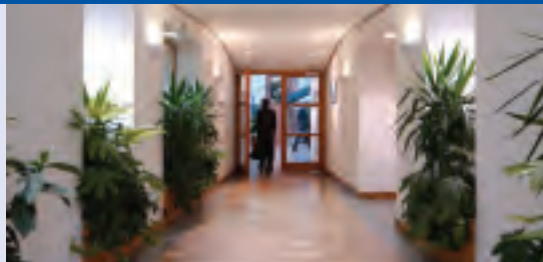


Fulfilling Our Responsibilities





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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. (Hons), Solicitor
 Stephen D Williams F.I.M.
 Anthony Dreyer B.A. (Hons), F.C.C.A.
 Peter Bloxham F.C.I.I.
 Robert Mee F.C.I.B.S.
 Gerald B Raingold F.C.A., M.Sc. F.Inst.D.
 Cardiff S.A.
 Cardif Société-Vie
 Banque Financière Cardif

Secretary:

Kareen Cranston LL.B. (Hons) Solicitor

Executive Management:

Jeff Bee

Pinnacle Pet Healthcare Managing Director

Kathy Byrne B.Sc (Hons) F.I.A.

Investments Managing Director

Anthony Claytor B.A. (Hons), A.C.I.B.

Strategic Development Director, Direct and Affinity Marketing

Mark Cleary B.A. (Hons).

FTS Managing Director

Martin Crannis B.A. (Hons), M.A., M.C.I.M., F.I.M.

Business Development Director

Steve Devine

Corporate Communications Director

Andrew Fleming

Operations Director

John Harrop

Warranty Sales Director

Derek Haynes F.C.A.

Deputy Group Finance Director

Roger Humber F.C.I.M.

Sales Director

Christopher Murphy ACII.

Underwriting and Actuarial Director

Tony Piper B.Sc. (Hons)

Innovation Director

Steve Shreeve

IT Director

Georgette Smith M.A., CIPD.

Head of Human Resources and Development

USA

Manny Millor B.B.A., M.B.A., C.L.U., F.L.M.I.

Chief Executive

Ireland

John White - General Manager

South Africa

Neo Mokoena - Managing Director

Sweden

Dawit Mannheimer - Managing Director

Registered Office:

Pinnacle House, A1 Barnet Way, Borehamwood,
 Hertfordshire, WD6 2XX

Appointed Actuary:

Simon K. Grout B.Sc., F.I.A.

William M. Mercer Limited, Riverside Court, Guildford
 Road, Leatherhead, Surrey, KT22 9DF

Auditors:

Mazars, 24 Bevis Marks, London, EC3A 7NR

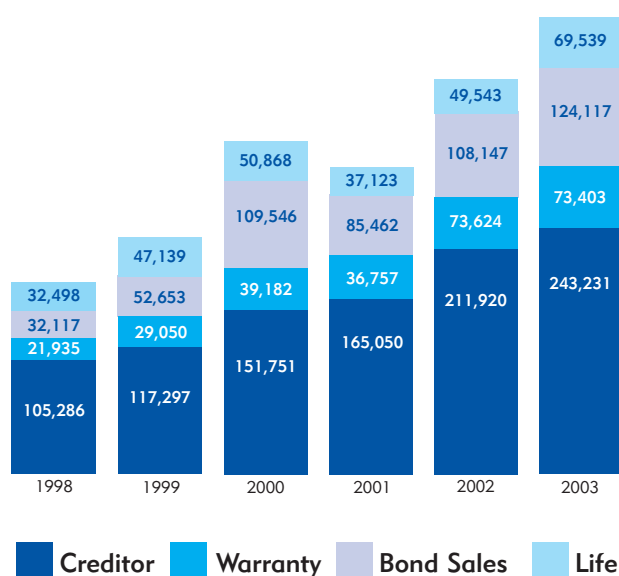
Bankers:

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

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

Financial Highlights

Gross Written Premium £000's

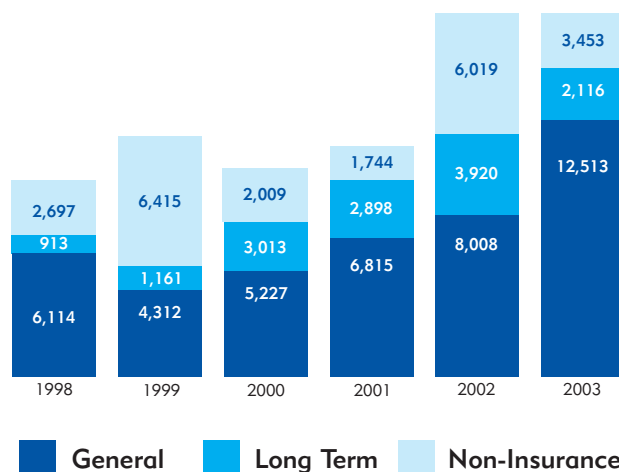


The Pinnacle Insurance Holdings plc group of companies had another very successful year in 2003. Gross written premiums continued to grow strongly, and exceeded £500 million for the first time in our history. General business gross written premiums increased by 10.9%, from £285.5 million to £316.6 million, and long term gross written premiums increased by 22.8%, from £157.7 million to £193.7 million. A significant part of the long term business is bond sales, which increased from £108.1 million to £124.1 million.

The profit on our technical account increased by over 22%, from £11.9 million to £14.6 million, but the profit before tax of £18.1 million was virtually identical to 2003, partly because there was an uplift in the valuation of properties of £4.1 million in 2002, whereas we did not revalue our properties in 2003. The high level of bond sales in the final quarter of 2003 delayed the recognition of long term profit due to new business strain.

Due to this successful performance, our financial position continued to strengthen. Total assets increased from £877.8 million to £940.2 million, and shareholders funds increased by 18.4%, from £69.4 million to £82.2 million.

Profit Before Tax £000's



The general business solvency margin of Pinnacle Insurance plc, the principle operating subsidiary, increased from 169.3% at the end of 2002 to 200.7% at the end of 2003, due to the retention of profits and an increase in share capital. Pinnacle Insurance plc subscribed to the Standard and Poor's rating service for the first time, and was granted a credit rating and a financial strength rating of A-.

Our record of consistent growth, increasing profitability and financial strength permits us to continue to invest in our people and our systems. This enables us to improve on the already high standard of service that we offer to our customers and other stakeholders, and enhances our ability to manage the growth in our business.

‘

Responsibility

is something we take seriously
not only **to our clients** but also
to our industry, and to **each other**

’

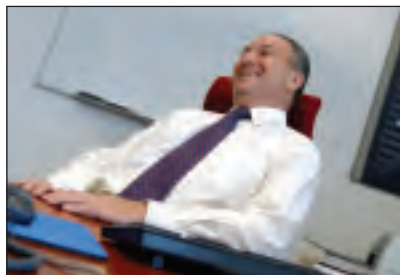
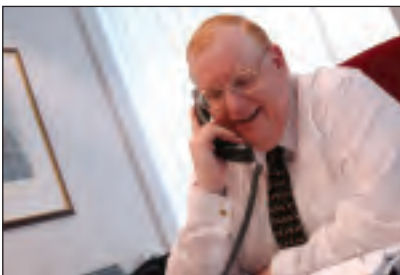
Norman Shuker, Chief Executive



Left to right:
Christopher Schwick, Deputy Chairman
Norman Shuker, Chief Executive



Left to right:
Chris Mills, Joint Managing Director
Steve Williams, Joint Managing Director



Left to right:
Tony Dreyer, Finance Director
Peter Bloxham, Underwriting & Business
Risks Director

Responsibility towards our shareholders

Review of the year ended 31 December 2003

This has been an enjoyable and rewarding 12 months. For the first time, our Gross Written Premiums breached the £1/2 billion mark, a milestone in the proud history of Pinnacle.

2003 was a landmark year during which we wrote more than half a billion pounds of business for the first time in our history, which is reason enough for celebration. Add to this the fact that we continued to forge new relationships with clients; to innovate new products; to recruit and retain a team of committed, skilled individuals, and it is understandable why we face the future with real confidence!

Gross premiums written for the year increased by 15% to £510m, with profits on ordinary activities, before tax, standing at £18m, up 1% on 2002.

This has been achieved against an economic backdrop of relative stability, despite the uncertainties caused during early months by the situation in Iraq. Interest rates began to rise during the year, a trend which not only makes our investment products more attractive to customers, but also boosts the income that we derive from investments. While some client movement is inevitable as part of the cyclical nature of business relationships, we continued to add new names to the Pinnacle roster. As a result of our prudence and commercial success, we have been up-rated by Standard & Poor's, from BBB+ to A-. It was particularly satisfying that Standard & Poor's cited our 'very strong and consistent earnings record' and 'stable and experienced management team' as major rating factors.

Fulfilling our responsibilities

This is a time of evolution within the UK insurance industry, with new regulations about to transform the way in which we interact with clients. Today, perhaps as never before, there is an overriding need for companies such as ours to be responsible throughout every single aspect of operations.

As a reflection of our concern, we have chosen the theme of Responsibility for this year's Annual Report. At Pinnacle, we are responsible in the way we carry out our business, and we never underestimate the degree of responsibility which we owe to our key stakeholders: our shareholders, our clients, our people, the local community in which we work... and, of course, our policyholders.

A year of achievement

For our shareholders, the year to 31 December 2003 saw Pinnacle record a series of major achievements.

Our **Creditor** business remained very successful in a buoyant lending market, with Gross Written Premiums of some £250m. A highlight was the winning of the Northern Rock personal loans business towards the end of the year. We are now underwriting most of Northern Rock's creditor insurance and anticipate that this will be the springboard for what should be an excellent year in 2004. We also won business from Zurich Financial Services, an IFA network, which gives us access to a new distribution channel for mortgage business. Additionally, we secured the Daimler-Chrysler account and gained renewed business from General Motors and Newcastle Building Society.



In the **Warranty** sector we strengthened our business; chiefly through the extension of contracts such as the pan-European relationship with Arc, of which AA Group is a shareholder. Furthermore, we gained important new business from Toyota Ireland and Mazda, among others. Premiums for the year totalled £73.4m.

Investments grew by some 14.8% to £124m in 2003, a period in which the total Guaranteed Income Bond (GIB) market actually fell by 77%. This performance would be more impressive still, if it were not for recent taxation changes which preclude us from including a further £4m of policy extensions. Pinnacle GIB market share for 2003 was 17%, compared to our previous best of 5% in 2001. An important highlight of the year was the launch of the 21st Century Investor's Bond in August. This new stock market linked Bond was approved by leading Independent Financial Advisers and gained an influential endorsement from Lowes Financial Management.

The **Direct & Affinity Marketing** division continued to be an important and profitable part of the Pinnacle portfolio, GWP growing by 94% to £39m during the year. The team, which won Mortgage Magazine's 'Mortgage Payment Protection Insurance Provider of the Year' award, has been restructured and now also has responsibility for pet insurance. There are now almost 90,000 'live' and paying customers who are owned by Pinnacle through our Direct & Affinity Marketing business.

Financial Telemarketing Services (FTS) performed strongly, selling 91,000 policies, equating to £14.2m over their full term. The team took an average of 53,000 calls via Helpdesk every month and played a major role in developing our accidental death product which is sold through Pinnacle's existing client base.

Pinnacle Pet Healthcare (PPH) doubled its top-line earnings and created foundations to exceed future goals. PPH continued to gather industry praise

“ The fact that Pinnacle **adheres**
to **ICSA** recommendations
for **audit committees** demonstrates
a high degree of **responsibility**
towards its **shareholders** ”

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Gerald Raingold, Chairman of Dawnay Day Corporate Finance Limited
(*Non-Executive Chairman of Pinnacle's Audit Committee*)

as well as consumer plaudits in 2003, being selected as Best Buy Pet Insurance by Defacto in July, and winning the Insurance Age Product of the Month in October.

Internet sales rose yet again, growing significantly to £1.3m through 2003. With our Innovation team continuing to create new microsites for clients such as Reader's Digest and Optident, the Internet will remain a key area of growth in the future.

Close ties with our shareholders

We continue to enjoy a close working relationship with our ultimate parent, BNP Paribas Group. From a commercial, as well as a cultural perspective, we are a good fit !

Our immediate parent, Cardif S.A., is present in 28 countries across five continents. Pinnacle is one of Cardif's flagship operations and its largest insurance

“ We have a very **responsible role** to play in helping **our clients come through** the **regulation jungle** unscathed ”

Christopher Schwick, Deputy Chairman

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subsidiary outside France. During 2003, Cardif demonstrated its confidence in Pinnacle by injecting capital to fund our growth. BNP Paribas operates in 85 countries and employs over 87,000 people as one of the largest and most successful banking groups in the world. According to US magazine Fortune, BNP Paribas is the 7th most admired bank or financial institution in the world. We work closely with both organisations, most notably Cardif, to extend our influence into new geographic areas, focusing in particular on countries where English is either the first, or second language.

Extending our strengths overseas

For example, last year we took a 30% stake in a credit life operation in Madison, Wisconsin, **USA**, with the remainder owned by Cardif. Established in 1964, Financial American Life Insurance (FAML) is licensed in 36 States and currently writes creditor insurance through motor dealers. With a staff of 12, FAML wrote \$22 million of premiums in 2003 and has been assigned a B+ (Very Good) Best's Rating.

In **Sweden**, we successfully developed the creditor side of the business, writing £13m. Our team now has excellent contacts with the top five banks in the country and during 2003 gained Sparbanken - which has 30% of the Swedish mortgage market - as an

important new client. Headcount has increased from 18 to 22 and we are looking to hire more staff in 2004 as we seek to exploit the huge potential in the Scandinavian marketplace.

Our **South African** business showed a profit for the first time in 2003, writing £4m worth of premiums. Neo Mokoena, the new Chief Executive, is looking to build on this achievement in 2004 while also fulfilling our commitment to comply with the Government's Black Economic Empowerment policy.

In **Ireland**, we wrote £9.4m of premiums, the majority of it creditor business. The Irish team continues to win new business from the major banks and in 2003 launched an innovative card protection product for Allied Irish Bank (AIB). The bank currently has in excess of 80,000 credit card protection policies. Tailored to AIB's exact requirements, this product allows consumers to block all stolen or lost cards with a single phone call and will be rolled-out across related Pinnacle business in 2004.

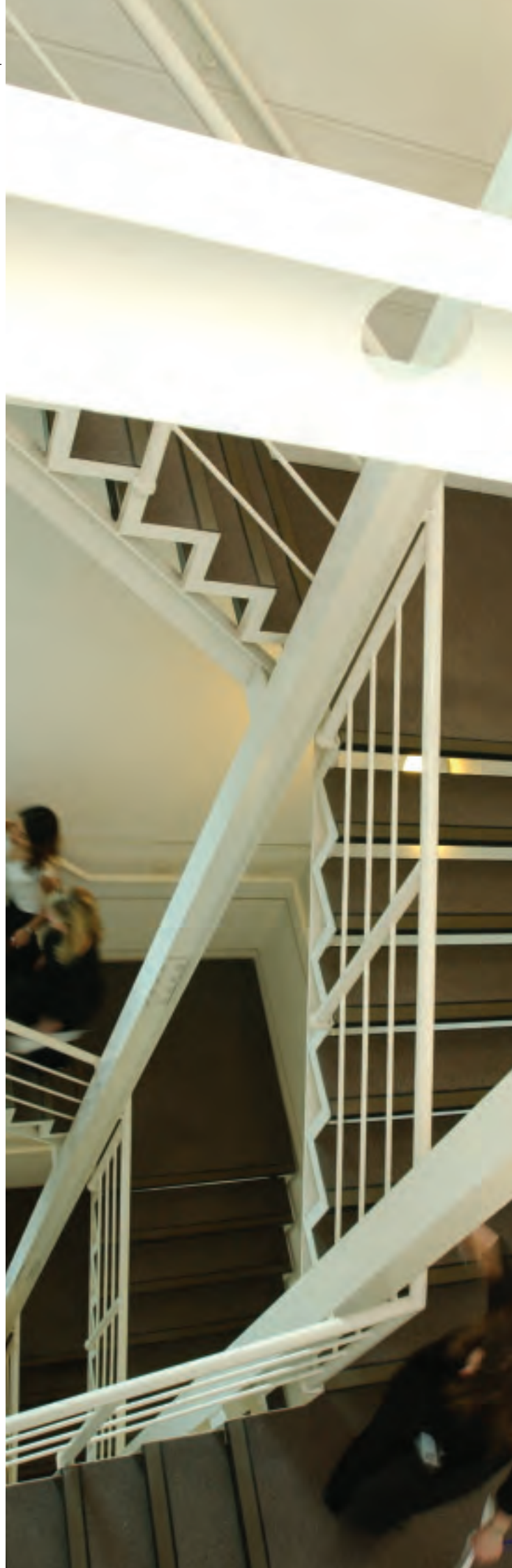
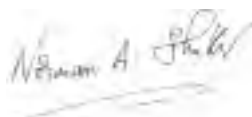
Boardroom changes

Stability has long been a hallmark of Pinnacle and 2003 was no different. Ours is a close-knit team where excellent working practices are built on long-

standing relationships. However, evolution is part of business life and during the year Les Priestly retired after 13 years of service as a Non-Executive Director. Les offered insight and direction to a range of issues over the years. We will miss his ability to see the 'big picture' and translate it into effective business strategy, and wish him well for the future.

Robert Mee joined the Board in October following a 30 year career with the Bank of Scotland Group. Robert brings with him a wealth of experience gained in a range of senior positions, including Chief Executive of Bank of Scotland's retail business and Managing Director of Capital Bank. We look forward to working closely with Robert and drawing on his expertise as we continue to build Pinnacle's reputation and market share.

Finally, we put on record our thanks to people at every level of Pinnacle whose hard work and tremendous sense of responsibility have made our working environment both enjoyable and successful. We look forward to an equally pleasing year in 2004.



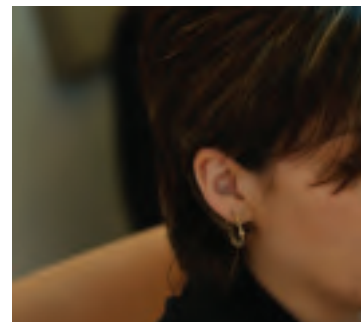
“

Pinnacle has **grown** on the back of **our ability** to sell, both in **developing** existing business and **winning** new business.

Our **Creditor sales team** is the **biggest** and **best** in the UK. Whereas our **competitors** tend to do **little** more than **underwrite**, we are **constantly striving** to **grow** our **partners'** businesses.

This is not only a **responsible** approach – it's also **extremely successful** ,

Roger Humber, Sales Director



Responsibility towards our clients

January 2005 will witness a sea-change in the insurance industry. Impending EU regulation means that the way in which insurance is sold will never be the same again. We are committed to helping our clients succeed in this new environment.

The Insurance Mediation Directive (IMD) comes into force on 14th January 2005 and throughout 2003 we continued to prepare ourselves, and our clients for its impact. The Government has appointed the Financial Services Authority (FSA) to investigate, consult, and in due course implement the Directive.

In brief, the Directive requires that sellers of general insurance should be solvent, competent and insured; with greater emphasis on identifying the precise needs of the consumer. The IMD aims to encourage informed choice and to ensure that all sales are 'fully-advised'.

Salespeople will need to gather more information than at present, and to keep records of advice provided. This will be time-consuming and create mountains of additional paperwork.

Pinnacle, together with our competitors, will be regulated for direct sales to consumers; for example through FTS and Direct & Affinity Marketing. Given our resources, our knowledge of compliance issues, and the fact that sales of our Investment products are already regulated by the FSA, this is a hurdle we will handle with ease.

For a number of our clients, however, the IMD presents very real challenges. If finance houses and retailers wish to continue selling products such as creditor and warranty insurance as part of their own package, they now face a stark choice: either to be directly authorised by the FSA, or to become a representative of an insurance principal.





Responsible tax planning is an **essential** aspect of **our service** to **clients**. Following **changes** announced in the **2003 Budget**, **Pinnacle** was the **first insurer** to offer **policyholders** an **extension option** which would **allow** their **tax liability** to be **deferred** until **maturity** ,

Kathy Byrne, Managing Director, Investments

Responsible members of our industry

As responsible members of our industry, we responded to each of the 60 FSA consultation papers issued in 2003 which related to our market sector; working hard to ensure that our views – and the interests of our clients – were taken into account. At the same time, we produced a series of 12 Pinnacle Regulation Bulletins for our clients which aimed to educate them about the likely impact of the IMD, and to prepare their business strategies accordingly. The Bulletins were complemented by a programme of seminars at venues that included The House of Commons and Epsom Downs racecourse.

Throughout the year, we have emphasised our view that clients should aim to become directly authorised by the FSA. At Pinnacle, we have decided that we will not take on the role of insurance principal. Such a role is, in our view, fraught with difficulty. It would be impossible for us to effectively monitor – and bear responsibility for – the actions of people who operate outside our company, and over whom we could exercise little control. The waters are further clouded by the practice among intermediaries, such as motor dealers and building societies, of working with different insurance companies on different sectors of business. If we became an insurance principal, we might be obliged to take responsibility for the actions of people selling policies provided by another insurer.



GENAC FINANCIAL SERVICES



One more deal

There is no achievement without goals





Beyond interaction with clients, we play our role within the industry to the full. We engage with all trade associations in our markets and work tirelessly to safeguard the reputation of insurance in general, and of Pinnacle in particular. Steve Devine, a key member of our management team, is Chairman of Protect, the UK Association of Creditor Insurers; a member of the ABI Creditor Committee; a member of the General Insurance Panel of the Financial and Leasing Association, and a member of the Steering Group for the Sustainable Home Ownership Initiative (developed jointly by the ABI and the Council of Mortgage Lenders). In addition, we are a sponsor of the Institute of Financial Planning (IFP), the UK body which

represents organisations committed to the development of financial planning as a truly multi-disciplinary profession.

Helping clients achieve Authorised status

In addition to providing IMD-related advice during 2003, we developed a product that harnessed our own training expertise and experience in order to help our clients' sales personnel become FSA compliant and competent. Established in August, Pinnacle Proficiency Solutions delivers affordable, generic, on-line General Insurance training via www.proficiencysolutions.co.uk. As much of a service provision as a profit centre, Proficiency

Solutions features on-line assessment, mandatory modules on regulation and the basic principles of insurance, together with individual modules that cover each type of product. The programme will be fully operational in August 2004, ensuring that clients have every opportunity to gain authorisation before the IMD is implemented.

The way in which we have built on our own experience in order to assist other organisations has been well received by our parent company Cardif. We will be working with other companies in the Cardif family on the issue of IMD compliance during 2004.

“ We have a **responsibility** towards **our clients** - so they can **continue** selling insurance in the **post-IMD** environment - and also **towards consumers**, who need to be **confident** that the **products** they buy are **suitable**. **Proficiency Solutions** will help us **fulfil** these **responsibilities** ”

Stuart Ward, Assistant General Manager



“

With the new **image system**

in place we can **process more work**

without **needing** to **add** to our headcount; **and that's**

a responsible way to **grow** the **business** ”

Andrew Fleming, Operations Director

Responsibility towards each other

Pinnacle is a close-knit organisation where teamwork is part of everyday life. So in addition to striving to achieve goals for our shareholders and our clients, we also work hard for each other.

586 people... three locations... a constantly-expanding client base... a pipeline of new products; ours is a growing company that relies heavily on the efforts of our people.

We are working faster, smarter and better; which explains why total headcount has risen only slightly since 2002 even though our turnover and business activity has increased dramatically. This is a tribute to the skills and adaptability of our people who created and operated a series of new processes during 2003, including many that have made a quantifiable difference to the way in which we serve and support each other.

Increasing productivity

A key innovation has been the development and launch of our new imaging solution. This comprises two main capabilities: a forms processing system which 'reads' data, and an image processing system that scans documents and distributes the images around the company. Both were fully operational early in 2004.

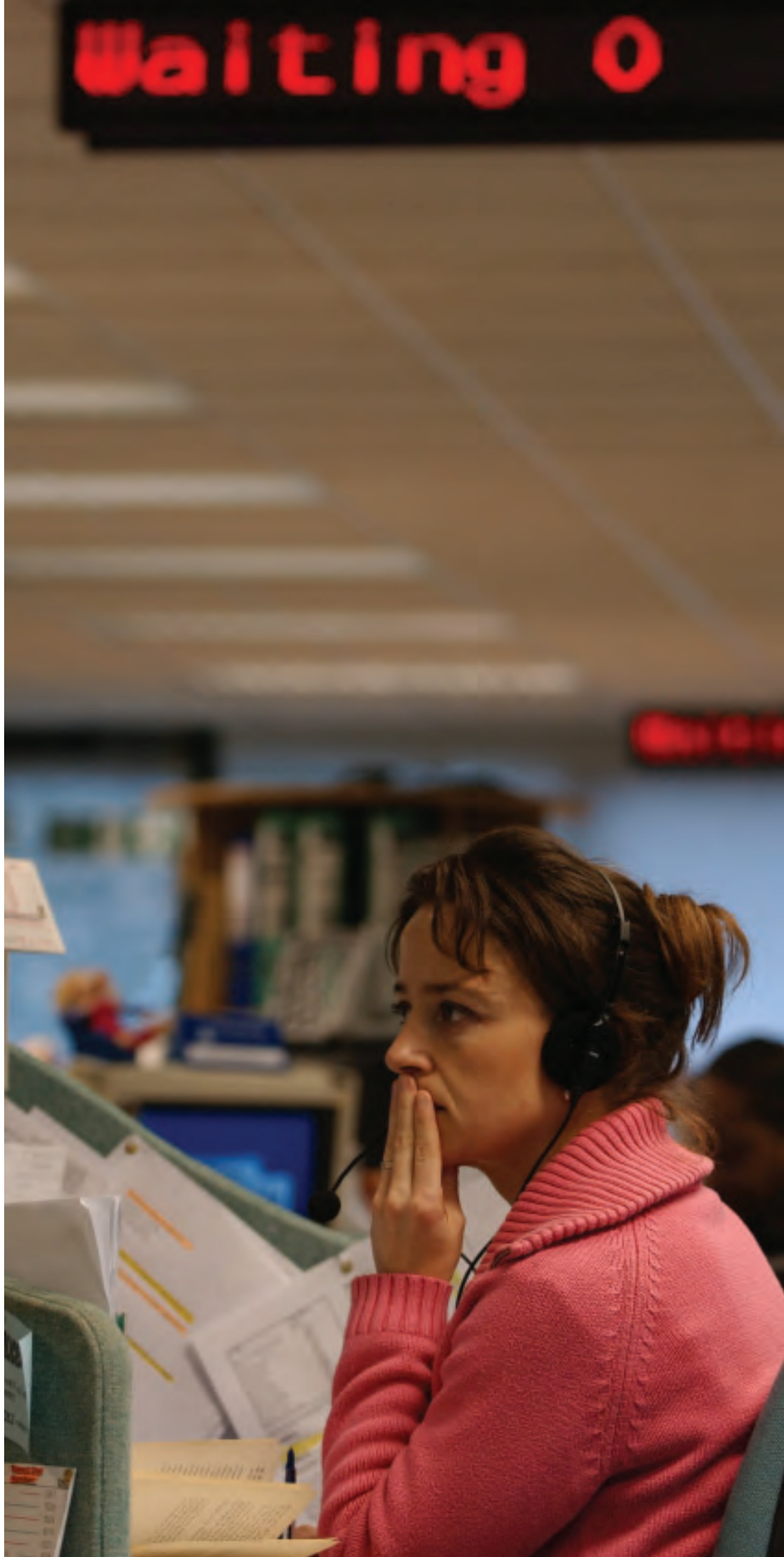
For our people, the benefits are considerable. Whereas in the past data had to be input

manually, 1.6 million of the documents we receive each year will now be available on the day we process them. To get the best out of the new systems we also restructured departments such as the Post Room, and redesigned numerous processes to improve the way we work. Today, productivity is increasing as costs fall. We now spend less time on manual data entry and more time on delivering high quality service. Most importantly, the new solution gives us a competitive advantage, as our clients now enjoy a speedier resolution of their enquiries and an even more professional response.

Full co-operation and cross-departmental teamwork are key characteristics of life at Pinnacle. In 2003, for example, our Underwriting/Actuarial and Sales teams came together to streamline and simplify our product design and launch process. We now have a user-friendly electronic document which embraces the total process, from concept to launch, and ensures that client expectations are met in full, and on time, every time.

Our Internal Audit Department, which was established in 2002, continued to provide valuable audit and risk-related support across the company. In the current climate, this is increasingly important to regulators, to our parent company Cardif, and to the clients who entrust us with financial resources.

Waiting 0



“Technology can be **responsible** for making a **real difference** to our efficiency.

For example, the **PARIS system** will **speed-up** the **administration process** for our **investment products**”

Simon Andrews, IT Manager

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As an example of cost-savings, our Furniture Claims Administrators in the Warranty Claims team now offer customers a cash settlement if they retain their damaged suite instead of having it replaced. This saved around £100,000 in 2003 and we anticipate even greater savings in 2004. Meanwhile, our investigations department, St Georges, won savings of over £1m by exposing bogus claims. This was largely due to their growing experience and the adoption of the new Hunter data-sharing tool. ‘Prevention is better than cure’ and to this end St Georges conducts seminars to improve fraud awareness throughout Pinnacle.

2003 saw several important changes for our employees, chief among them our successful move into Pinnacle Place. The 52,380 square foot building houses over 120 people - primarily from administration functions - and brings our total number of Borehamwood locations to three.

Supporting our people

Over the course of 2003, we continued to provide programmes and opportunities that help our people reach their career goals and enrich their lives.

At an administrative level, we launched the ‘What a Difference Admin can Make’ scheme which focuses on basic customer service skills. As many of our recruits are new to the insurance industry, we offer five modules which deliver a good grounding in our business. An in-house examination, which sits alongside that offered by the Chartered Institute of Insurance, monitors and rewards progress.

Within the Sales team, we introduced a strategic programme which examines the different ways in which people communicate, and uses this knowledge to enhance client relationships.

“ **PinPOINT** keeps staff **up to date** with **business news, views and progress...**
and **reveals the inside story** on
some of our **Pinnacle Personalities!** ”

Steve Williams, Managing Director

Our Fast-Track Management Programme continued through 2003. This scheme aims to identify the leaders of the future and bring them through the company at speed; helping them fulfil their potential and providing Pinnacle with the skills and knowledge we need for long-term success. The scheme revolves around an internal mentoring programme which gives insight into how senior executives operate. We will continue the programme in 2004 with five more enthusiastic “Fast-Trackers”; and we’re pleased to report that a participant in the 2003 scheme has progressed quickly through the company and is currently responsible for Pinnacle Proficiency Solutions.

Recreation, leisure and family life

There is more to Pinnacle than work! We

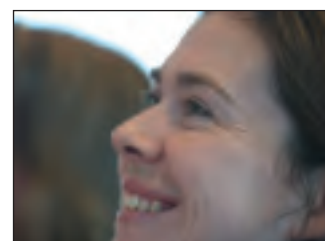
recognise that we have a key role to play in helping our people fulfil their potential – both inside, and outside working hours. 2003 saw the launch of our first Stress Management pilot scheme. This examines the whole issue of work/life balance and delivers practical assistance in areas such as time management, assertiveness and personal effectiveness.

We continued to offer flu jabs to all staff, an initiative which reduces days lost through illness but also ensures that our people enjoy their lives to the full. In 2003, this scheme was complemented by free eye tests.

The Social Committee meets once a month and canvasses staff opinion before finalising its

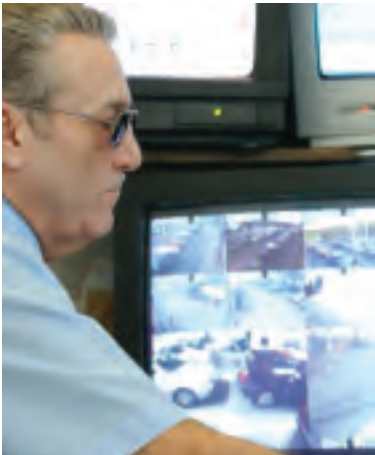
calendar of events. From go-karting to quiz evenings, the committee is responsible for organising events which make a significant contribution to the outstanding team spirit that thrives at Pinnacle. In 2003, the annual team-building weekend was held in South Wales and saw 25 employees enjoy a range of activities including abseiling and a Ministry of Defence assault course.

These initiatives and many more are communicated to staff via the company Intranet and also through a new quarterly newsletter that was launched in June 2003. PinPOINT keeps Pinnacle staff up to date with business news, views and progress... and reveals the inside story on some of our Pinnacle personalities!



“ The **safety** and **well-being** of the **general public** is an area which **dovetails neatly** into our **business** as **insurers** ”

Chris Mills, Managing Director



Responsibility towards our community

Pinnacle does not operate in a vacuum. We are an integral part of our community and keen to play a responsible role.

Community involvement is a long-standing tradition at Pinnacle and one to which we are fully committed.

We have supported a huge range of events and initiatives over the years, from small financial donations - for which we seek neither reward nor publicity - to our sponsorship of former European Cup winners Nottingham Forest, which ended in 2003 after six successful years.

Committed to our UK home

In 2003, we reaffirmed our commitment to Borehamwood as our key location in the UK, with the opening of Pinnacle Place in April. Our tele-marketing business, FTS, has also made public its intention to remain in the UK, against the current trend for contact centres to move operations to the Indian sub-continent. FTS management believes that customers deserve a level of support that simply cannot be provided without a detailed knowledge of our business and close proximity to our people.

We have continued our involvement in the national Business in The Community (BiTC) programme. BiTC operates a Partners in Leadership scheme, which sees senior business executives meeting and sharing best practice with their counterparts in the public sector. As part of the Hertfordshire programme, Joint Managing Director Chris Mills is working closely with the headmaster of the biggest school in the County.

The safety and well-being of the general public is an area which dovetails neatly into our business as insurers, and we developed, or continued, a number of safety-related initiatives during 2003. For the fourth year running we sponsored the Prince Michael International Road Safety Awards at the Savoy Hotel, London. In similar vein, we continued to sponsor the Institute of Advanced Motorists Group Achievement Awards which were presented in Birmingham. We are proud to be associated with these schemes, both of which promote road safety and honour those whose efforts are undoubtedly saving lives.





Supporting the police

Enhanced policing is a key factor in community safety and we were pleased to present £10,000 to the Hertsmere Special Constabulary to fund a dedicated police vehicle. The Hertsmere Specials cover an area that includes Borehamwood. We believe that our contribution will help reduce crime, such as anti-social behaviour, which can have a negative impact on the home life of our employees and their neighbours. A member of staff at Pinnacle House is a Police Special Constable.

Other initiatives saw us sponsor a public firework display; organise a client's charity golf tournament and dinner which raised £3000 for the Make a Wish Foundation and - finally - finance two football-mad employees to paint Watford Football Club's ground in readiness for the 2003/4 season.

We also sponsored the Borehamwood Half Marathon and Fun Run, and contributed to a wide range of charities and organisations including Comic Relief, BBC Children in Need, Mencap and the National Asthma Campaign.

Throughout the year we endeavoured to meet our responsibilities to the full, underlining the fact that we are more than an important local employer: we are also a company that enriches lives in the community.





From evidence of our **equal opportunities** policy to verification of our **IT security procedures**, we have to demonstrate a **responsible approach** at **every stage** of the **tendering process**.

For Pinnacle, **being responsible** is an **integral part** of being in business



Joe McCormack, Associate Director, Mortgage Lending



Responsibility towards the future

Ours is a dynamic and fast-moving business driven by changes in consumer need, technological developments and the demands of regulation. We have an excellent record of identifying and seizing new opportunities so we face the future with great confidence!

The implementation of the IMD will change the landscape of insurance forever, but we are well-placed to take advantage of the opportunities that will be created. New distribution channels will open up for us and we have the right strategy, the right solutions, and the right people to take full advantage.

In particular, Pinnacle Proficiency Solutions is poised to make a real impact during 2004. Through a combination of hands-on support from our experienced team, and a dedicated website at www.proficiencysolutions.co.uk, Pinnacle Proficiency Solutions will help our clients prepare for FSA regulation and will deliver affordable, generic training to intermediaries. With our help, salespeople in client organisations such as motor dealers will become FSA compliant and competent; able to continue selling general insurance – and thereby underpinning the sale of our products.

We will be interested to see whether the IMD results in a measurable reduction in mis-selling. Mortgage and pensions businesses have been regulated for some time, yet mis-selling still

occurs. One factor is clear: regulation will lead to increased demand for high quality call centres such as FTS, where our agents work in a supported, controlled environment. Advice can be tracked and validated by in-house IT networks and calls routinely recorded; all of which enables compliance issues to be addressed with rigour.

More regulation, more opportunities

Looking ahead, we foresee more and tighter regulation from Brussels aimed at a range of objectives: from reducing opportunities for money-laundering to tightening the rules regarding general insurance. Thankfully, we are able to take much of this in our stride; since the IMD was announced, Pinnacle has expended much time and effort in understanding the rationale and application of this EU Directive. In our view, many of these processes are sensible business practices that have long been a part of life at Pinnacle.

Unfortunately, some insurance companies are not taking the same prudent path; in the post-IMD climate there will be a degree of consolidation. Although estimates vary, it is likely that a significant percentage of current players will not be in the marketplace within a few years. Clearly, this will create interesting opportunities for Pinnacle.

New products will continue to play an important part in extending our client base. For example, Pinnacle Card Services was established in 2003 and is now delivering business benefits to a major new client in Ireland: AIB. To enable a roll-out of Card Services through 2004, we are moving towards 24 hour operation which will facilitate a complete service across all time-zones.

2004 will also see full implementation of the new Pinnacle Administration and Reporting Investment System (PARIS). PARIS will not only support our existing products, it will also help us launch and manage new investment products quickly and with maximum cost-effectiveness.

Extending our influence

Internationally, we are always looking to extend our influence. Our endeavours are focused on the English-speaking nations, or those where English is spoken as a second language. While North America holds tremendous potential for Pinnacle, the mature Australian market is of less interest.

From an economic perspective, the expected gradual rise in interest rates will improve return on our investments. There remains a degree of

uncertainty over the global economy, chiefly because of unpredictable factors such as terrorism. Although we have invested heavily in business resilience planning in recent months, we are not immune to the impact of major incidents.

Prudence will continue to be the guiding principle for Pinnacle in 2004. We are optimistic and confident, yet at the same time aware of the changing needs of clients and the demands of regulation. Our success has been built on identifying opportunities and pitfalls before others do so, and on shaping products and services to meet new demands at speed.

For 2004, we have set a target of £595m in Gross Written Premiums, which would represent a rise of some 17%; an objective which is entirely consistent with our performance over the last decade. Prudence, coupled with a 'can do' approach, has created a track record of sustained growth in the past, and will continue to do so in 2004, and beyond.



We **believe** that it's **important** to have
a **'win-win'** for **everyone**;
for our policyholders, our corporate clients,
our **shareholders** and the Pinnacle team.
To **add value** for everyone, **our responsibility**
is to maintain an **innovative approach** to all our **business**
activities; in **managing risks** and
generating appropriate rewards



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