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Embargoed until 15:30 hrs. CEDT

Annual General Meeting 2015

Zurich, April 1, 2015

Speech by Tom de Swaan

Chairman

Zurich Insurance Group

Before we get to today's agenda, I would like to give you a brief overview of the past fiscal year and the focus areas for the Board of Directors.

Today's economic environment is mixed. The U.S. is experiencing robust growth and some countries in Europe are showing initial signs of improvement. On the other hand, record-low interest rates remain a challenge for us, notably in Switzerland and other European countries with negative rates. Low rates are a problem for us insurers, because they make it more difficult to profitably invest our assets and reserves.

Negative interest rates are also bad for pension funds, for social security and, of course, for you as savers. You are also earning less interest from your money. In order to generate the same returns as before, greater risks have to be taken today. In addition, labor is now more expensive relative to capital. This is not good and - when combined with the very strong Swiss franc - could lead to problems for the Swiss economy over the medium term.

Dear shareholders,

As you know, the Board of Directors and the Group Executive Committee came together in December 2013 and set new priorities. We set clear profit and capital objectives. We took steps to become even more profitable. And we set the goal of generating free cash of at least 9 billion dollars by 2016.

With these measure, we aim to move Zurich forward, generate growth, increase profits, and deliver you, dear shareholders, an attractive dividend for you.

The Board of Directors has been a critical and demanding partner in the implementation of this strategy. That is part of our duty as the top leadership and supervisory body. Now, after more than a year, I can say: We are moving in the right direction. Zurich is on track.

Our initiatives are now starting to take effect even if this is not yet reflected in our net income. A lot remains to be done if we are to reach all of our goals by 2016. Nevertheless, we are optimistic about reaching them. Our CEO, Martin Senn, will provide you with more details about the annual results.

We are not resting on our laurels. We speak often with management about how we can be even more agile, even more efficient and thus more profitable. What I really have to emphasize here: We are very strongly capitalized. Thanks to the strength of our capital position and our robust earnings, we are proposing another very attractive dividend to you.

Ladies and gentlemen,

Upon my appointment a year ago, I promised that I would focus closely on our corporate culture. One of the most important tasks facing any Board of Directors is to create a strong management team.

A company such as ours has two different types of capital. In global competition, they are key in determining between success and failure. One is the financial capital of a company. We are very strong here, as I mentioned earlier.

The other is the most important type of capital, human capital. A service company is only as good as its employees. If we want to remain the best in the world, we need to attract and keep the best and most talented people in our industry.

Our employees need to give their best. As bosses, we need to create an atmosphere that makes this possible. That requires an environment which supports constant learning and professional development.

It requires empathy is needed, social skills and a connection with fellow employees. Open doors are needed. Employees should feel able to come to their bosses with their problems. Only when they feel comfortable, only when they can be themselves, will they give their all.

Zurich, ladies and gentlemen, should be an ideal place for people who want to do extraordinary things. The company should be the ideal place for people who question and inspire themselves and those around them. We need to be a place for people who are motivated to develop their field and contribute to Zurich's growth.

One thing is clear for me: To be successful, we need as much diversity in terms of age, nationality, cultural origins and gender among our employees as possible.

We need to be as varied as our customers around the world. To find the best solutions and be innovative, we need many perspectives, ideas and experiences.

In a world that is growing ever more complex, we cannot answer with over-simplification, but only with versatility. For that reason, we launched a group-wide diversity and integration strategy in 2013 and have already made some initial progress.

We still have some ways to go in terms of gender equality. More than half of all our staff are women. But only 16 percent of executive level staff are women. Only 2 of the 11 members of the Group Executive Committee are women. The Board of Directors has three women and, with your vote today, it could soon be four.

I promise you: We will increase diversity at the executive level.

We do not merely want equal opportunity for everyone – which is also very important. I know from my own experience that companies with mixed teams are more successful, earn more money for you as a shareholder and have better corporate governance.

Diversity is a competitive advantage that brings added value, both when recruiting the right people and when dealing with our customers.

Of this, I am certain: We are always at our best when young and old, when people with different languages, cultures and education can interact with one another. Doing so benefits everyone – and not just in material terms, but also emotionally.

Let me make a comparison: One of our greatest skills as an insurer is to diversify risks and capital investments. We also need to do it with our most important capital, with our employees: Diversity is our ace in the hole.

We have 55,000 employees around the globe serving customers in more than 170 countries. Just in our headquarters in Zurich, we employ people from 45 different countries.

Ladies and gentlemen,

I want to once again state loudly and clearly: For Zurich, recruiting specialists and experts from abroad, whether from the EU or from other countries, is vital. The least bureaucratic access to international labor markets possible, will also be vital for Switzerland in the future.

Of course, the immigration initiative should be implemented - but only while maintaining the country's economic interests. Just as the majority of Swiss citizens demanded.

Unlimited access to the best talent around the world, whether from Switzerland, the EU or outside of Europe, is important to us.

A few months ago, Switzerland cut the quota for specialists from third-party states. And they did so by a whopping 25 percent. A fight for quotas is now looming. Between the companies. Between the Cantons. We are now facing even greater bureaucracy. And believe me: We would much rather handle our customers' needs instead of the complicated approval processes.

Such hurdles pose a severe threat. For us, Zurich. But also for the entire country. For Swiss research laboratories. For the Swiss IT industry. And for Swiss prosperity over the medium term – a threat to material welfare, and also to the cultural wealth of this wonderful country.

Dear shareholders,

Let me engage in a bit of hyperbole: We live in an age of regulation. I asked our legal department how many regulatory authorities we answer to around the world. How many do you think they named? 50? 100? 200? I was not surprised when I heard the figure: More than 350 authorities monitor our business.

After everything that happened in 2007, it is not surprising that the calls for more laws and supervision has gotten louder. It is inevitable that supervisory authorities want to play it safe.

Now comes the “but”: People take out insurance to reduce uncertainty in their lives. We as an insurer then promise to be there when they need us. If the supervisory regulations improve customer protection, then they have fulfilled their purpose. This needs to be the highest priority.

If the goal of regulation is to create safety and stability, then nobody can really oppose it. However, close attention needs to be paid to whether new regulations and laws support or hinder the market.

Let us look at the problem of systemic risk: Insurance companies cannot and should not be treated like banks in this regard. Of course, banks and insurance companies are both part of the financial industry. However, their business models have fundamental differences.

To put it simply: A bank uses short term savings to finance long-term loans. If all depositors suddenly decide to withdraw their money at the same time, a bank could run into trouble due to a lack of liquidity, triggering a domino effect that could threaten the entire system.

An insurer, on the other hand, assumes very different risks for the customer, for which it receives a premium and sets aside capital for the long term. At Zurich, for example, this means: In order to meet our obligations at any time, we have investments and reserves valued at more than 200 billion dollars. These assets are invested based on the nature and terms of the risks entered into.

An insurer does not present a systemic risk. Despite the great significance of the insurance industry, there is no insurance company in Switzerland that could pose a systemic threat.

On the contrary. Traditional insurers such as Zurich were actually a source of stability throughout the financial crisis – precisely because they have longer term obligations and their business is based on pre-paid premiums.

Our industry should not, therefore, face the same regulations as the banks – neither in Switzerland, nor anywhere else.

Ladies and gentlemen,

In closing, I would like to thank my colleagues on the Board of Directors for their cooperation and support.

I would also offer a big round of thanks to our CEO Martin Senn and the members of the Group Executive Committee. They have guided Zurich through these difficult times. I would also like to give my heartfelt thanks to our employees. Without their daily efforts, we would not be a success.

And now I am happy to hand the floor to you, Martin.