



# Zurich Financial Services Group

## “Competing in the Age of Austerity”

Martin Senn  
Chief Executive Officer

Bank of America Merrill Lynch  
Banking & Insurance CEO Conference  
London, September 29, 2010

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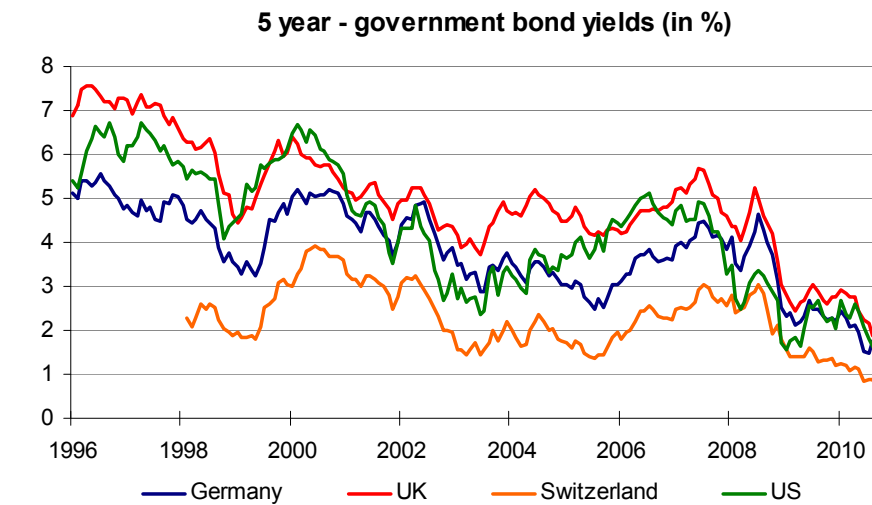
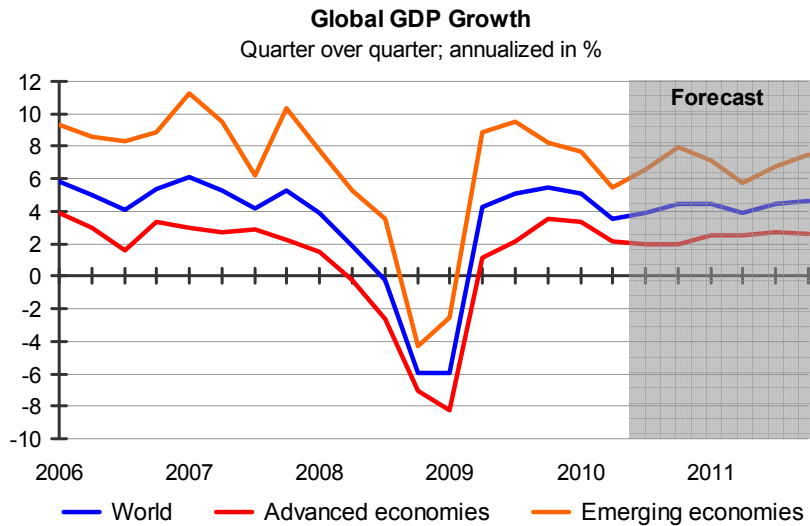
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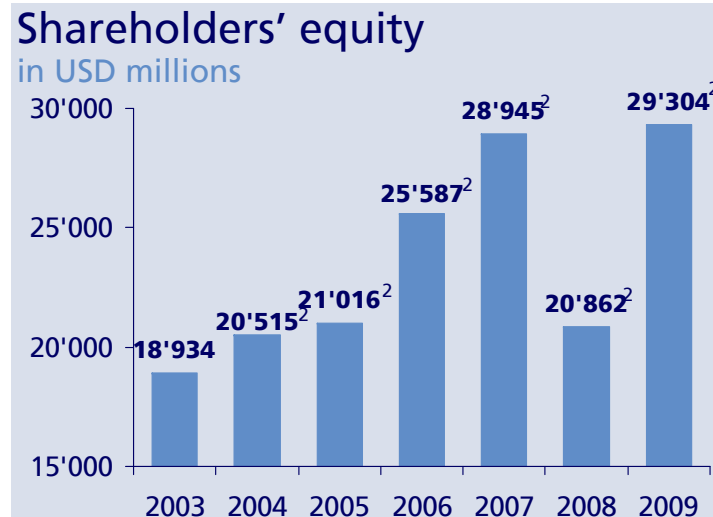
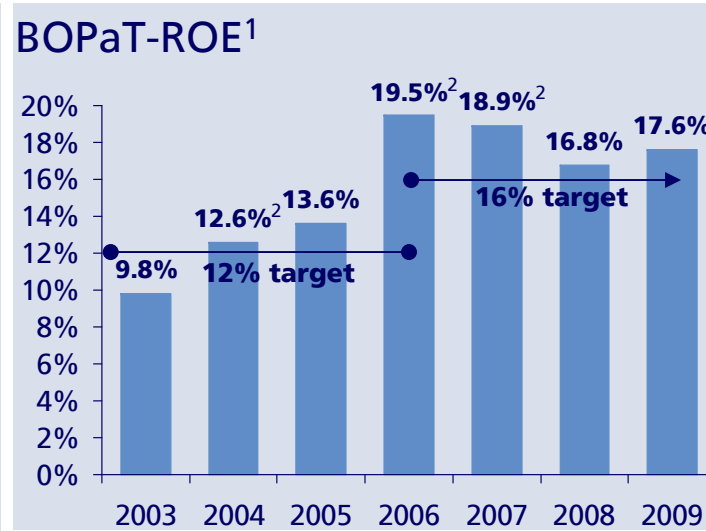
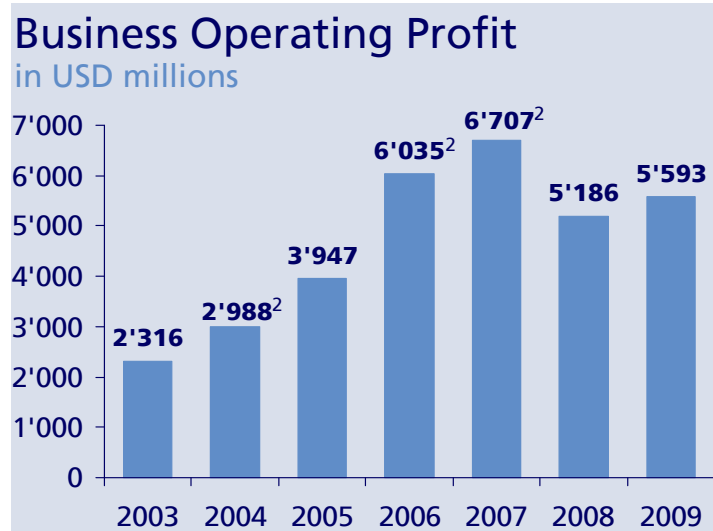
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# Stages of the financial crisis leading to an „Age of Austerity“



# A track record of solid performance



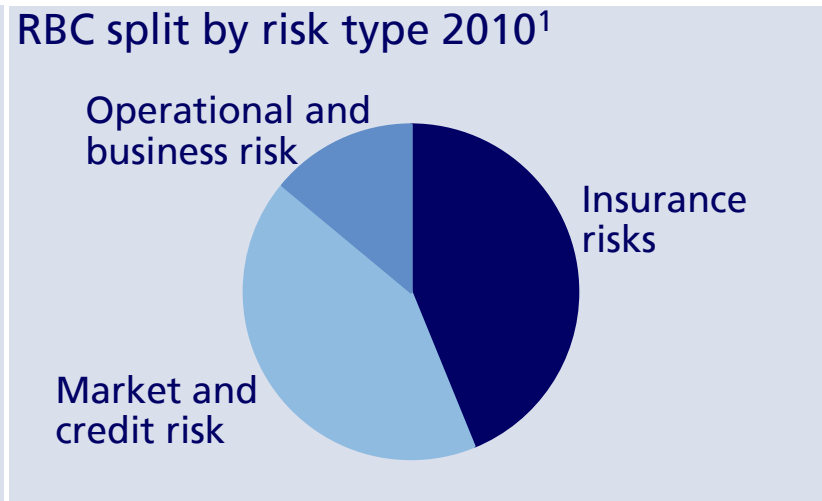
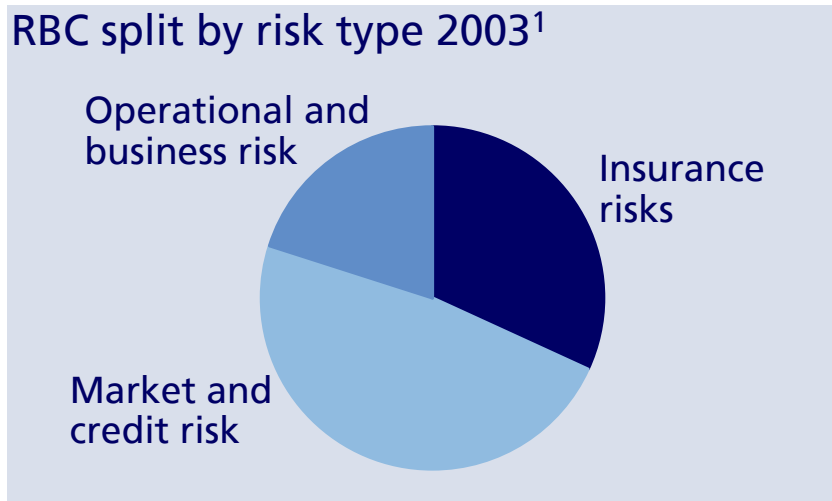
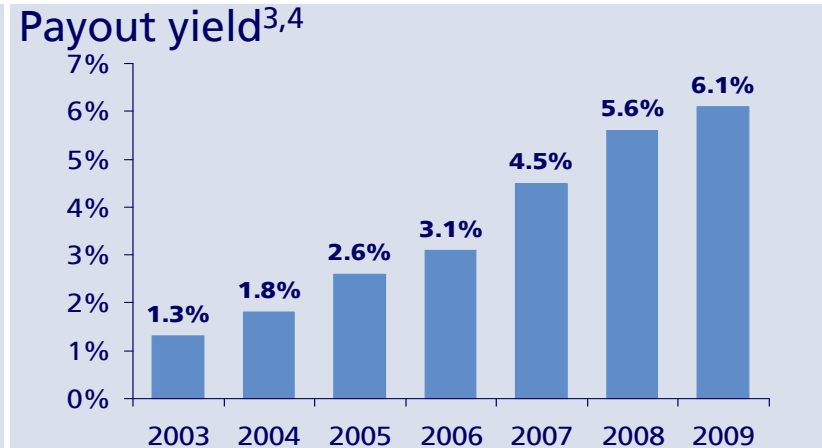
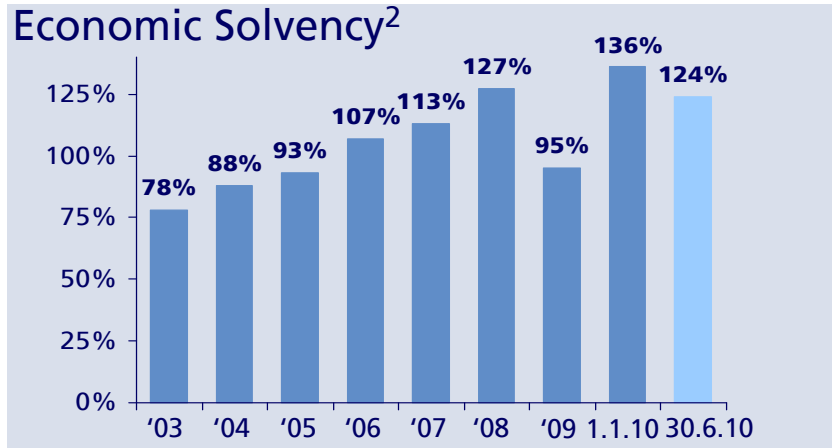
#### Half Year 2010

- BOP: USD 2,286m
- BOPaT-ROE<sup>1</sup>: 12.4%
- Shareholders' equity: USD 28,469m
- Diluted earnings per share: CHF 12.14

<sup>1</sup> Business operating profit (after tax) return on common shareholders' equity.

<sup>2</sup> Restated

# Sound risk and capital management – high payout yield for shareholders

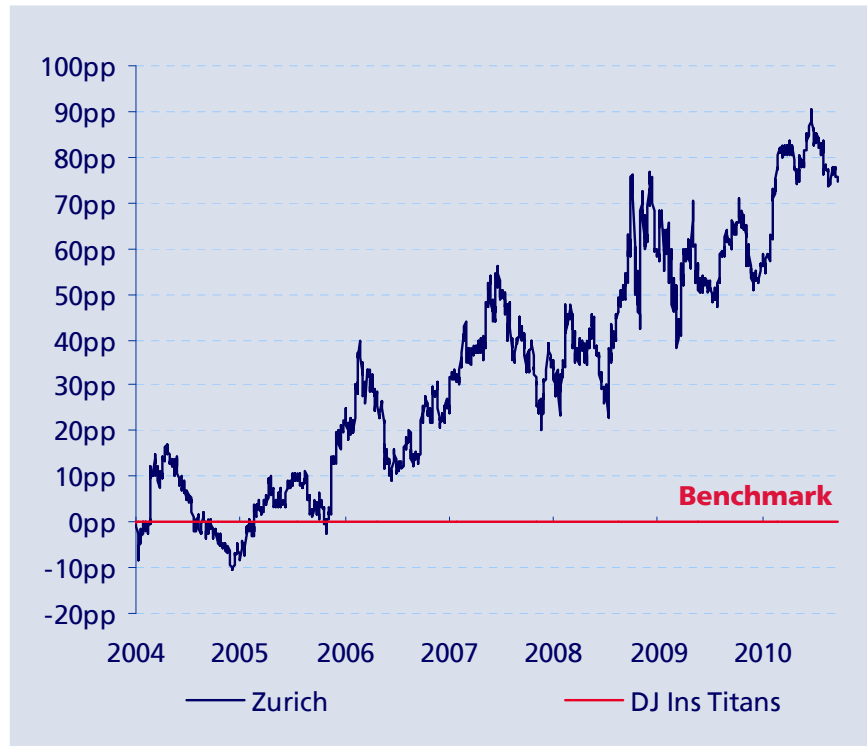


<sup>1</sup> RBC estimate of USD 27bn and 30bn as of Jan. 1, 2003 and Jan. 1, 2010 respectively; Insurance risks include premium & reserving risk, reinsurance credit risk, life insurance risk, natural cat risk  
<sup>2</sup> Economic solvency is based on Available Financial Resources (AFR) at the beginning of period as a percentage of expected risks to be taken during period (RBC). Economic financial strength is based on **AA calibration**.  
<sup>3</sup> Payout includes dividends and nominal value reductions  
<sup>4</sup> Compared to the close price of the day before the ex-dividend date

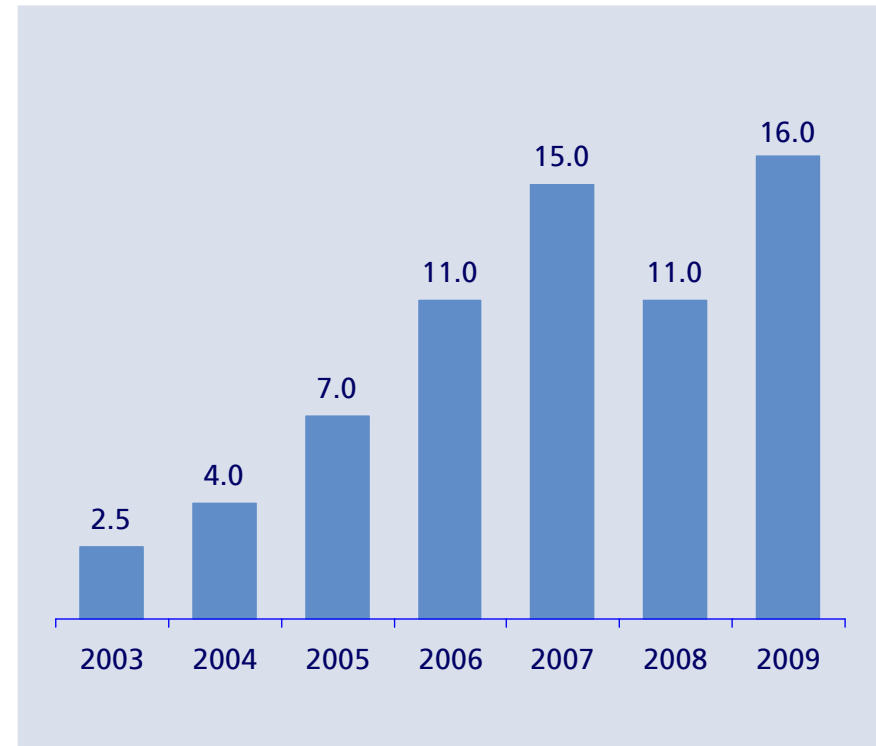
# Outperforming sector on total shareholder return with attractive dividends



TSR out-performance 2004 – to date  
(in percentage points)



Dividends (in CHF)<sup>1</sup>



Source: Datastream, as of September 21, 2010

<sup>1</sup> Includes gross dividend and payout of nominal value reduction per registered share

# Zurich well-positioned to compete in an “Age of Austerity”



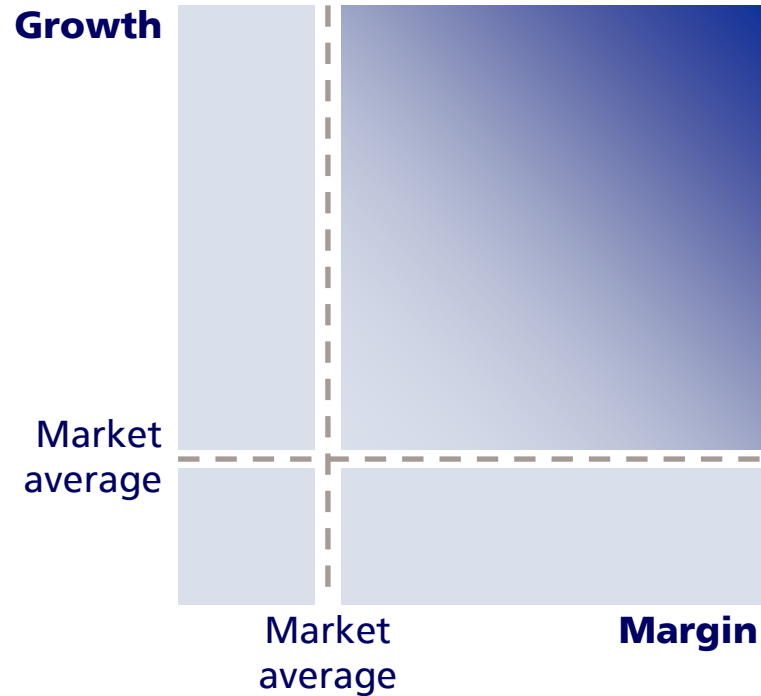
## The “Challenge of Austerity”

- Weak GDP growth in developed markets but strong pull from emerging markets
- Low yield environment and low inflation
- Higher household saving rates
- High risk aversion and ongoing market volatility
- Tighter and more capital intensive regulation
- Pressure for fiscal consolidation
- Push for industry sector restructurings (e.g. construction business)

## Zurich’s position

- Well diversified composite insurer
- Global footprint
- Strong balance sheet
- Consistent and disciplined investment philosophy
- ALM integrated into product design, RBC model and ERM
- Focus on operational excellence and transformation
- Proven record of financial discipline
- Strong brand franchise

# Our ambition for top tier performance



- Selectively strive for growth and prioritize profitability
- Being “the best” defined by our customers, shareholders and employees

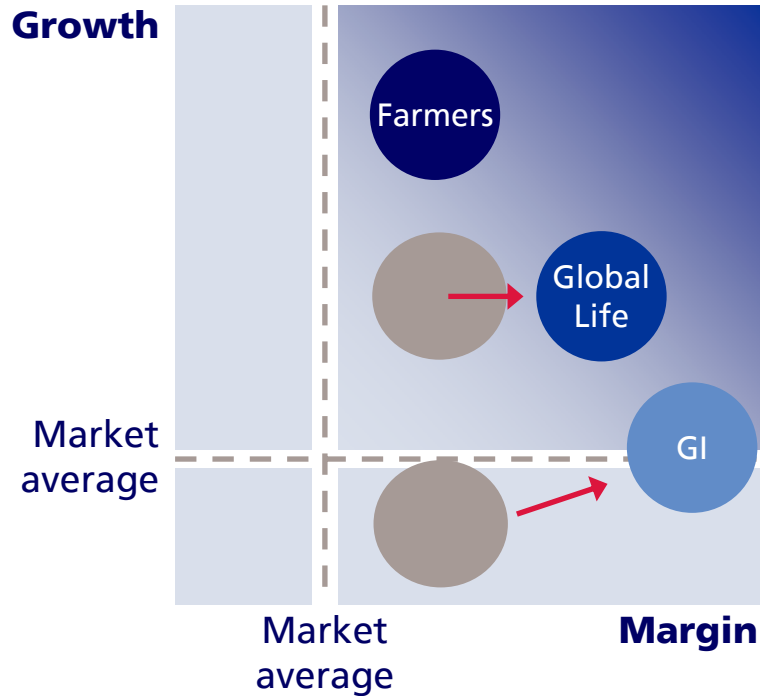


- 16% BOPaT ROE target across the cycle

 Aspired business performance



# Group aspirations for business segments



**General Insurance:** Widen market margin out-performance and pursue market-level growth  
**→ Improve Combined Ratio by 3-4 pts relative to competitors and hold market position**

**Global Life:** Ongoing market share capture combining volume growth and sustainable new business margin  
**→ Rank Top 5 of European peers by New Business Value**

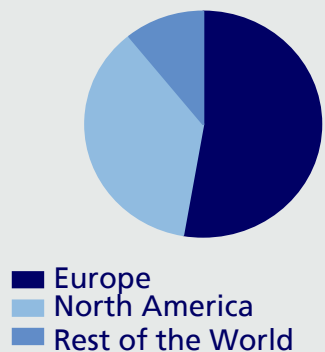
**Farmers:** Ongoing market share capture combined with consistent margin performance  
**→ Achieve top tier market share growth in US Personal Lines**



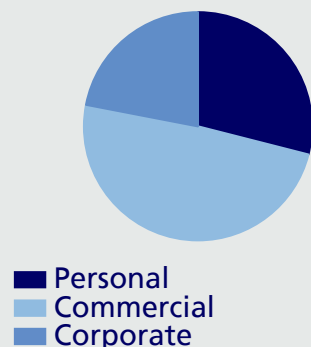
# General Insurance – protecting profitability by driving rates



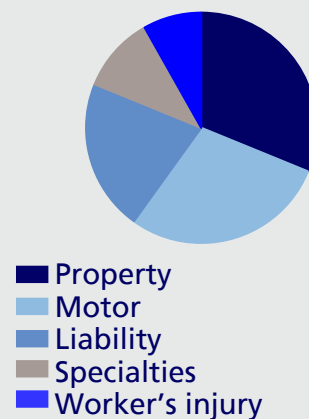
GWP by geography (2009)



GWP by segment (2009)



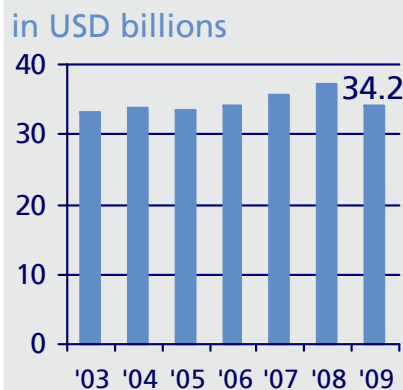
GWP by line of business (2009)



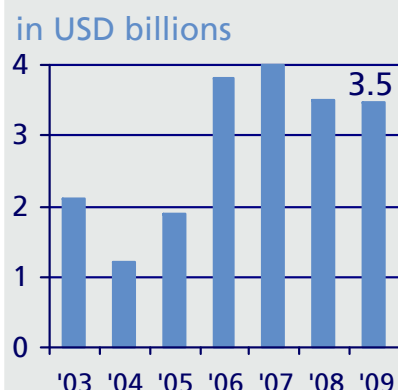
## Key points

- Runs a global franchise with a broad range of P&C products
- Ranks #4 global P&C insurer by GWP<sup>1</sup>
- Further leverages global scale for local customer delivery
- Focus on pricing discipline to reflect low yields, on risk selection and on expense management
- Enhances proposition, market and distribution management

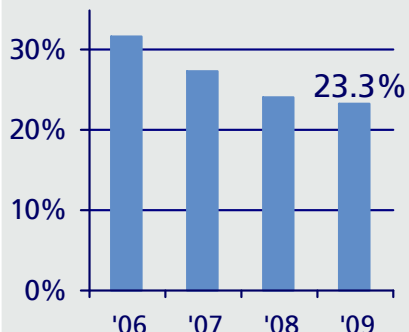
Gross Written Premiums (GWP)



Business Operating Profit (BOP)



BOP ROE

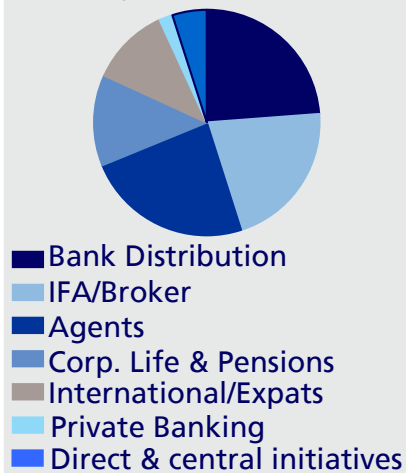


<sup>1</sup> Source: industry data

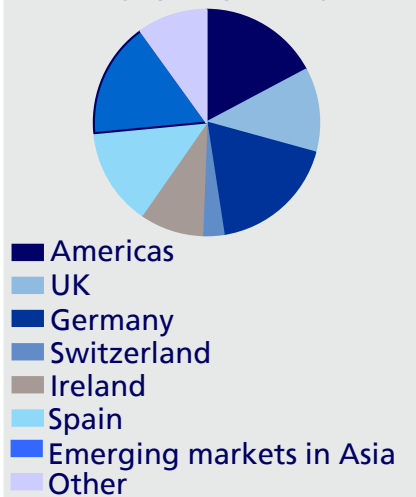
# Global Life – sustained growth throughout the crisis



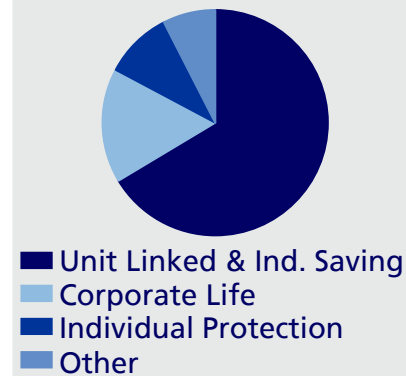
NBV by pillars ('09)



NBV by geography ('09)



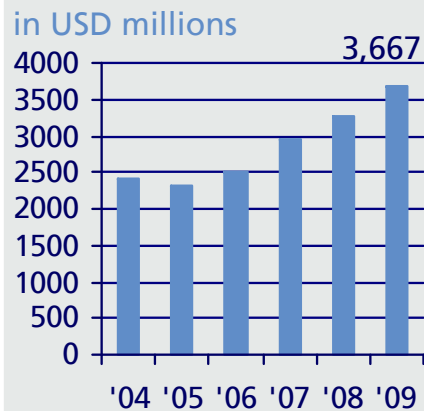
APE by product ('09)



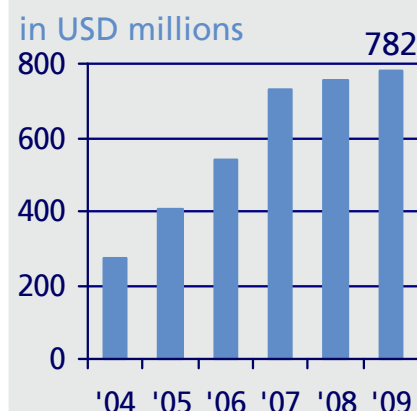
## Key points

- Further leverages capabilities in pillars and continues to scale up operating model
- Continues to focus on unit-linked, saving and protection products
- Limits exposure to spread business
- Grows cross-border business in Ireland
- Benefits from recovery in financial markets with positive impact on fee income

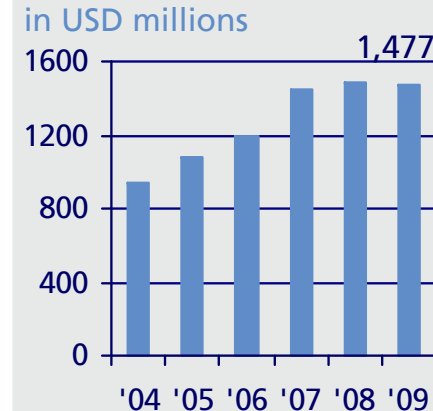
New Business APE



New Business Value



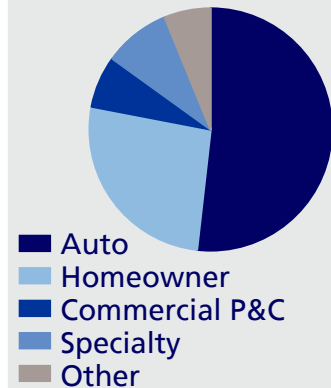
BOP



# Farmers – fully integrated 21st Century positioning for fast-growing direct channel ZURICH®



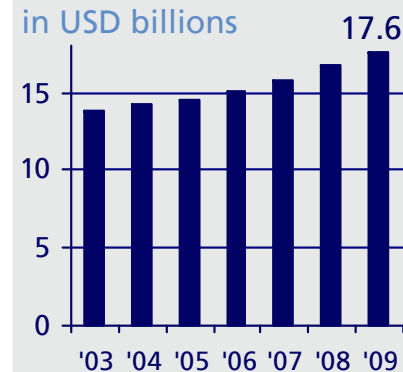
Exchanges<sup>1</sup> GWP by line of business (2009)



Exchanges<sup>1</sup> GWP by channel (2009) (incl. FY 09 21st Century GWP)



Exchanges<sup>1</sup> GWP

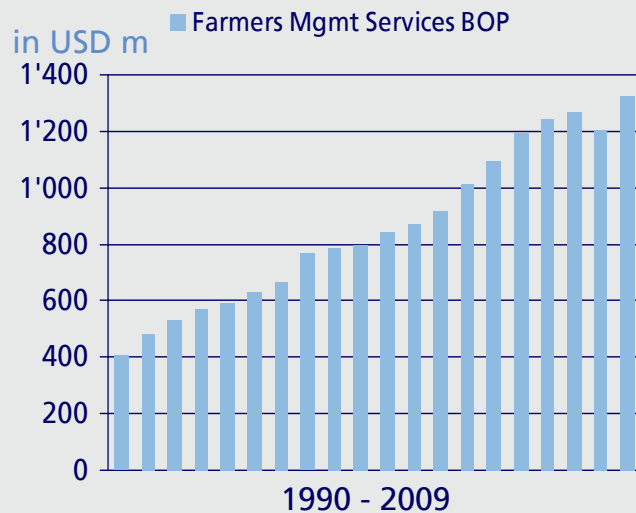


## Key points

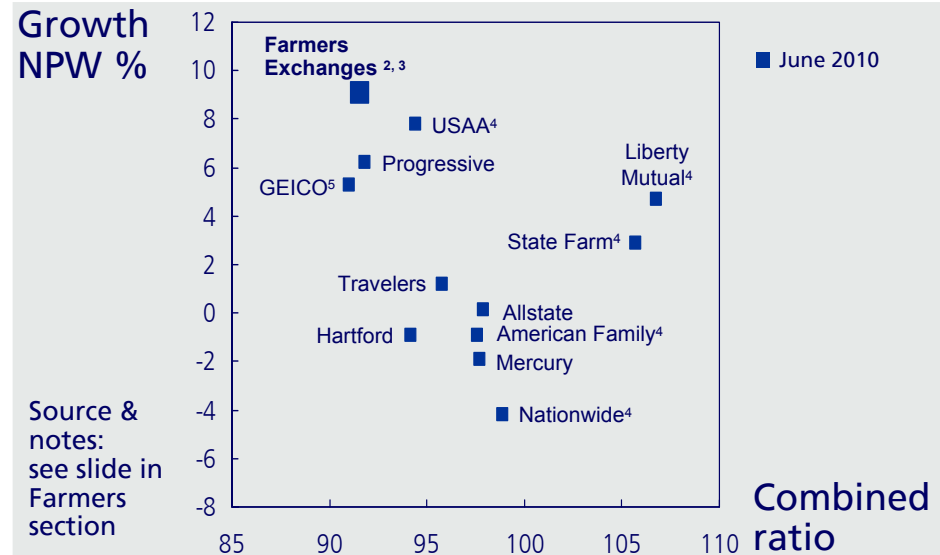
- Fee-based model
- Positioned for growth through broader customer reach
- #3 US personal lines insurer with a market share of 6.8%\*
- Successful integration of 21st Century in Q2-10

\* Source: industry data

## Farmers Mgmt Services' BOP



## Growth NPW %



Source & notes: see slide in Farmers section

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# Measures of success



**At Zurich, we aspire to become the best global insurer as measured by our customers, our shareholders and our people**

## **Customer Centricity**

- Top quartile customer satisfaction
- Growth at or above the overall insurance market across the cycle
- AA-level financial strength

## **Shareholder Value**

- Top tier performance in each of our businesses
- 16% BOPaT ROE across the cycle
- Paying a sustainable and attractive dividend
- Top-quartile Total Shareholder Returns (TSR)

## **Employer of Choice**

- High quality engagement scores
- High quality retention rates