



**Opening ceremony of
Insurance & Risk Management Research Center of Tsinghua University and
Tsinghua Insurance Forum 2008**

Speeches by James J. Schiro, CEO Zurich Financial Services

April 29, 2008

Dear Mr. President

Dear Mr. Dean, Ladies and Gentlemen

It is a pleasure and honor to be part of this event today.

Establishing a research center for risk management and insurance at Tsinghua University School of Economics and Management represents an important step in the progress of the Chinese insurance industry.

For any economy to succeed, it must possess the infrastructures and expertise to appreciate the challenges and opportunities that risk represents.

It must be focused on how to expand its risk management capabilities through new technology, capital and analytical techniques.

And it must find ways to bring those learnings to an ever-increasing segment of its population.

These changes are happening in China, and the research center we are announcing today will go a long way to accelerating the pace of change and learning. The Center will advance academic collaboration and innovative research. It will foster increased communication among the insurance sector and regulators. And it will provide a platform from which China can engage in the global debates on risk.

Tsinghua University, with its distinguished history and global reputation for academic excellence, is the ideal partner in this effort, and we are looking forward to many years of close friendship and exciting research.

In short, the establishment of this Research Center marks a commitment to training the next generation of insurance leaders in China, helping to ensure that the local market possesses the skills and knowledge needed to expand its already robust insurance sector.

Committing to the development of training and knowledge in this market is not new for Zurich. We have already established a scholarship program for Chinese insurance students at the University of Zurich and St. John's University School of Risk Management in New York. We have hosted numerous risk engineering and microinsurance briefings with government and private sector officials here. And we are systematically leveraging our long-standing operations in the region and around the world to bring proven best practices to this important and growing market.

Zurich's commitment to the Chinese insurance market, then, is more than financial. We are committing knowledge, expertise and a truly global perspective developed during our 136-year history insuring risks around the world.

We do not make these commitments lightly, but with understanding and appreciation for what this country has achieved and its promise for the future.

Tsinghua Insurance Forum 2008

Dear Mr. President

Dear Mr. Dean, Ladies and Gentlemen

Thank you for inviting me to be here to address this important topic, and to share the program with these distinguished speakers. It is an honor to be here, and I hope I can add to the excellent remarks of our previous speakers.

The topic of insurance in emerging markets is not a new one. In fact, the modern insurance industry began over 400 years ago by providing coverage to ships sailing from Western ports to trade with the vibrant economies of the East. What has changed – and what must continue to change – is the development of a robust local insurance industry within those countries, particularly as they re-establish their roles as global economic powers.

But before exploring Zurich's views on the partnerships required in emerging countries, I would first like to review the benefits that insurance can bring to economies making the transition from the emerging to the developed world.

On an individual basis, it is quite obvious that as someone begins to accumulate assets – or wealth – it becomes critical to protect those assets both for present-day and future use. Whether it's a life insurance product that protects a family against the loss of its primary wage earner, or a general insurance product that rebuilds or repairs physical assets after a natural or man-made disaster, allowing an individual to share the financial burden of risk expands their ability to plan. It empowers them to make the most of their skills. And it instils in them a sense of confidence in the future that is fundamental to the entrepreneurial spirit that this market is now known for.

The same holds true for companies which benefit from sophisticated risk engineering and business exposure tools. As with individuals, insurance allows companies to take on more risk, but to do so in a responsible and measured manner. This, too, encourages the type of risk-taking behaviour any growing company needs to pursue leading to innovation and ultimately economic growth.

But even beyond the benefits to consumers of insurance, broader economies also benefit from vibrant insurance markets, both from a risk management and investment perspective. Research indicates that insurance – particularly general insurance – contributes positively to developing and higher income economies, with a strong correlation between the development of the insurance and banking sectors. Insurance contributes to economic growth by improving the investment climate, and promoting a more efficient mix of activities than would not be undertaken if risk management options were not available.

Thus, as consumers become more affluent, and companies reap the rewards of taking greater risks, an emerging economy must take the steps necessary to foster and maintain a vibrant insurance market. This means ensuring a level of macroeconomic stability required for longer-term planning. It requires a strong financial sector and prudent supervision within a robust regulatory system founded on the rule of law and meaningful corporate governance. And it means finding that balance between welcoming foreign investment and nurturing domestic industries.

But from Zurich's perspective, the obligations and commitments needed to create such markets involve not just government action, but private sector action as well. This is why Zurich approaches emerging markets from multiple perspectives, as our China strategy illustrates.

From one perspective, we view it as our obligation to help the Chinese insurance infrastructure develop as quickly and as seamlessly as possible, whether or not it directly benefits Zurich. Our support for the Tsinghua University Research Center for Risk Management is a good example, as is our funding of scholarship programs for Chinese students studying insurance in Switzerland or the United States. Similarly, we host briefing sessions and educational programs for Chinese regulators and market participants to ensure that they can benefit from global best practices and new approaches.

But our commitment to developing the human capital supporting this industry is not solely altruistic. We are also committed to developing our own people's skills, leveraging the proven expertise we have in the region and creating rotational assignments that broaden employees' horizons. This is why we have been able to become one of the largest foreign branches in China in just months of operation, and why we were able to announce the opening of our distribution company call center in Shanghai only seven months after finalizing the acquisition of Zurich Insurance Brokers. It is also why we have committed to working closely with our partners at New China Life to ensure that their management team and key leaders can benefit from the knowledge we possess as a global insurer serving customers in 170 countries around the world.

For it is only by constantly investing in people, and developing their knowledge of the industry and skills in the trade, that Zurich can leverage its global expertise in the Chinese or any other emerging market. How could we apply best-practice pricing and segmentation techniques here if our local underwriters didn't understand the theoretical or technical applications of our tools? How could we offer global claims and risk engineering capabilities here if our local representatives didn't appreciate their value to our customers? And how could our International Businesses aspire to assert a leadership role within our Group if we were not developing tomorrow's leaders in tomorrow's markets?

Zurich's approach to emerging markets, then, can rightfully be characterized as being founded on knowledge, and we will continue to commit ourselves to expanding that knowledge base, both within Zurich and within local markets. It is how we will learn the workings of what could become the largest insurance market in the world, and how our growing Chinese operations will leverage 136 years of successful insurance leadership. In short, it's a knowledge partnership where both sides will grow together.

An example of this partnership is our recently announced research project on microinsurance with Nan Kai University. Under this project, we will jointly assess the products and distribution platforms that would be the most relevant and value-added for the vast segments of the Chinese population that have yet to benefit from basic risk management principles. Yes, we aim to develop and sell insurance products these products in China, and to do so at a profit. But we also strongly believe that a harmonious and financially inclusive society will promote growth in all the segments where we operate.

Similarly, I would like to applaud Tsinghua University for its partnership with the University of California Santa Barbara's Bren School on the difficult issue of climate change. Zurich has endowed a visiting scholars program at the Bren School to explore the role that insurance can play in tackling the risks associated with a changing climate, so we are excited that the expertise and insight we have helped contribute to is being applied in such a constructive manner. Forging a common alliance between China and the United States on this matter will not be easy, but failure is not an option, so your work is to be congratulated.

In our view, then, emerging countries are not simply new economic opportunities where you establish a presence and conduct business the same way as you do everywhere else. They are opportunities to learn about new consumers and new business models. They are opportunities to teach a new generation of leaders and experts about the marvels of risk management. And they are opportunities to take a fresh look at issues facing all of society, and to do so with that sense of optimism and energy that emerging markets generate.

For the insurance sector to play this role in China and other emerging markets, though, there must be a commitment on both sides. From Zurich and other international insurers, we must commit to advancing corporate governance, improving the skills and knowledge base of the sector, and demonstrating a long-term dedication to the development of these markets. And from the markets themselves, we must see commitments to a fair and transparent regulatory regime, openness to cross-border trade and investment, and a rigorous approach to macro-economic stability.

In the end, for risk management to blossom in emerging countries it takes a partnership, where both sides give and both sides take.

Zurich is proud of the partnerships it has forged as the foundation for its emergence in China, and we are proud to have been part of this important discussion. Thank you.