

# Report

and Accounts 2001



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**Directors:**

*Clockwise from the top*

Anthony Dreyer  
Christopher Mills  
Stephen D Williams  
Norman A Shuker  
Christopher J Schwick





## Company Details

### Directors:

Pierre de Villeneuve (Chairman),  
Norman A Shuker B.A., A.S.A., F.I.A.,  
Christopher J Schwick M.B.A.,  
Christopher S Mills LL.B., Solicitor.,  
Stephen D Williams.,  
Anthony Dreyer B.A. (Hons)., F.C.C.A.,  
Leslie W Priestley T.D., F.C.I.B., C.B.I.M., F.C.I.M.,  
Gerald B Raingold F.C.A., M.Sc. F.Inst.D.,  
Cardif S.A.,  
Cardif Société-Vie,  
Banque Financière Cardif

### Secretary:

Christopher S Mills LL.B., Solicitor

### Executive Management:

Jeff Bee - *Pinnacle Pet Healthcare Managing Director*  
Kathy Byrne B.Sc (Hons) F.I.A., -  
*Group Actuarial Director*  
Anthony Claytor B.A. (Hons)., A.C.I.B., - *New Products, New Markets and Internet Sales Director*  
Mark Cleary B.A. (Hons)., - *FTS Managing Director*  
Martin Crannis B.A. (Hons)., M.A., - *Business Development Director*  
Steve Devine - *Corporate Communications Director*  
Edward Dixon Beng (Hons)., F.C.C.A., - *Finance Director*  
Andrew Fleming - *Operations Director*  
Roger Humber - *Sales Director*  
Keith Martin M.B.A., - *GUAL Director*  
Clive Moore - *Investments Director*  
Christopher Murphy ACII - *Warranty & Special Risks Director*  
Tony Piper B.Sc (Hons)., - *Innovation Director*  
Steve Shreeve - *IT & Life Underwriting Director*  
Valerie Stockham - *Human Resources and Development Director*

#### USA

Manny Millor - Chief Executive

#### Ireland

John McGivern - Director

#### South Africa

Haydn Marchant AIIISA - Managing Director

#### Sweden

Dawit Mannheimer - Managing Director

### Registered Office:

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### Appointed Actuary:

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### Auditors:

Mazars Neville Russell, 24 Bevis Marks,  
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### Bankers:

Bank of Scotland, 38 Threadneedle Street,  
London, EC2P 2EH

Royal Bank of Scotland, Ealing Branch,  
14 High Street, Ealing Broadway Centre,  
London, W5 5EB

A photograph of a person wearing a green t-shirt, holding a blue telephone receiver. The person's face is partially visible at the top. The background is a mix of red and blue. The image is partially obscured by a white curved shape that frames the text.

## A strong platform for future growth

Review of the year ended 31 December 2001

For Pinnacle Insurance 2001 was a year of solid progress and consolidation throughout all areas of our business operations. Although our financial results were highly satisfactory, the emphasis was firmly on investing for the future – in our people, in product development, and in streamlining processes and systems. We also forged closer links and entered into new arrangements with a number of major clients. As a result, we have put in place a strong platform for growth and enter 2002 with confidence and optimism.

At £324 million, our total income was slightly down year on year. In part this reflects the intensely competitive market environment in which we operate. It also reflects the continuing pressure on our margins, particularly within our investments business. At the same time, our premium income growth during 2000 was particularly strong and replicating this performance was always going to be demanding, particularly during difficult trading conditions. Nevertheless, core creditor and warranty income came in ahead of the previous year and profit firmed to £11.5m, up two per cent year on year, reflecting the ongoing efficiency gains we are making throughout all areas of the business.

Inevitably, the year will be remembered for two events. The terrorist attacks on New York and Washington dominated the international stage. The ramifications continue to be felt, not least through the war against terrorism waged by the United States and its allies in

Afghanistan. Closer to home, the Foot and Mouth epidemic wreaked havoc within the UK farming and tourist industries.

Both of these events impacted the domestic economy, although the Bank of England's willingness to cut base rates – no less than seven times during the year – had a beneficial effect and consumer confidence remained high. Consumer spending experienced something of a boom, the mortgage market was equally buoyant and house prices continued to rise. Pleasingly, too, the meltdown in the global economy predicted by many failed to materialise. However, the prognosis for the next twelve months, both for the world and national economies, remains unclear.

Pinnacle's standing in the financial services sector continues to rise. At the end of last year, we were ranked 25th of the top UK general insurance companies by the Insurance Times. Within our core creditor and warranty business we are one of the major players domestically and, together with our immediate parent Cardif, now hold a leading position within the European and worldwide creditor markets, writing over £1.1bn of gross creditor premiums annually and operating in some 27 countries around the globe.

Our links with Cardif and our ultimate holding company, BNP Paribas, continue to be beneficial to all parties involved, not least our clients and their customers. Both



... we have put in place a strong platform for growth and enter 2002 with confidence and optimism.

Cardif and BNP Paribas are global players, with excellent track records of profitable growth and enormous strength in depth. This gives our clients confidence in our ability to compete effectively across all sectors. And thanks to our parent companies' extensive overseas networks, we are able to operate globally while delivering locally. This has undoubtedly helped facilitate a number of pan-European agreements. Increasingly, too, we are working with both parent companies on key business projects, including technology and product development.

Within continental Europe, we made significant progress in Sweden and the Nordic markets. We moved to new offices in Gothenburg and devoted time to restructuring and strengthening our operations in Scandinavia. As a result we expect to make significant progress in northern Europe during the next twelve months. Outside of Europe, we continue to look for suitable opportunities in the United States and remain committed to our subsidiary in South Africa. Established just over four years ago, Pinnafrica is the leading specialist provider of creditor in the Republic and following strategic and tactical changes is now poised to exploit further its market position.

Creditor within the UK is not just highly competitive, it is also fast approaching maturity. For the first half of the year, there was also pressure on the automotive sector. In response to these challenges, we worked hard with our clients to create yet more innovative solutions to their



**We see valuable incremental business in marketing mortgage and loan payment protection insurance direct to consumers.**

own and their customers' creditor needs. The results speak for themselves, with creditor volumes showing healthy year-on-year increases.

We continue to place great emphasis on forging closer links with our existing clients and were delighted in securing a further five-year arrangement with First National Bank. At the same time, we also acquired some important new lines of business, including Northern Rock Bank, a client who came to us through our partnership with Legal and General.

During the year we launched two mortgage payment protection insurance (MPPI) products aimed at taking full advantage of the burgeoning on-line financial services market. Helpupay is a web-based offering aimed directly at consumers, through its own Pinnacle internet microsite. Home Truths is a similar product, but marketed through brokers and affiliates. We see valuable incremental business in marketing mortgage and loan payment protection insurance direct to consumers. However, we remain totally committed to our traditional business, providing our clients with products for them to badge and sell either at the point of sale, or through resolicitation campaigns.

Daniel Mordue, one of our senior claims administrators, was voted Young Customer Services Professional of the Year.

Our warranty business continues to perform well, both brown and white goods warranty and special risks, such as mobile phone insurance and home emergency cover. During the year, we took the opportunity to review our warranty operations and have restructured for future expansion and growth. This entailed bringing our existing warranty insurance and service contracts businesses together under the umbrella of Pinnacle Warranty Services (PWS). We are also strengthening an already formidable warranty team.

Not surprisingly perhaps, given the prevailing low interest rate environment, Pinnacle Investments struggled to match the previous year's outstanding results, which saw income more than double year on year. Nevertheless, new business from our established income and growth bonds came in at £88m, a very creditable performance. We also worked closely with Investlife, a sister company in Luxembourg, in developing and launching two new products – a Private Client Account and Premier Growth Bond – with encouraging results.

Financial Telemarketing Services (FTS), our contact centre operation, enjoyed a successful year, with turnover up by over 100 per cent. Thanks to ongoing investment in infrastructure, systems and people, with 75 per cent of staff having completed NVQ training, FTS continues to offer Pinnacle, its clients and other third parties, a wide range of inbound and outbound telemarketing services and full outsourcing solutions, including third party

administration. With almost ten years experience of working with high profile clients in the financial services sector, FTS has significant growth potential, which we plan to exploit further during the year ahead.

In the 18 months since its launch, Pinnacle Pet Healthcare has made significant inroads into this expanding niche market. We have worked closely with veterinary practices to establish a presence in this sector and will continue to use these partnerships to increase penetration. Our internet microsite is also proving a valuable income stream and we are securing lines of business with some household name partners, including HBOS, HFC and employees of Boots, to name but a few. We are confident that Pinnacle Pet Healthcare is poised for a period of rapid growth, backed by a highly experienced team and attractive product portfolio.

We were delighted when 19 year old Daniel Mordue, one of our senior claims administrators, was voted Young Customer Services Professional of the Year at the National Customer Services Awards in November last year. We are proud of Daniel's achievement. We are also proud of the entire Pinnacle team. The judges were especially impressed with Daniel's sympathetic approach to customers, his commitment to customer service, and his proactive role in new service and product development. We believe that these are the hallmarks of everyone who works at Pinnacle. And this is why we remain confident, optimistic and excited about the future.





## Global reach, local delivery

### Enjoying the advantages of a global financial services group

We are fortunate to be part of a banking group that offers financial strength, invaluable support and access to all the major markets across the world. Cardif and BNP Paribas are major players not just in Europe but around the globe. We aim to take full advantage of this as we expand our operations overseas.

Formed in 1973, Cardif is a leading bancassurer, specialising in life assurance and third party management. Its personal insurance product portfolio embraces savings, retirement, and personal and group pension plans, marketed through a range of partners, including banks, finance companies, brokers and financial advisers. Cardif operates in 27 countries, including China and Japan, with some 150 major business partners worldwide. Cardif has also earned a reputation for product design, relationship management and technological innovation, including an award-winning intranet for its international network of sales agents.

Our ultimate parent, BNP Paribas, is Europe's third largest banking group, and is the most profitable bank in the eurozone, reporting profits of 4.018bn euro for the 2001 fiscal year. Formed from the merger of two of

France's most prestigious banking groups – BNP and Paribas – in 1999, BNP Paribas specialises in three core businesses: in retail banking; in private banking, asset management, securities services and insurance; and in corporate and investment banking.

With over 85,000 staff and representation in no less than 87 countries, BNP Paribas is undoubtedly a major force in world banking. It is also committed to playing an active role in the communities it serves, through the BNP Paribas Foundation, and currently sponsors the French Open and Davis Cup tennis tournaments.

BNP Paribas aims to be a benchmark banking group that is totally customer focused and constantly pursues improvements in its earning capacity. Central to its work are four core values – commitment, ambition, creativity, and reactivity. Pinnacle Insurance will seek to apply these selfsame qualities to our own business activities and relationships.

There is much more detailed information on Cardif's and BNP Paribas' web sites – [www.cardif.com](http://www.cardif.com) and [www.bnpparibas.com](http://www.bnpparibas.com)





## **Creativity maintains our competitive edge**

### **Providing solutions that deliver real added value**

With the creditor market fast reaching maturity and with competition intensifying, we need to think outside the box to develop new and creative approaches within our core creditor portfolio. We have also successfully pursued new markets, new customers and new lines of business. And we have sought to harness leading edge technology to open up new routes to market and to drive e-commerce.

### **Attracting new customers and creating new opportunities**

In 1996 Pinnacle Insurance entered into a joint venture with a major UK composite insurer. This alliance between two prima facie competitors was at the time ground breaking and unique. The arrangement allowed our partner to deliver creditor insurance to one of its clients, Abbey National Bank. When our partner merged with another major UK insurer, the original rationale behind our JV no longer held sway. We nevertheless continued to work with Abbey National and one of its major subsidiaries, First National Bank (FNB). The decision by FNB last year to enter into a further five year arrangement with Pinnacle for consumer and retail creditor, vividly shows the quality and depth of the working relationships we have been able to forge with our client.

Pinnacle Insurance, through its partnerships division, subsequently developed a new strategic alliance with

Legal & General Insurance during 2000, under which we provide a branded claims handling service for many of L&G's mortgage payment protection and special risks products, as well as marketing and strategic support. This has enabled L&G to develop and enhance its relationships with its clients through the introduction of new products and services.

Working with L&G, Pinnacle has also developed a mutually beneficial relationship with Northern Rock Bank, under which we provide MPPI to the Bank's existing borrowers, and L&G provides similar cover to new Bank customers.

During the year, we further developed our presence in the automotive sector, but extending outside the UK to embrace the whole of continental Europe. For example, our agreement with General Motors (GMAC) gives us the opportunity to sell both motor creditor and warranty products on a pan-European basis.

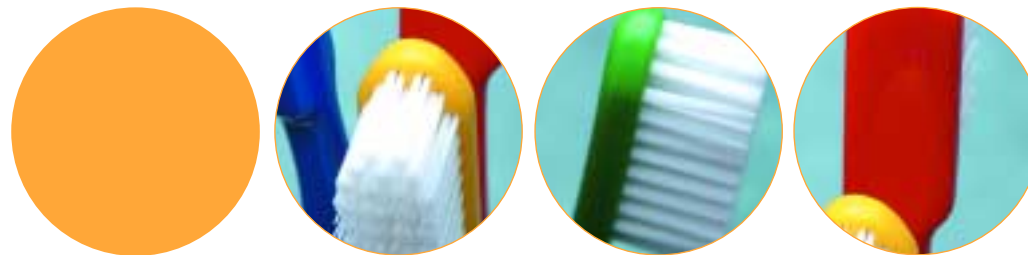
### **Creating new products and exploiting new income streams**

Pinnacle Insurance has earned a reputation for product innovation, both within and outside our core creditor markets. Our range of health insurance and cashplan offerings has proved particularly attractive, marketed both through company schemes and direct to individuals. We have also made some innovative changes to our

workplace marketing activities, using nurses to sell valuable medical cashplan cover to employees. And we have launched an enhanced Sports Accident package, Sports Accident Protection 'Extra' for the amateur sports enthusiast.

We pioneered the introduction of GAP Insurance in the UK. This cover continues to perform well within our domestic markets and overseas, including Pinnafrica. GAP provides valuable cover to people taking out finance to buy a vehicle, bridging the gap between what the motor insurer will pay and the finance company is owed if the vehicle is stolen or written off. Pinnacle has been no less creative in bringing other warranty products to market, such as its special risks portfolio, covering such articles as mobile phones, personal digital assistants (PDAs) and musical instruments.

Since its launch in 1996, Pinnacle Investments has grown into a £100m plus business. Despite difficult trading conditions over the past twelve months, Pinnacle Investments remains a valuable and growing income stream for us. New products developed and launched in conjunction with Luxembourg-based sister company Investlife, our entry into the private banking sector, and developments like our on-line Investors' Club will ensure that Pinnacle Investments continues to make an important contribution to Pinnacle's bottom line.



IN LITTLE UNDER 18 MONTHS SINCE ITS LAUNCH, PPH IS ALREADY NUMBER THREE IN A MARKET WITH ENORMOUS GROWTH POTENTIAL.

Established in 1993, Financial Telemarketing Services (FTS) has considerable potential for growth. A past winner in the annual Telebusiness Awards for Excellence, FTS has invested in infrastructure, technology and in people. It offers Pinnacle and our clients a leading-edge fully-outsourced contact centre, capable of conducting a wide range of telemarketing, customer services and third party administration activities. FTS's decision to concentrate on the financial services sector has enabled it to grow into its position as a leading service provider within this sector.

Pinnacle has also proved adept at entering existing niche markets, applying its experience and know-how to create a genuine difference and gain competitive advantage. Pinnacle Pet Healthcare (PPH) is vivid proof of this. In little under 18 months since its launch, PPH is already number three in a market with enormous growth potential – only 12 per cent of the nation's 14 million dogs and cats are currently insured. Broad cover, underpinned by menu pricing based on breed, age and location, make PPH's offering outstanding value and highly attractive to pet owners across the board.

### **Innovation – harnessing leading edge technology**

In 1998 we created an Innovation division to identify opportunities to harness technology more proactively in product delivery and in opening up new routes to market. We quickly followed this initiative by becoming an internet service provider (ISP) in our own right. Pinnacle.net enables us to stay at the forefront of web design and application and to drive our e-commerce agenda. It also enables Pinnacle, our clients and our affiliates to develop internet-based products and services swiftly and securely.

Innovation has already launched a number of microsites, offering clients and intermediaries the opportunity to sell our products on their web sites with links to Pinnacle for completion and follow-up. It has developed dedicated sites for our core and other business activities. And it has introduced the acclaimed Pinnacle Support web site for sick, disabled and unemployed claimants. This site was highly commended in the Insurance Times Awards 2001 for Insurer Innovation of the Year.



Pinnacle.net enables us to stay at the forefront of web design and application and to drive our e-commerce agenda.



## **Our commitment is unconditional**

### **Honouring our commitment to our stakeholders**

We are committed to giving our clients and their customers quality, value for money products and services that meet and, whenever possible, exceed their expectations. We are committed to providing our people with satisfying and rewarding careers, allowing them to fulfil their potential. We are committed to our local communities, thanking them for their hospitality and sharing with them the benefits of our success. And we are committed to our shareholders, repaying them for their faith in, and loyalty to us. Last year we took steps to honour this commitment with all our stakeholders.

### **Our clients and their customers**

During the past twelve months we have worked closely with our clients to provide tailor-made solutions to their customers' payment protection needs. We developed over 500 new schemes with nearly 90 clients, including the necessary systems support required for effective underwriting and claims administration. We also refined our warranty offerings, concentrating our portfolio on brown and white goods, and special risk products, and have brought sales, underwriting and claims administration together under one umbrella, Pinnacle Warranty Services, to provide a more efficient and responsive service.

Quality has always underpinned the service we provide. This was further confirmed when our back office functions – new business, sales operations, customer service, and claims -- had their ISO 9000 accreditation reconfirmed. Meanwhile our contact centre, FTS, is also working toward ISO accreditation. Additionally, we keep our clients fully informed about market trends and developments, with regular position papers and a quarterly Economic Newsletter.

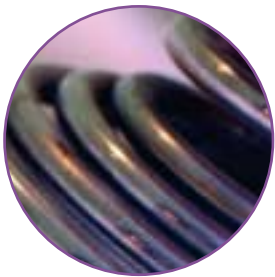
Last year, we introduced a fast-track claims process for disability claimants. As a result, they no longer have to complete claims forms and submit doctors' statements every month. Where the customer has a genuine ongoing ailment or a condition, which we know will take a specific amount of time to cure, we take all the necessary information upfront and then conduct regular reviews. This speeds up the claims process and relieves customers of having to make repeat claims.

Our Pinnacle Support web site is also proving popular with claimants, both those suffering a disability and those who are unemployed. For those claimants who are out of work, Pinnacle Support provides links to a variety of relevant sites, such as on-line recruiters and career management consultancies, together with a complete guide to the job hunting process. We also launched a regular newsletter for unemployed claimants, Lighthouse, packed with hints and tips for conducting an effective job search programme together with useful information about the job market.

### **Our staff**

We are, and will continue to remain, a people business. Ultimately, the quality of the service we provide depends on the knowledge and skills of our staff and the relationships they build with our clients and their customers. Accordingly, we continue to invest in building a versatile and multi-skilled team of Pinnacle people who are totally customer focused. FTS has also embarked on the journey to become an Investor in People (IIP), confirming its commitment to training and development.

Over 75 per cent of our back office support staff are working toward an NVQ Level 2 or 3 qualification in







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customer service. This situation is echoed in FTS, where a similar proportion of staff are studying for NVQs in telephone-based customer service. During the year, we also introduced a new modular-based training programme for staff. Introduction to Insurance covers the essentials of both general and creditor insurance over five half-day workshops. We hope to gain accreditation for this programme from the Chartered Insurance Institute (CII), providing an entry point for people to study for their professional qualifications.

We continue to run our On-Track management development centre for managers. This fast track programme is spread over two years and employs a mixture of on-the-job and formal training. We have also introduced a menu of half-day workshops for supervisors. This is a self-select programme, with many of the topics identified by the supervisors themselves.

As well as providing an important conduit for ongoing information, the Pinnacle intranet is also playing a valuable role in training and development, providing a one-stop-shop for individuals' personal development needs. Through Perceptions, our intranet-based software package, we are able to conduct on-line testing and surveys. Used with the job competencies we have identified, the PDP intranet site can help highlight training and development needs, support recruitment and facilitate succession planning. We are also able to relate any complaints received about an individual direct to their performance appraisal, thereby helping us to meet regulatory requirements and plan individual training needs.

### **Our communities**

We have long valued the hospitality and support we receive from the communities of Borehamwood and the surrounding areas. Many of our people live as well as work there. We have therefore identified opportunities for us to play our part in the life of these communities, as part of our growing corporate responsibility programme. We also continue to sponsor a range of local and national good causes and sporting activities.

Pinnacle Insurance is the official sponsor of the Prince Michael International Road Safety Awards, which are awarded to individuals and groups who have helped make roads, in the UK and overseas, a safer place. We also sponsor the Money Advice Trust (MAT) web site; the MAT is a charity, the only one of its kind in the UK, designed to train and support money advisers who can help individuals find their way out of spiralling debt through timely financial advice. And we are sponsors of the Community Service category in the annual Mortgage Finance Gazette Awards.

Closer to home we have supported a wide range of local sporting and community initiatives, many of them involving local schools and young people. They include helping fund the Community History Centre for the Borehamwood and Elstree Community History Project and sponsoring the annual Borehamwood Half Marathon and Fun Run. The race is now a regular feature on the athletics calendar, attracting entrants from all over the UK and overseas, as well as locally.

During 2002, World Cup year, Pinnacle is sponsoring an international six-a-side football competition, running from April through June. Organised by Borehamwood Twin Town Association (BETTA) and hosted by Borehamwood Football Club, the tournament's international leg will pit local teams with representatives from Borehamwood's twin towns, Fontenay-aux-Roses in France and Offenburg, on the edge of Germany's Black Forest.

Pinnacle continues with its very successful sponsorship of Nottingham Forest FC in the Nationwide First Division of the English Football League and supports the National Girls Football Festival.

#### **Our Shareholders**

Despite intense competition and difficult trading conditions, Pinnacle has consistently reported highly satisfactory annual results to our parent companies. Although income growth last year was flat, this was preceded by many years of outstanding double-digit premium income growth. We will continue to provide this level of return to our shareholders, thereby justifying their investment in us.



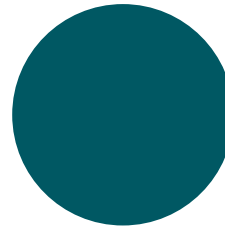
## **Responding to market and customer needs**

Refocusing activities and working smarter

We operate in a dynamic market place, where competitor activity and customer needs are constantly changing. And we have constantly sought ways to be ever more effective in what we do and how we do it, by working better, and working smarter.

### **Seizing opportunities to meet changing customer needs**

We have historically marketed mortgage payment protection insurance (MPPI) through partnerships with major lenders, typically banks and building societies, with their own branding but underwritten and administered by Pinnacle. This is and will remain our core business activity, and we will continue to work with our clients in this way. Nevertheless, we have identified opportunities to sell MPPI and other creditor and related insurance products direct to customers. In July 2001 we also launched a television commercial for our health cashback product, the first time we have used TV advertising under our own name.



Our direct product portfolio now includes Helpupay, an MPPI product sold direct to consumers, and Home Truths, a similar product sold through brokers. Our health and dental plans, sports injury products and Home Assistance insurance are also marketed and sold this way. We believe that there is considerable potential for growth in selling these and similar products direct to consumers, with such sales accounting for around three per cent of income last year.

During the year we successfully developed and launched a new teacher supply product, providing cash to schools when they have to hire a supply teacher because a permanent member of staff is ill or suffers an accident. Given most schools' financial situation, this is a product with significant room for growth. Although there are already similar schemes in play, we believe that we can bring something new to the market. And we were able to respond quickly to this opportunity, taking only six weeks from product inception to launch.

#### **Exploiting new routes to market**

Although the fall from grace of many dotcom companies has perhaps blighted the internet as a volume delivery channel, the growth in financial services sales over the web has remained steady if not spectacular. Pinnacle Insurance was in the vanguard of these developments and internet sales of our direct portfolio continue to grow. FTS, Pinnacle Pet Healthcare (PPH), Pinnacle Investments and Helpupay have their own dedicated internet sites, and PPH is achieving around 25 per cent of its current volumes through on-line sales.

Last year we extended the use of automated telephones, further automated the setting up and authorisation of Direct Debits, and introduced our fast track process for disability claimants.

Innovation division has also developed a number of microsites for selling direct to consumers. They include Sports Injury, Health Cashback, MedEx, Home Assistance, Income Replacement, Pinnacle Pet Healthcare and Home Truths on-line. We are also making these sites available to brokers and other affiliates, who can introduce their own branding and earn valuable commission from providing on-line leads that result in sales.

#### **Working smarter**

Working smarter means working faster, and working more productively. It is also about delivering quicker response times and enhanced customer service.

Over the past few years we have invested heavily in technology and continued to drive out manual processes. Last year, for example, we extended the use of automated telephones, further automated the setting up and authorisation of Direct Debits, and introduced our fast track process for disability claimants. At the same time, we invested further in staff training to provide a committed and multi-skilled team. As a result we are able to deal with an increasing number of routine calls at our dedicated Help Desk, freeing up underwriting, claims and administrative staff to concentrate on more complex issues.



## **Our ambition – setting the standards for others to follow**

Realising our vision and achieving our mission

Our vision is to become the preferred provider of creditor, warranty, special risks and related financial services within the UK and in selected countries overseas. We will do so by achieving our mission and consistently applying our core values in all that we do, becoming the benchmark for quality and service within our industry.

### **Delivering quality products and service excellence**

We aim to provide our clients and their customers with products that meet their needs better than those available elsewhere and with a level of service delivered to the highest standards. That's why we work closely with our clients to develop products that are tailored to their needs. And that's why our creditor sales teams now align their business plans with their clients' goals and objectives, enabling us to share common goals with our clients, become even more customer focused and to allocate resources as appropriate.

Over the past few years, we have been recognised externally for service excellence. In 1998 FTS was

Outbound Call Centre of the Year, in 1999 Pinnacle achieved an NWIS (NatWest Insurance Services) Partner of the Year Award and last year one of our team was voted Young Customer Services Professional of the Year. But the ultimate test of our service lies with our clients and their customers, and their feedback suggests that we are getting it right.

### **Winning market leading positions**

We are now a top 25 UK insurer and are one of the major players in the domestic creditor market. We are achieving significant penetration within Sweden and the Nordic markets. Together with our parent, Cardif, we are the leading provider of creditor insurance across Europe. And we are the sole specialist creditor insurer in the Republic of South Africa. We have the ambition and the ability to increase significantly our share of these, our chosen markets, and to take our business forward to new heights.

## Moving forward with confidence

2001 was a demanding year. Fierce competition and a weakening economy, particularly during the last quarter, made for difficult trading conditions. Pinnacle Insurance nevertheless performed well and delivered a set of highly creditable results. Equally important, we successfully concluded a number of major deals in our core creditor business. We also invested time and effort across the business in consolidating our position in all our market sectors and fine-tuning our strategy for the future. As a result, we have entered the new financial year in great shape and can now move forward with confidence.

We remain absolutely committed to our core creditor and warranty business and to working with existing and new clients in the financial services and automotive arenas. At the same time, we will continue to exploit opportunities for incremental income – through our expanding portfolio of direct offerings and through e-commerce, delivered via our web and micro-sites. Our non-core businesses also have significant growth potential. Pinnacle Pet Healthcare enters its second full year of trading with an attractive product range and an expanding client roster. Pinnacle Investments, undoubtedly helped by its collaboration with Investlife, will return to income growth. And FTS is better placed than ever before to capitalise on its considerable expertise and market standing.

Although operating in a mature market, we plan to further strengthen our position in domestic creditor and warranty. Within continental Europe, we will continue to work alongside Cardif, forging further pan-European agreements, particularly within the automotive sector. We are also sanguine about our business within Sweden and the rest of Scandinavia. We laid excellent

foundations in 2001, and already have a relationship with three of the country's five major banks. We anticipate that 2002 will be very good for business in Sweden. We will also continue to build on the solid progress made in Ireland. We remain committed to developing further our established position in South Africa and we will continue to seek suitable openings in the United States.

There are, inevitably, challenges ahead. The domestic and global economies fared better post 11 September than many commentators feared. The American economy is getting back on track and within the UK the spring has brought signs of improvement, not least in employment levels. But there is still a long way to go, and the indices remain unclear. Following the Financial Services and Markets Act at the end of last year, we are in the process of migrating to a new regulatory framework under the FSA. We welcome regulation that better protects the consumer, but complying with increased regulation will nevertheless have a cost. However, stronger regulation will also offer opportunities, and we will work with our clients to meet regulatory requirements while still protecting their income streams.

Pinnacle Insurance has succeeded during adversity and will now take full advantage of what better times lie ahead. We have much in our favour – great products and great service, great clients and great customers, and a great team of people. We also have outstanding values that guide, shape and direct our behaviour and performance. **Commitment, Ambition, Creativity, and Reactivity** – small words but with big thoughts behind them. Putting them into practice is the responsibility of everyone at Pinnacle.

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CRUISE





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