongoing efforts to grow the Direct business as part of Swann's diversification strategy.
- Reduction in internal charges reflects efforts to better understand and allocate One-Tech charges with some offset in Controllable Expenses as Swann moves some applications into the Cloud.
- Management fees require further review for both the FY14 Forecast period and FY15.



5.4 Account Classifications Guide to Agent Activity

'A' or 'Group A' Accounts - \$1.00m pa plus (actual or potential)

Individual Agent or Grouped – where an Agent is a member of a Group

Activity (Visitation)

Minimum call cycle

- **Weekly** – Swann Account Manager
- **Quarterly** – State Sales/Development Manager / Sales & Distribution Manager

Activity (Phone Contact)

- Sales & Distribution Manager – monthly for regional dealerships

Minimum Action Items – Account Manager

- **Conduct quarterly performance reviews including annual budget setting, profitability assessment in conjunction with Sales & Distribution Manager / State Sales/Development Manager**
- Account Manager to conduct Agent Performance Review of all “A” accounts with Dealer Principal, General Manager, or Group Business Manager
- Results Achieved – communicate Swann activity within the account with Dealer Principal including training activities and subsequent impact on revenue
- Ensure compliance obligations are completed
- Conduct or co-ordinate all training activities within the account
- Devise and implement formal / informal incentive programs in conjunction with Dealer Principal
- Record Call activity within Salesforce.com
- Coordinate and support House Account renewals (where applicable)

'B' or 'Group B' Accounts - \$250k to \$1.00m pa (actual or potential)

Individual Agent or Grouped – where an Agent is a member of a Group

Activity (Visitation)

Minimum call cycle

- **Fortnightly** – Swann Account Manager
- **Half Yearly** – State Sales/Development Manager / Sales & Distribution Manager

Activity (Phone Contact)

- Sales & Distribution Manager – Quarterly for regional dealerships



Minimum Action Items – Account Manager

- Account Manager to conduct Agent Performance Reviews of all “B” accounts with Dealer Principal, General Manager, or Group Business Manager
- Develop marketing plan in conjunction with key personnel – where appropriate
- Results Achieved – communicate Swann activity within the account with Dealer Principal
- Ensure compliance obligations are completed
- Conduct and co-ordinate all training activities within the account
- Devise and implement formal / informal incentive programs in conjunction with Dealer Principal
- Record Call activity within Salesforce.com
- Coordinate and support House Account renewals (where applicable)
- Conduct annual performance review including annual budget setting, profitability assessment in conjunction with Sales & Distribution Manager / State Sales/Development Manager

‘C’ or ‘Group C’ Accounts - Less than \$250k pa (actual or potential)

Individual Agent or Grouped – where an Agent is a member of a Group

Activity (Visitation)

Minimum call cycle (via phone or in person)

- **Monthly** – Swann Account Manager

Minimum Action Items – Account Manager

- Ensure compliance obligations are completed – Can be conducted remotely via telephone, email or online
- Performance Graph Quarterly (optional)
- Be a branch point of reference for Agents
- Encourage sharing of calls with Alliance business partners
- Record call activity in Salesforce.com