

Undertaking # 31

Referring to Slide 4, exhibit 45, please provide the definition of the term "target positions".

RESPONSE:

The insurance industry is currently about where the target line crosses the blue X of the quadrants.

The target line reflects a projection that, as an organization becomes more mature in its IT processes, it is likely to become more integrated with the business. IT becomes an investment rather than a pure expense and thus relative spending would rise against the revenue while helping to reduce Operating expenses and improve operating margin/profit (so as an organization matures - moves right, it is likely to attract more spending to drive more value - moving it down). Similarly, IT organizations that are immature are typically viewed merely as cost centres and tend to be under extreme pressure to reduce IT costs placing them at the top left side of the chart.

The key for any organization as it matures is to achieve the balance between investing for the business and being too costly.