

A Glimpse at the Future

One company's view
on the nature of business
in the future.




Agenda

- What the experts say about business in the future:
 - How customers will buy
 - The nature of competition
 - Impact of technology
 - A global world
- About Royal & SunAlliance Personal Ins.
- Our response to a changing world
- Q & A


The Experts

- Vivek Ranadive, *The Power of Now*, 1999
- Wayne Burkan, *Wide Angle Vision*, 1996
- Shirley Roberts, *Harness the Future: The 9 Keys to Emerging Consumer Behaviour*, 1998
- John Naisbitt, *High Tech, High Touch*, 1999
- Bill Gates, *Business at the Speed of Thought*, 1999
- Bart Kosko, *The Fuzzy Future: From Society and Science to Heaven in a Chip*, 1999
- Ira Matathia, *Next, Trends for the Near-Future*, 1999
- W. Warren Wagar, *A Short History of the Future*, 1999
- Diane Coyle, *The Weightless World*, 1999
- Peter Schwartz, *The Long Boom*, 1999
- Stan Davis, *BLUR - The Speed of Change in the Connected Economy*, 1998



Fundamental Overriding Truth

The pace of change will continue to accelerate.
Speed and adaptability are the critical ingredients
of future success.



"Don't forget, folks -
the less you bet,
the more you lose
when you win."

Advice from
a stickman at
the Landmark Casino

How Customers Will Buy

Customers will demand instantaneous response to unique, personalized needs. They will want things fast, simple and customized. Quality is an absolute must.

Key Notions

- Customers will become more knowledgeable and powerful
- There will be greater need for trust and security
- Customers will participate with sellers in webs of economic, informational and emotional exchange

Key Notions

- Customers will want personalized service, even in cyber world
- Customers will use multiple suppliers for a given product
- They will want to buy - when, where and how - as they choose
- There will be far less tolerance for companies that do not perform to expectations

Key Notions

- Consumers will be willing to pay more for a product that is unique. Traditional measures of value, price and quality will be too simplistic.
- New demographics will emerge. Products must target these new demographics and lifestyles.
- Cash is dead!
- Purchase decisions will reflect an increased awareness of the environment.

The Nature of Competition

1. Competitors will customize products for unlimited niche markets using powerful sources of enhanced information.
2. Multi-channel distribution and non-traditional partnerships will be the norm.

Key Notions

- Products will be auctioned, not sold.
- The internet will drive us to a price-based, commodity market.
- Competition will focus on producing tangible and intangible value; the intangible will quickly become most important.

Key Notions

- In the short term speed to market is most critical. Long term it's creativity.
- Winners will be best at managing information (not data)
- Competitors must be able to customize and change quickly and frequently.
- Megacorporations will emerge



Impact of Technology

Technology will create a smooth,
easy-to-use flow of information
with universal connectivity

Key Notions

- Moore's Law will hold for 20 more years. Chips will get to the molecular level. (Gene mapping instead of credit score!)
- Technology will integrate seamlessly into our lives

Key Notions

- Jobs will be networked; organizations will be flatter.
- Product providers need portals not websites active, tying together multiple processes, information sources, graphically rich display

"The factory of the future will have only two employees, a man and a dog. The man will be there to feed the dog. The dog will be there to keep the man from touching the equipment."

Warren Bennis, Author and
Distinguished Professor of Business
Administration, University of Southern
California



A Global World

Globalization will create the effect of one world economy and marketplace.



Key Notions

- Customers will be comfortable buying products from anyplace in the world.
- Competition will originate from anywhere.
- Global “megabrands” will emerge.

Key Notions

- Businesses must still differentiate themselves within local economies.
- Globalization will be about diversity not conformity.

About Royal & SunAlliance Personal Insurance

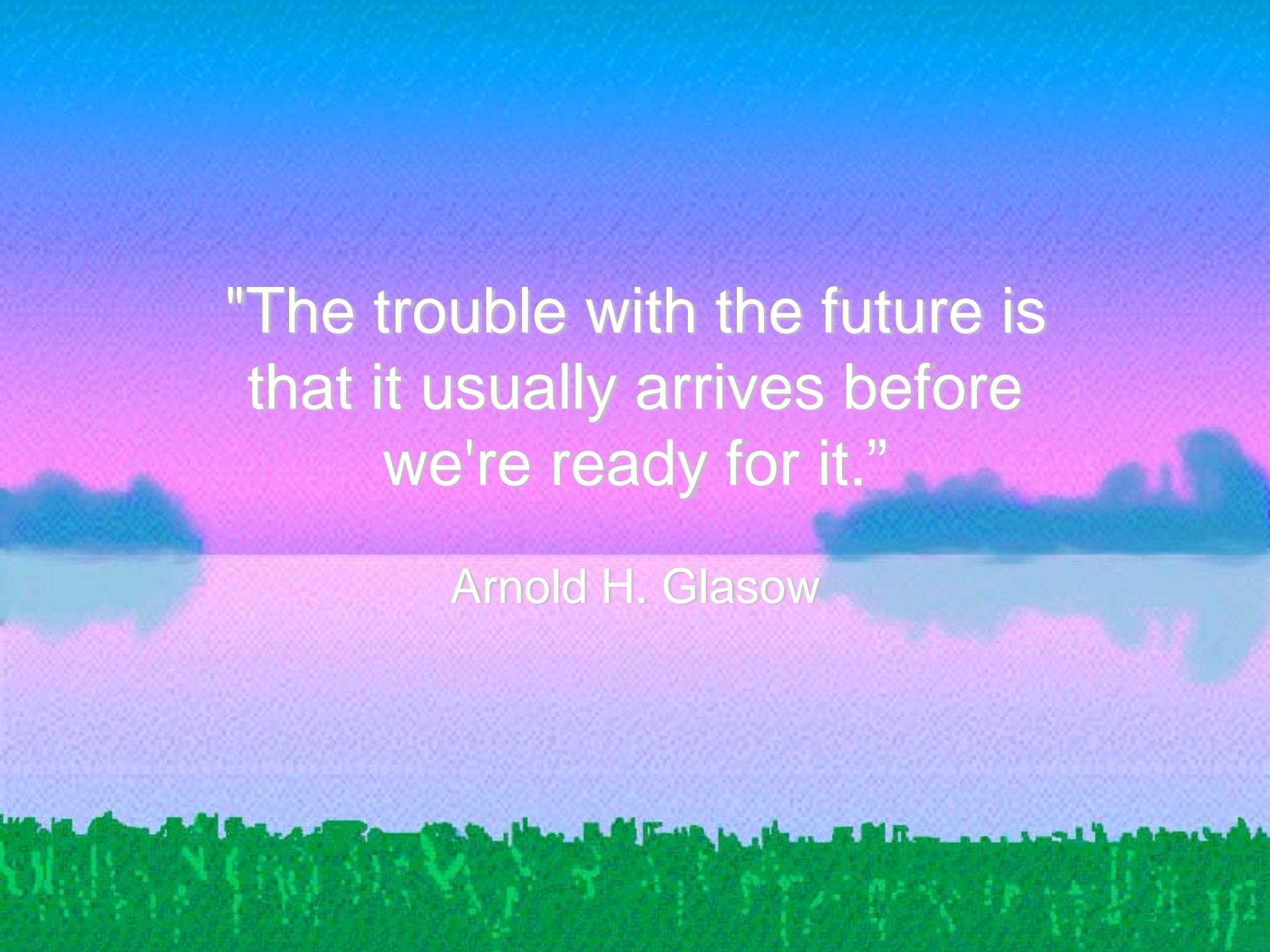
- Headquartered in Denver
- 1,800 people in 14 locations.
- Balanced portfolio:
 - 50% nonstandard auto
 - 25% standard/preferred auto
 - 20% homeowners
 - 5% other personal lines

Nonstandard Auto Business

- Branded as Orion*Auto*
- 37 states
- Unique combination of traditional 6-month product and specialized monthly product
- 13,000 independent agents
- Top 10 in premium production


Standard/Preferred Products

- Branded as Royal & SunAlliance
- 19 states/Eastern oriented
- High-touch agency and customer strategies
- Growing and profitable



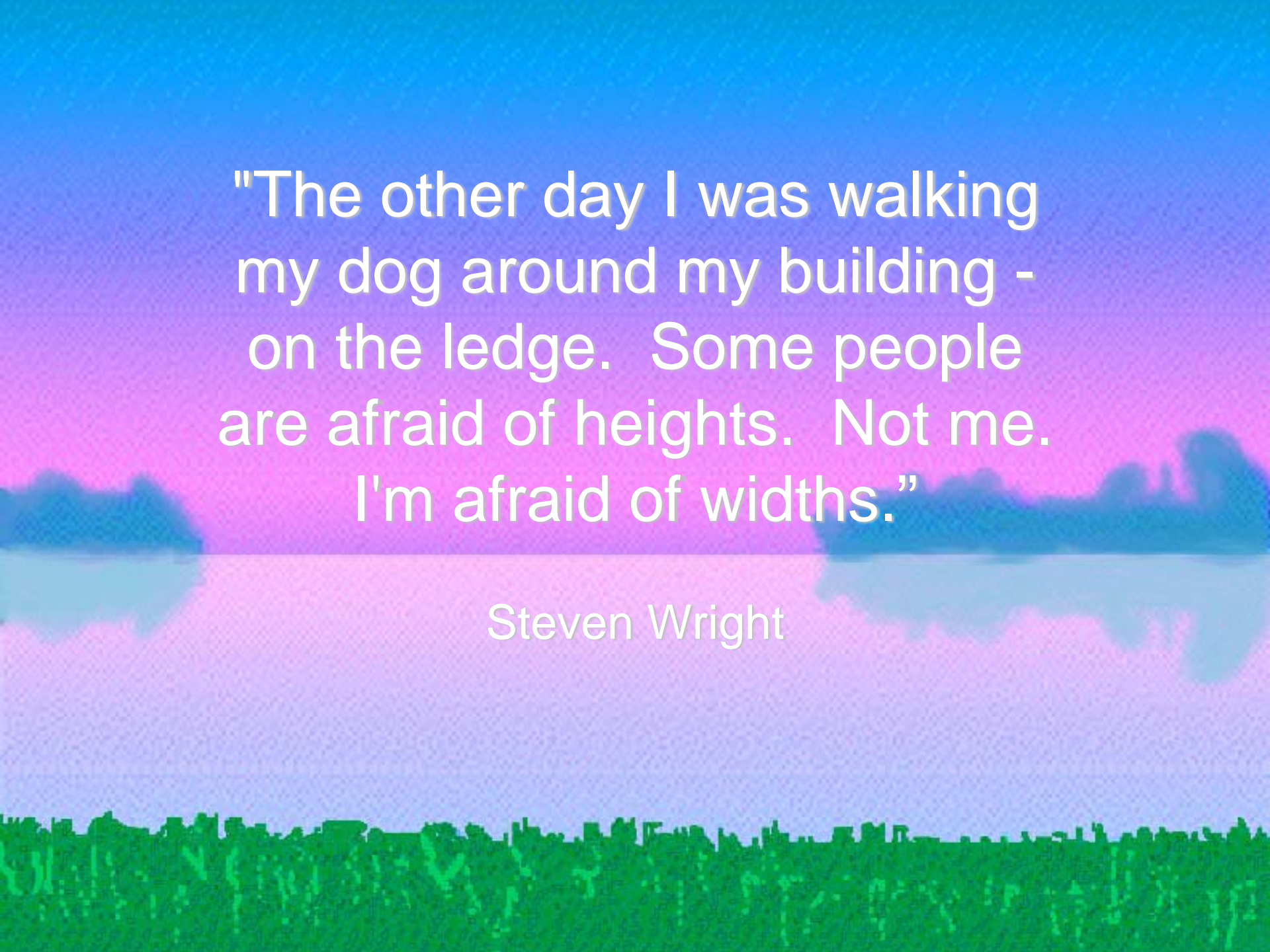
"The trouble with the future is
that it usually arrives before
we're ready for it."

Arnold H. Glasow




Our Response to a Rapidly Changing World

- Systems initiatives to increase speed, add flexibility and simplify processes.
- Add more language skills and diversity.
- Invest heavily in tools to obtain, capture and analyze data to create new types of information.




"The other day I was walking
my dog around my building -
on the ledge. Some people
are afraid of heights. Not me.
I'm afraid of widths."

Steven Wright

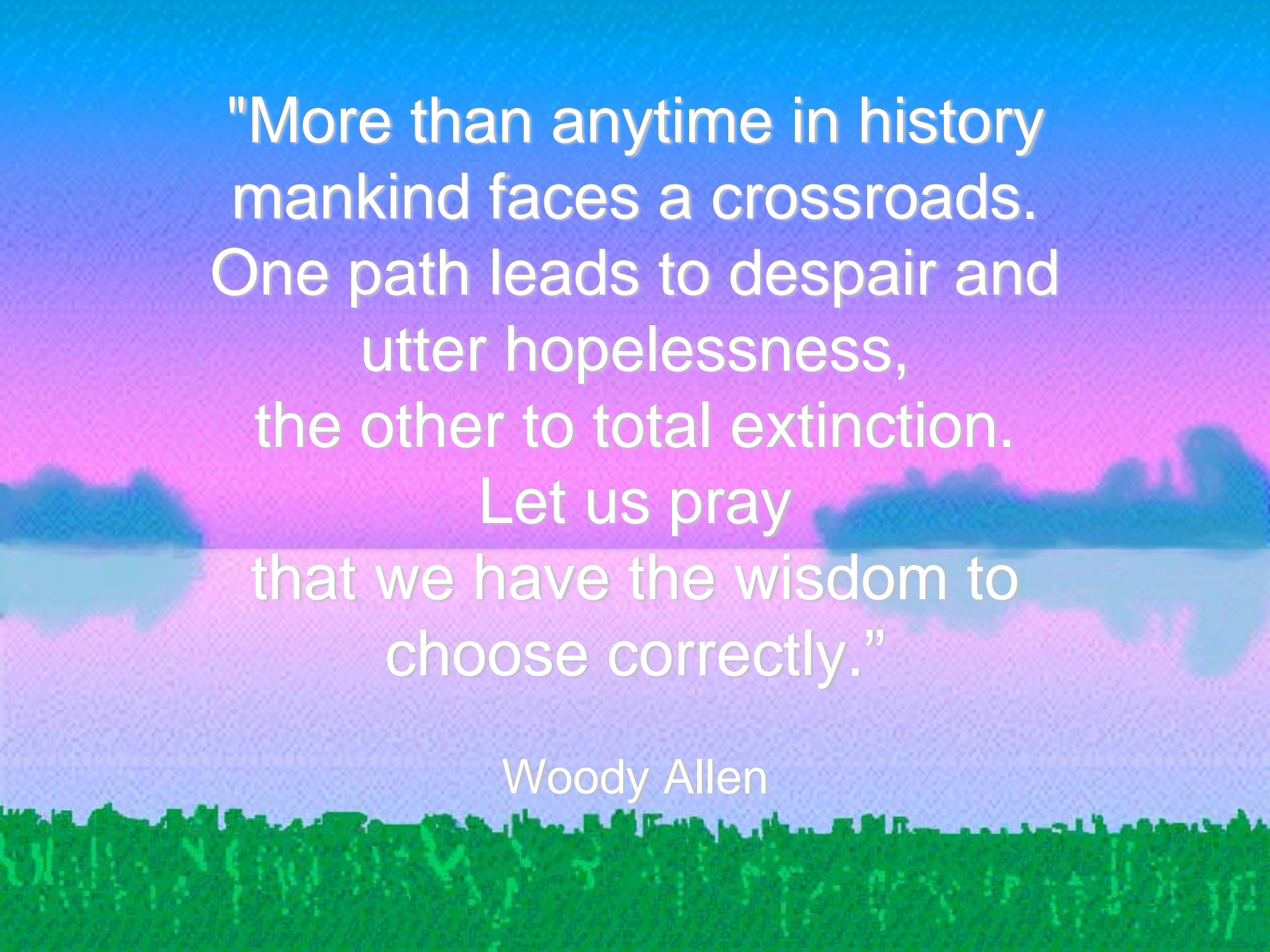


Our Response to a Rapidly Changing World

- Investing in skill development. Changing hiring, developing and rewarding practices.
- Focusing on e-business opportunities.
- Developing new “currency”



WHAT ARE YOU DOING TO ENSURE
YOUR SUCCESS IN A WORLD OF
ACCELERATING CHANGE?



"More than anytime in history
mankind faces a crossroads.
One path leads to despair and
utter hopelessness,
the other to total extinction.

Let us pray
that we have the wisdom to
choose correctly."

Woody Allen