BUSINESS PLAN FOR

FOR THE PERIOD ENDING

30TH JUNE 2024

PREPARED BY

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# INTRODUCTION

Our business has achieved strong and steady growth over the past three years and is currently on track to achieve our current year budget. We have seen moderate premium rate increases over the past three years in most classes and significant increases applied to some specific business sectors and geographic locations and these trends are anticipated to continue into 2023/24, which will provide some automatic commission income growth. Overall economic conditions are patchy with inflation and increased interest rates impacting business confidence.

# SUMMARY

For the coming financial year, the business is focussed on the following major issues.

1. Ensuring the business and staff continue to meet the day-to-day requirements of the Corporations Act and associated Regulations (The Act) to ensure compliance with our AFS Licence requirements.
2. Improving and strengthening existing credit control processes in light of the current tight financial conditions facing the business community. This will include the more aggressive and widespread marketing of Premium Funding facilities.
3. Bedding down and building relationships with our existing insurer panel to ensure we retain access to all existing markets for our business.
4. Increasing staff productivity through training, effective work allocation and process re-engineering.
5. Promoting our name, servicing personnel and business approach to our existing client base thereby maximising retention of our existing client base and building a strong referral network.
6. Continuing to use technology to streamline our business, improve service levels, reduce costs and improve our bottom line.
7. Increasing our income ratio on our existing client base by implementing a strict application of our fee structure.
8. Reduce our costs and improve our office efficiency by implementing electronic scanning and retrieval of all documents.
9. Actively targeting small to medium size accounts currently held by large national brokerage firms by a focus on individual service and personal relationships.
10. To build the ? portfolio by developing new marketing support material and allocation of additional resources to the sales and service of this market segment.
11. As would be expected, the Top 50 Clients represent a far greater portion of Commission & Fee revenue (?%) than their overall proportion, in numbers, of the business (?%). As a result, it is planned to continue to place greater emphasis on building and consolidating the relationship with these Clients.
12. Commence a process of formally assessing the long-term ownership options of the business.
13. Proactively improve the quality of practical advice and support provided to Clients when assessing their sums insured with inflation expected to run at or above 5% throughout 2023-24.
14. Review banking arrangements to maximise income from the expected uplift in interest rates over 2023-24.
15. Update business systems and processes to meet the commission disclosure obligations and other changes imposed by the new Insurance Brokers Code of Practice by November 2023. This includes more detailed communication on the work we undertake for the client and the value we provide.
16. Develop a Cyber Insurance capability within the business.
17. Identify potential new niche / specialty markets focused on our existing skill base.

# MISSION, STRATEGIES ETC

## Vision

To grow the value of our business by working with Clients that value our services and appreciate a personal relationship with their service providers. Our business will be characterised by client loyalty and retention, personal relationships and new Clients referred by our existing Clients. We do not aspire to be the biggest, but to be seen by our Clients as one of their close, reliable and professional advisers.

To develop the business with a strong clear growth path that produces 20 % increase in income and profit annually.

To be recognised by our Clients as the most suitable provider of financial services to their business.

* Able to provide quality products, sales & service
* Able to expand its business base through organic growth and acquisition
* Recognised as high profile with strong professional relationships with the insurance industry
* Recognised as a professional and prudent provider of insurance products to the wholesale, commercial and retail markets.

## Mission

We will grow together with our Clients by providing assistance and access to:

1. Staff with the expertise to identify needs and find solutions.
2. Value for money insurance protection and broking services.
3. Specific product coverages for target markets.
4. A professional and reputable business with a focus on service.

We have total commitment to Clients, staff and insurance providers by:

* Total quality service to our Clients whilst striving for professional excellence.
* Providing an environment for personal and professional growth with financial security for our staff.
* Honest, ethical and professional dealings with insurance providers.

We will accomplish our mission with dedication to the highest professional standards in all aspects of our business.

We are a Service Provider committed to adding value to our Clients purchase of Insurance. We strive to be seen as excellent in the area of service and expertise in our chosen field. We strive to offer a fulfilling environment for all Staff and an acceptable return to our Shareholders.

To advise on and protect our Clients’ financial exposure to risks through the purchase of competitively priced quality insurance products suitable to their wants.

Our aim is to add value to our client's business through the design and management of General and Workers Compensation Insurance solutions.

We are committed to providing a level of service to our clients far in excess of the level of service our Clients expect.

Our mandate is to act in a manner of total trust, confidentiality and professionalism in all our business dealings.

We seek to fully understand our client's business and continually keep updated with changes occurring within our client's business to ensure the Insurance Solution we provide will meet their requirements.

We must continually provide high quality documentation and service to all our Clients and not become complacent.

Our aim is to build a strong working relationship with our Clients; a long-standing relationship built on trust.

Our company will provide an environment of continued growth ensuring all staff are continually developing their skills, which results in Clients dealing with people who are extremely proficient in the Insurance and Risk Management fields.

We are in the business of providing Service and Security enabling our Clients to sleep easy without worrying about their insurance.

The mission of the Company is to provide the best possible product advice and on-going support to satisfy stakeholders of our professional and prudent offer by:

* Working with industry participants to support industry development, change and regulation
* Working with the market to ensure effective service and support for the Companies products
* Encouraging our Clients to provide our Company with feedback with regard to our performance
* Encouraging our staff to develop their careers and aspirations and to pursue company sponsored training programs

## Values

| Value | Comment |
| --- | --- |
| Integrity and professionalism | Ensure all staff and management set high standards in the way they approach their day-to-day activities |
| Honesty and Good Faith | Develop a reputation with customers and suppliers alike for telling things the way they are, the good with the bad. |
| Service Excellence | Develop a systematic approach to the way we do things to achieve consistently superior outcomes for our Clients. |
| Compliance | Nurture a culture of compliance with staff understanding what has to be done, why and what has to be done if things go off the rails. |
| Enjoyment | Whilst driving the business forward we need to remember that we need to enjoy our work to consistently perform to our best. |
| Teamwork | We work on the principle that Together Everyone Achieves More |
| Understanding and Approachable | Insurance can be complex and claims stressful; we need to provide services as if were in the customers’ shoes. Customers should be comfortable bringing their insurance problems to us. |
| Energy and Action | We look for opportunities, develop prospects and take action to ensure our service meets our Clients’ expectations. |

## Objectives

1. To achieve our annual 2023 – 2024 Sales / Expenses and Profit budget.
2. To achieve business income growth of ?
3. To achieve client retention rate of ?
4. To achieve an income to turnover rate of ?
5. To achieve an expense to income ratio of ?
6. To achieve an income per staff figure of ?
7. To maintain facilities with all existing insurers.
8. To develop relationships with ? new insurers.
9. To complete a formal external compliance review of the business.
10. To formalise Letters of Engagement with all major Clients.
11. To have all new documentation electronically scanned.
12. To have Debtors of 60 days or more represent less than 10 % of outstanding debts.
13. To have staff turnover below ?
14. To appoint ? new Authorised Representatives/Distributors/Spotters
15. To enter / maintain profit share arrangement with ?
16. To develop and upgrade our website.
17. Investigate retailing of products direct from our website.
18. To implement automated receipting and payment functions with our Bank for Trust transactions.
19. Develop expertise in Cyber Insurance and explore potential with existing and new customers.
20. Locate / develop and implement practical tools to help our staff and our Clients address the issue of Underinsurance or alternatively promote products that have a full replacement coverage without sums insured limits.
21. To reduce our reliance on commission on premium income from X % to Y% as a defensive strategy against potential banning of commissions.
22. To review all legislative change impacting our industry and respond with changes in systems / processes / training/ disclosure / documentation as required.

## SWOT Analysis

|  |  |
| --- | --- |
| Strengths Experience / expertise and market contacts of management  Long standing and loyal client base  Breadth of access and quality of relationship with underwriters  Experienced and well-trained staff.  Business is of a size that lends itself to building relationships with Clients.  Stable computer and accounting systems in place. | Weaknesses Lack of quality experienced staff able to support the business management functions.  Business not large enough to develop expertise on Corporate style accounts.  Portfolio of business not evenly spread across insurers.  Age of principals/senior staff.  Little formal allocation of Clients to staff.  Minimal monitoring and measurement of financial contribution of job roles.  Client relationships generally based on a sole staff member. |
| Opportunities Cross-selling within existing client base.  Using existing client base as a referral source.  Poor service levels being offered by corporate/national brokers.  Develop junior staff to be more efficient, effective and flexible.  Identify niche markets suitable for business.  Reduced competition due to agents/brokers selling.  Reduce costs with technology.  Increase income with formal fees policy.  Purchase portfolios from brokers exiting the market.  Upgrade flood coverage to the client base.  Deliver Policy documentation / invoices / FSG’s etc. electronically.  Maximise Interest on Trust income by restructuring banking arrangements.  Increased sales via internet-based delivery options.  Growth in Cyber Insurance market. | Threats Loss of support from major insurer.  Failure to maintain AFS Licence and manage responses to the plethora of legislative change impacting our business.  Payment options offered by competitors and costs incurred in providing same.  Loss of existing Clients who fail in the current difficult economic climate.  Client loss due to departure of key servicing staff.  Potential loss of commission income stream in medium / long term due to government intervention.  Direct insurer and internet-based competitors in the SME market.  Increased competition from the growing army of Authorised Representatives.  Loss of some Clients due to the mandatory commission disclosure obligations. |

## Strategies

1. Engage specialist consultant to review our compliance regime and overall business professionalism and to assist in managing the significant regulatory change in 2023/24.
2. Work on building a strong relationship with the key decision-makers of our top ten insurers.
3. Be pro active with Corporate / Commercial accounts likely to attract significant rate increases.
4. Focus on business leads from Clients currently serviced by the larger corporate/multinational brokers.
5. Maintain focus on commercial client segment.
6. Increase productivity through technology.
7. Sell the technical advice, policy coverage and service and not the price.
8. Focus and emphasise the personal nature of the client relationship and service.
9. Up skilling support functions to maintain and build business continuity.
10. Developing staff from within rather than seeking replacements from outside.
11. Maximise the take up of Premium Funding from the client base.
12. Assess the viability of Implementing the BPay facility.
13. Review all employment agreements to ensure they include an effective “non-compete clause”.
14. Engage consultant to actively identify potential portfolio purchases.
15. Collect email addresses for all Clients.
16. Increase our fee structures across the board and develop communication tools/correspondence to support the increased fees.
17. Develop and implement a formal value / activity communication process to Clients to ensure they fully understand the benefits that we provide.

## Goals

1. Review all office procedures and documentation and improve efficiency by the use of technology by ?
2. Have an external Compliance Review undertaken in the 6 months to December 2023
3. Personal visits by one of the Responsible Manager(s) to each major insurer by ?
4. Responsible Manager(s) contact with second string suppliers by ?
5. Implement minimum fee structure by ?
6. Complete client segmentation program by ?
7. Implement formal Service standards by ?
8. Increase interest income by depositing part of the Trust Funds in a higher earning cash management or similar ADI approved account.
9. Increase percentage of policies funded from X% to Y%.
10. Reduce Commission as a percentage of total income from X % to Y%.

# PRESENT STATUS

## Background

The business has seen steady growth in income and profitability over the past few years. The expected higher interest rate cycle will have a minor positive impact on income received on Trust Monies for 2023/24. Inflation will generate a rise in sums insured with a commensurate flow through to premiums and commissions.

Wage inflation is expected to run at or above inflation rates due to the dire shortage of experienced staff within the industry. The operational changes required from the Hayne Royal Commission recommendations have now been implemented across the business. Staff are now back working predominantly from the office following the relaxing of government “work from home” restrictions that resulted from the Covid pandemic response.

## Key Business Data

Key information on the current business is detailed below

|  |  |
| --- | --- |
| Annual Total Income | $ |
| Total GWP | $ |
| No. of current Policies |  |
| No of current Clients |  |
| No of staff |  |
| No of Authorised Reps |  |
| No of Distributors |  |

## Product Allocation

Key information on the current split of products is detailed below

|  |  |  |
| --- | --- | --- |
| Class | Percentage of Portfolio (By Income/GWP) | Earning Rate |
| Householders |  |  |
| Private Motor |  |  |
| Commercial Motor |  |  |
| ISR |  |  |
| Package |  |  |
| Liability |  |  |
| Marine |  |  |
| PI & D & O |  |  |
| Construction |  |  |
| Cyber |  |  |
| Other |  |  |
| Total | 100% |  |

## Insurer Allocation

Key information on the current split of products is detailed below

|  |  |
| --- | --- |
| Insurer | Percentage of Portfolio |
| CGU |  |
| Allianz |  |
| Vero |  |
| QBE |  |
| Hollard |  |
| Zurich |  |
| Suncorp/AMP/GIO |  |
| AIG |  |
| Chubb |  |
| Berkley |  |
| Other |  |
| Total | 100 % |

## License Authorisations

The business is authorised to deal and arrange on behalf of others general insurance products for both Retail and Wholesale Clients. There are no plans to change this authorisation in the next twelve months.

Our initial analysis of government legislation and industry code changes that will impact out industry is summarised in the Table below.

|  |  |  |
| --- | --- | --- |
| Change | Status/Timing | Action Required |
| Updated Insurance Brokers Code of Practice | Nov 2023 | Automate commission disclosure on individual and small business quotes/invoices etc. |
| Mandatory Complaints Data Lodgement | Jan 2024 | Update Complaints Register to meet ASIC Data Dictionary requirements and put in place lodgement reminder. |

## Progress to date

The following is an update on major projects /strategies implemented over the last twelve months.

|  |  |  |
| --- | --- | --- |
| Project | Status | Outstanding Work |
|  |  |  |
|  |  |  |
|  |  |  |

## Financial Performance

Our performance last year was in line with our previous budget expectations. Business income and profitability have both grown steadily and the underlying strength and diversity of our earnings remain unchanged. Expenses were in line with budget.

# PRODUCT/SERVICE DESCRIPTION

We will continue to provide traditional general insurance broking services to our Clients as reflected in our AFSL Licence. There are no changes to our services or activities that require any change in our AFSL Licence.

The services provided are spelt out in our Broking Service Standards and the delivery of the services controlled by our Broking Policy and Procedures.

# Retail Clients – Advice Guidance

Our approach to the provision of advice to Retail Clients can be summarised as follows:

* We only provide Personal advice to Retail Clients on transactions where:
* We have had a meaningful and in-depth discussion with the client regarding their particular and specific requirements, and
* We have reviewed and compared their current cover with the cover we are recommending, and
* The client has indicated they are prepared to pay for the advice regardless of a product purchase.
* We provide General Advice to Retail Clients on all other new business, endorsements, cancellations and renewals where we do not have any meaningful discussions with the client.

# oral disclosure

To ensure that we meet the requirements of Oral disclosure required by Licensees dealing with Retail Clients we have developed an Oral Disclosure script. The script has been reviewed to ensure that it continues to meet our responsibilities.

# PROFILE OF TARGET MARKET

## Market Analysis

### Insurer Market

The Australian General Insurance market is still currently undergoing significant change. There is now only a small number of large insurers that dominate the insurance industry.

We would expect overall that premium rates will increase again in 2023/24 and continue to increase again in following years.

### Premium Levels

Recent industry surveys and commentary indicate rate increases are expected across 2023/24 as follows:

|  |  |
| --- | --- |
| Class | Percentage Change and Comment |
| Householders | 3% to 8% increases generated by CPI increases in sums insured and weather-related rate increases. |
| Private Motor | 5%, in line with general inflationary trends |
| Commercial Motor | 2% - 5 % increase in rates due to claims costs inflation. |
| ISR | 8% increase due to poor industry results. |
| Package | 2% - 5 % increase |
| Liability | 5% - 10 % increase |
| Marine | 2% - 5 % increase |
| PI & D & O | Significant increase in D & O of up to 50% due to very poor underwriting results. 20% - 50% for P.I. |
| Construction | 2% - 5 % increase |

### Insurer Remuneration Changes

Commission rates are expected to remain unchanged over the next few years.

The changes to the Insurance Brokers Code of Practice banned the receipt of Volume and Profit bonuses from November 2022.

## Competition

### Insurers

As a result of the current trends in the general insurance marketplace we have seen an exodus from one on one services being provided by the major insurers in favour of streamlined call centres and websites managing consumers straightforward retail and small business insurance requirements.

Direct insurers will continue to attract price sensitive domestic Clients and start to reach into the small business area over the next few years. These direct insurers are unlikely to offer our Clients personalised service, leading to us being able to clearly differentiate ourselves (at an increased cost) from this market when we choose.

### Brokers

As a relatively small business with a diverse range of Clients across a broad range of activities there is no specific competitor that is likely to significantly impact our operations.

Over the past five years we have seen an explosion in the number of Authorised Representatives operating in the market. It is estimated that there has been as many as 200 new AR’s enter the market, they are income driven and very hungry to write business, sometimes at whatever cost.

The use of Internet based distribution channels will also continue to grow with a small segment of our Clients.

## Customers and Users

The customers whom we focus on are:

1. Small to medium sized businesses in industries that are not considered to be in the high-risk insurance category.
2. Domestic Clients attached to the businesses mentioned above.
3. Specialist niche markets that we have developed over time.

Our core customer has developed an understanding for the need for insurance premiums to increase, however they also have an expectation that we will cushion such increases by marketing accounts facing large increases.

With the publicity surrounding the insurance industry the insurance purchase is taking a higher priority with many of the principals with whom we deal. We must ensure that our service delivery increases accordingly.

We acknowledge the additional costs that will be associated with dealing with Retail Clients, particularly those that we offer Personal Advice to. It is not our intention to grow this segment of the business apart from situations where the client is associated with our core target client base.

To increase margins and our value proposition we must spend more time and energy promoting the level of our insurance and professional expertise of our business to the client rather than just putting in place insurance at the cheapest price.

# MARKETING & SALES PLANS

## Service and Sales Plans\*

Our Broking Service Standards spell out the service that we are planning to deliver to our Clients, whilst our various Policy and Procedures covering areas such as Staff, Broking, and Training provide guidance on how the services will be delivered.

The sales activities of our business are segmented by the use of Service Codes for each segment of the business. Our annual income budget is built up from the individual income targets that we have set for each segment of the business.

Our historical growth patterns have been developed from client referrals and the growth of income per client. The client referral process will become critical over the next twelve months as we see income from our existing client base being relatively unchanged or even going backwards a little.

Specific sales activities anticipated during the year include:

|  |  |
| --- | --- |
| Advertising | Targeted Trade/Special Interest publications, Sporting Clubs, Trade Union Media |
| Brochures | Comprehensive Insurance |
| Centres of Influence | Accountants, Trade Union Meetings |
| Newsletters | Monthly newsletter |
| Public Relations | Lunches, In-house, Out of Office, Golf Days, Race Days, Social Functions, Business Groups, Sponsorships |
| Staff | Additional sales related staff, outbound telemarketing etc. |
| Website | Implement and upgrade |
| Social media | Investigate value of various social media options. |
| Flood Cover | Mass mail out letter to all Clients outlining flood cover options |

## Representative Monitoring and Training \*

The business does not plan to appoint any Authorised Representatives or Distributors in the next twelve months. All staff are subject to our various Policy and Procedures, which are summarised in our Monitoring and Supervision of Representatives Plan. We have reviewed the plan and confirmed that it continues to meet our requirements and will ensure our compliance with our legal obligations.

We have scheduled our annual Staff Appraisal process for ? this year and will document our annual training plans for all staff in ? this year.

## Human Resource Statement\*

We have reviewed our staffing requirements in accordance with our Human Resources Statement and in light of the plans for the coming year we have adjusted planned staffing levels accordingly to ensure that we continue to provide our services in a fair, efficient and professional manner.

# RESEARCH & DEVELOPMENT / TECHNOLOGY

## Business Opportunities

At this stage we have not identified any specific business opportunities over the next twelve months.

We have reviewed the Information Technology Policy and Procedures and confirmed that they continue to meet our requirements and will ensure our compliance with our legal obligations.

## Product Research \*

We are not undertaking any expansion of business activities over the next twelve months.

We have reviewed our Product Research Policy and Procedures and confirmed that it continues to meet our requirements and will ensure our compliance with our legal obligations.

We have reviewed the security and service performance of each of the products that we use within the business and confirm the product range continues to meet our expectations and the requirements of our customers.

The business does not currently have nor contemplates entering any binder arrangements.

# OPERATIONAL PLANS

Detailed plans for the achievement of the strategies, objectives and goals in this plan are living documents and are subject to ongoing development and change. As such we have not included them within the Business Plan. These plans are detailed in our Operational Plans document and are maintained by the Responsible Manager(s). Detailed below is a summary of the key management processes that will support the business in achieving our objectives.

|  |  |
| --- | --- |
| Issue | Action |
| Marketing | Development and implementation of a promotional /communications plan  Review of competitor activity and respond accordingly. |
| Sales | Recruit an additional Account Executive  Up selling & cross selling included in all renewal processes.  Develop and monitor formal sales reports, actual Vs budget Vs last year.  Commence analysis of income Commission Vs Fees.  Formal sales meeting shall be held on a monthly basis. |
| Operations | Automatically issue reinstatement letter to Underwriter once claim has been notified.  Have all Claim Forms, Policy wordings and PDS’s, Proposal Forms and our FSG available electronically.  Request client to write/email advising cancellation of policy.  Return Premiums only to be processed on confirmation from insurer.  Return premiums to be approved by Responsible Manager prior to drawing cheque/eft.  A full review of IT usage within the business and implementation of findings.  Conduct review of broker fees to ensure they are fair and reasonable and are being disclosed to Clients in a timely and effective fashion. |
| Staff | Hold regular staff meetings.  Complete Job Descriptions or Task Matrix for all staff.  Ensure relevant and productive training is planned and achieved. |
| Compliance | Have external compliance review undertaken.  Ensure Board meetings review Compliance system and Breach Register |
| Finance | Develop / implement / use monthly Actual Vs Budget Vs Last Year.  Cash flow & Profit and loss.  Customer Service (monthly) |

# MANAGEMENT & ADMINISTRATION

## Administration Review

The current structure of the business is expected to continue relatively unchanged over the next twelve months. Any changes will of course be reflected in our Organisation Chart.

We have reviewed the Training Policy and Procedures and the Staff Policy and Procedures and confirmed that they continue to meet our requirements and will ensure our compliance with our legal obligations.

Our Position Descriptions/Task Allocation Table reflect current job roles and annual appraisals have been conducted with all staff as detailed in last years Business Plan.

## Complaint Handling Policy Review\*

We have reviewed all complaints made regarding our services and determined there are no changes required to our various Policy and Procedures.

We have reviewed the Complaints Policy and Procedures and confirmed that they continue to meet our requirements and will ensure our compliance with our legal obligations.

We also note the obligation to submit complaints data to ASIC on a six monthly basis commencing Jan 2024 for the six months ended December 2023.

## Compliance Review and Statement\*

We have reviewed the Compliance Policy and Procedures and confirmed that they continue to meet our requirements and will ensure our compliance with our legal obligations. The Compliance system is working effectively, as evidenced by the entries in our Compliance Breach register and reporting to the management and Board has been both effective and efficient.

We will engage an independent consultant to formally review and report on our Compliance performance annually.

## Conflict of Interest Policy Review\*

We have reviewed our Conflict of Interest Policy and our Conflict of Interest Identification Table and determined that the management of this issue continues to meet our requirements and those of our Licence.

## Disaster Recovery Review\*

We have reviewed the Disaster Recovery Policy and Procedures and confirmed that they continue to meet our requirements and will ensure our compliance with our legal obligations.

The assumptions underpinning our approach have also been reviewed and continue to be a valid base for a Disaster Recovery.

## External Representatives Review\*

We have reviewed the performance of all External Representatives appointed by the business and determined that all such appointments will continue for the coming year.

## Management Review\*

There are no plans to make any changes to our Responsible Manager(s) or their duties in the next year. At this stage we have not identified any staff with the immediate potential to develop to a Responsible Manager level. We will continue to monitor this area as part of our annual appraisal process.

We have also monitored and reviewed the level of training and personal development undertaken by the Responsible Manager(s) and believe that they have maintained the necessary knowledge and skills to support the business in meeting its obligations.

We have reviewed the risks associated with the loss of a Responsible Manager(s) and believe are current contingency plans adequately cover this exposure.

## Organisation Chart\*

A current copy of the Organisation Chart is maintained on our Intranet.

## Risk Management Review\*

There have been no significant incidents that have impacted the operation of the business over the past twelve months.

It is confirmed that:

1. A full review of the risks facing the business has been undertaken, including Modern Slavery risks.
2. All risks with an Extreme or High-Risk analysis to the business have been included within the Risk Identification Table.
3. All existing Actions documented in the plan have been completed or are currently in force and effective for the purpose.
4. The business has implemented an effective suite of Anti Bribery Policies and Procedures as well as the implementation of a Modern Slavery Policy.

We have reviewed the Risk Management Policy and Procedures and confirmed that they continue to meet our requirements and will ensure our compliance with our legal obligations.

## Succession Planning

At this stage the current business owners consider that there is little likelihood or plan of any significant changes in the ownership/control or management of the business in the next five years and therefore have not put into place any specific succession planning steps or processes.

There are no expected changes to Responsible Managers over the next twelve months and MSM Compliance Services P/L have been engaged to provide a Relieving Responsible Manager facility should the need arise.

## Workplace Health and Safety Review

We have reviewed our WH & S performance over the past year and there have been no serious incidents or patterns of incidents that warrant particular action to be taken.

We have reviewed the WH & S Policy and Procedures and confirmed that they continue to meet our requirements and will ensure our compliance with our legal obligations.

## Privacy Review

We have reviewed our compliance with our Privacy obligations over the past year and there have been no breaches identified. We have not identified any Overseas Suppliers that warrant specific notification to any of our Clients.

We have reviewed the Privacy Policy and Procedures and confirmed that they continue to meet our requirements and will ensure our compliance with our legal obligations.

## Outsourcing Review\*

The business has no plans to outsource any additional critical business activities in the next twelve months.

We have reviewed the Outsourcing Policy and Procedures and confirmed that they continue to meet our requirements and will ensure our compliance with our legal obligations. All outsourced activities are included in our Organisation Chart. We have reviewed the performance of all outsourced suppliers, in a similar fashion to that applied to staff.

# FINANCIAL issues

## RG166

For the coming year the business has decided to use Option ? within RG166 to meet our financial obligations.

## Key Assumptions

The following key assumptions underpin our budget.

1. Staff numbers will remain unchanged, with salary levels increasing by 5% - 7 % due to inflationary pressures, increased brokerage profitability, increased staff productivity and the shortage of suitably trained staff within the financial services industry.
2. Professional Indemnity and Other Insurance costs will remain steady compared to last year.
3. Other expenses will move marginally upwards in line with inflation.
4. Fee income per client will be maintained.
5. Commission income per client will increase marginally due to increasing premium levels, whilst commission rates themselves will remain unchanged.
6. Client and policy numbers are anticipated to continue to increase in line with historical trends.
7. We will retain the majority of our major Clients and the overall client retention ratio should remain steady over the next twelve months.
8. Sundry income from premium funding etc. will remain relatively unchanged.
9. Interest income will increase slightly.

## Income / Expense Budgets

A full set of our Expense and Income budgets for the next twelve months are stored on the Intranet.

## Cash Flow Statements

Our budget has been produced on a cash basis to facilitate management of our Financial Requirements as laid down in RG166. Given the nature of our business an accrual approach to budgeting would produce almost identical results as those developed on a Cash Basis.

Apart from existing loan repayments and other typical cash outflows such as Tax etc the business is not expecting any material cash inflows or outflows due to items such as Capital Purchases or Sales, Loan Advances etc.

Any dividends payable by the company after tax will be distributed as and when decided by the Board however this will only be done having regard to our ongoing Financial Compliance requirements.

We have reviewed the Financial Policy and Procedures and confirmed that they continue to meet our requirements and will ensure our compliance with our legal obligations. Specifically they make provision for the inclusion of items such as Dividends and other significant cash inflows and outflows.

## Projected Balance Sheets

We have not completed a projected Balance Sheet for the coming year, however based on the current financial strength of the business and the planned profitability demonstrated in our budget we are confident that the business will remain solvent over the medium to long term.

## Sensitivity analysis

The business draws its income from a varied source of Clients. No one client or client grouping makes up more than 10 % of our annual income. Our exposure therefore to loss of income due to the loss of a single client is minimal.

The other factor that may impact our revenue streams would be loss of insurer support. Our analysis of the market and the business we have placed with our largest insurers leads us to believe that this business could be readily and easily transferred to another carrier should the need arise. There would probably be some marginal expense increases and revenue losses should this occur.

## Ratio Analysis

| Ratio | Last Year | This Year | Comment |
| --- | --- | --- | --- |
| Income to turnover |  |  |  |
| Fees Vs Total Income |  |  |  |
| Commission Vs Total Income |  |  |  |
| Income per Staff member |  |  |  |
| Expenses to Income |  |  |  |
| NPBT to Income |  |  |  |
| Staff Expenses to Income |  |  |  |
| Insurance to Income |  |  |  |
| Cost per staff member |  |  |  |
| Premises costs to Income |  |  |  |
| New business per staff member |  |  |  |
| Client numbers per staff member |  |  |  |
| Debtors over 60 days as % of total debtors. |  |  |  |

## Funding Requirements and Proposals

At this stage there are no plans to make any alterations to the current funding arrangements in place for the business.

## Client Funds Controls\*

There have been no incidents of concern regarding the control and management of Client Funds.

We have reviewed the Financial Policy and Procedures and confirmed that they continue to meet our requirements and will ensure our compliance with our legal obligations.

# CONCLUSION

The planning process has provided an opportunity for us to formally review the performance of our business over the past twelve months. It is pleasing to note that we have made progress on many fronts and are now better placed than ever to take the business forward.