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Can the cycle be managed?

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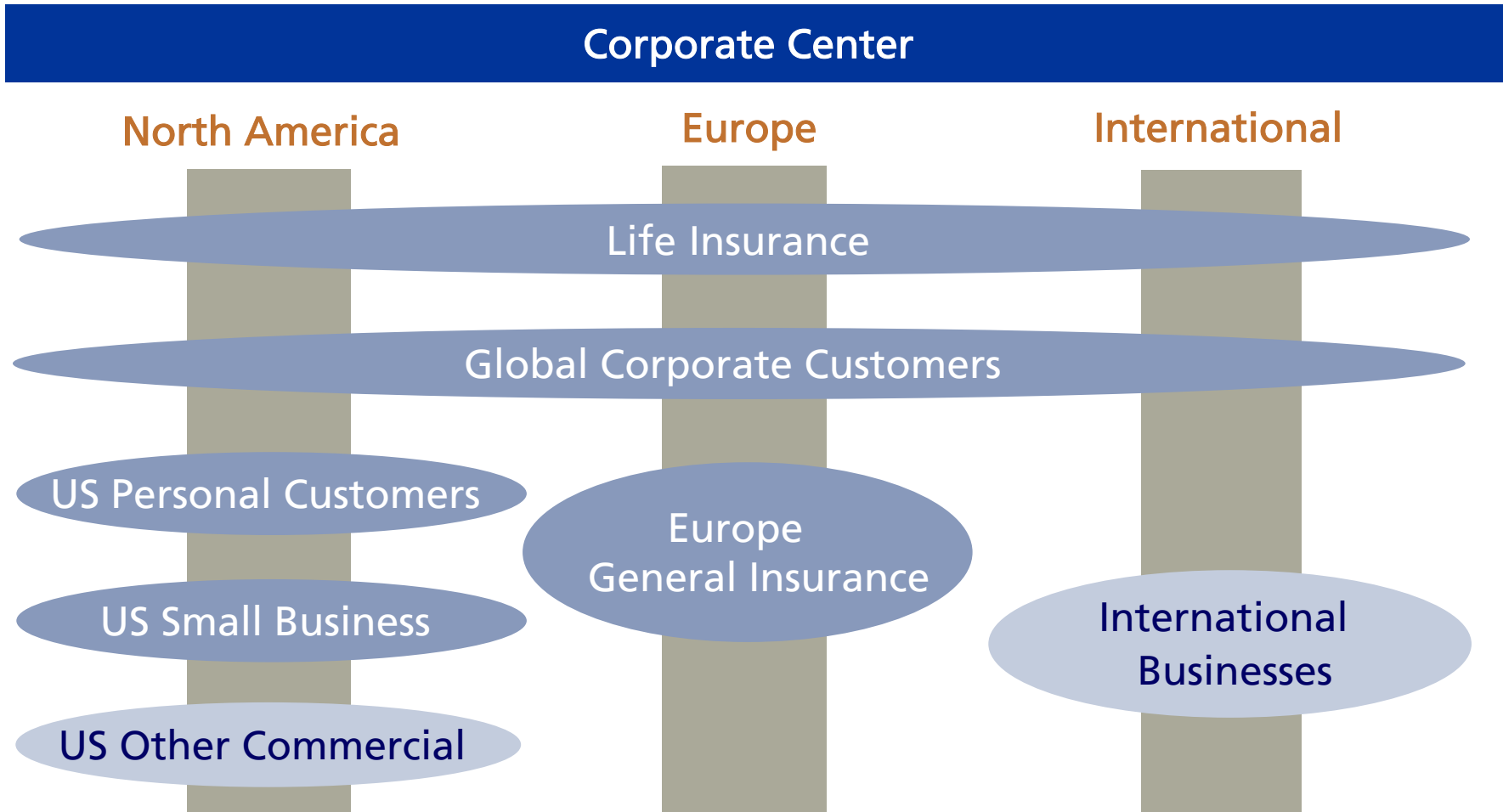
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- **Introduction**
- The cycle:
 - Does it still exist?
 - Will it be different this time?
 - How can it be managed?
- Pricing and terms & conditions in the pending renewal season

We have a market focused structure



Definition of our Global Corporate customers

- Global Corporate deals with the needs of corporate customers on a global basis. These customers typically:
 - Employ a risk manager
 - Be capable of large self-insured retentions
 - Desire tailored claims and risk engineering services
 - Employ about 500 people or more
 - Have over USD 500m in revenues
 - Require high limits

Challenges to the Global Corporate industry (courtesy of Bob Yates!)

1. Insurers' cost of capital is higher than insureds'
2. Transactional rather than relationship
3. Global corporates select against insurers
4. More volatile
5. Insurers are competing with investment banks
6. Separate P&Ls rarely available

Challenges to the Global Corporate industry: our response to analyst feedback

1. Our cost of capital is higher

- Global corporates' cost of capital is often lower than ours but this doesn't drive their risk appetite.

2. Transactional rather than relationship

- Complexity of business means global corporates value their relationships with their insurer more than small insureds.

3. Global corporates select against us

- In a somewhat limited way - but we are able to manage

4. More volatility

- True in the past and certainly in the commoditized capacity layers. We deal with it by focusing on underwriting expertise and playing in servicing layers.

5. We're competing with investment banks

- True in some fringe covers but not relevant to bulk of Global Corporate business.

6. Separate P&Ls rarely available

- Agree - difficult to compare between carriers.

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Does the cycle still exist?

- Yes:
 - Barriers to entry remain low for the market as a whole
 - External pressures to follow the market
 - Intermediaries and customers stay price focused
 - Many carriers lack processes to track other than premium
 - Loss data lags premium data and inherently exacerbates the cycle
- The cycle may be dampened, but it can't be ignored

How might it be different?



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How Zurich's Global Corporate segment will manage the cycle

- We understand the drivers of the cycle
- We have driven excellence in core underwriting activities
- Our leadership endorses 'profit over growth' strategy
- We will sell our proposition more effectively

Some specifics on underwriting and 'profit over growth'

- More than two years of heavy investment in underwriting skills
- Culture whereby management does not overwrite underwriting decision
- Walk away pricing
- Development of consistent rate monitoring techniques (including impact of change in terms and conditions)
- Activity tracking reports
- Underwriting governance greatly enhanced
 - Underwriting file reviews
 - Underwriting audits
 - Reporting and referral processes
 - Governing entities (e.g. TURC, GUC)
- Senior management support of 'profit over growth'
- Hurdle levels of return enforced centrally

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Where are we in the cycle today?

- National Underwriter survey¹ - premium increases being seen still in most lines
- RIMS survey² - commercial insurance industry experienced its third consecutive quarter of declining prices.
- Council of Insurance Agents and Brokers survey³ - large accounts seeing premiums down between 20% and 30%.
- Clear regional variations

¹National Underwriter survey as of October 2004

²RIMS survey as of 3rd quarter 2004

³Council of Insurance Agents and Brokers Survey as of October 2004

- The cycle is alive and well - however, its amplitude should be dampened
- Softening is not arriving as fast as predicted
- Keys to success:
 - Understanding the drivers of the cycle
 - Strong underwriting discipline
 - Management endorsing 'profit before growth' message
 - Selling the proposition (and not just on price)