


With more than 15 million personal and small business customers, Farmers in the US relies heavily on its network of 18,000 tied and independent agents and district managers.

In a highly competitive market, Farmers in 2006 had the best new business sales in 10 years in its 29 core states, where it markets products through exclusive agents. To support its ambitious strategic goals, Farmers looks for strong results in agent productivity. And to operate as effectively as possible, the best training is decisive.

The University of Farmers, launched in 2004, aims to train more than 3,000 agents, district managers and employees every year, preparing them to build their businesses and careers. The facilities include a two-story mock house and an auto repair bay with as many as 20 damaged vehicles. This investment in training is already paying off in higher career success rates, now at 79 percent compared to a 75 percent goal, meaning that Farmers' agents stay in the business longer, reducing turnover and operating more effectively. District managers attending the university outperformed others by an average of three property/casualty policies issued per month.

In addition, Farmers' independent contractor district manager model continues to produce outstanding results, having trained and developed more than 6,000 agents in the past three years. This resulted in a net growth of 2,400 full-time agents over that time.

Strengthening distribution channels helps to reinforce our market presence. We are developing greater links with independent distributors, broadening our direct distribution channels and increasing the number of tied agents around the world.





Distribution excellence

Our aim is to make it as easy as possible for our customers to do business with us. Ease of access, combined with a robust product offering and excellent service, ensures that our customers experience the difference that Zurich makes. It also positions us for sustainable leadership in our chosen markets.

A channel for every need

Customers can do business with us through independent and tied agents, brokers, intermediaries, or business associates, or they can reach us directly via telephone or Internet. We are strengthening our direct channels and increasing the number of tied agents across the globe. We currently have almost 25,000 agencies with more than 50,000 people representing Zurich world-wide. Throughout the organization, we are working to develop our links with independent agents and with other distributors, such as banks, credit unions, stores and filling stations. As a result of discipline embedded through The Zurich Way we are able to drive continuous progress in this area, build even stronger relationships, and add tangible value to their businesses as well as our own.

In General Insurance, 47 percent of our premiums come through independent distributors and our aim is to develop a consistent, world-wide approach to managing this channel. As part of this work, three of our business areas – North America Commercial, Farmers in the US and Zurich in the UK – have developed pilot programs. Our aim is to identify the most productive and profitable independent distributors and to systematically increase our business volume with these market leaders. In Global Life, more than two-thirds of our total sales come through independent distributors, and we are continuously improving our performance by focusing on cooperation with brokers, independent financial advisers and banks. In the UK life business, for example, Zurich and our Sterling product both gained top five-star ratings at the Financial Adviser Service Awards, voted on by intermediaries throughout the

country. We are building on our award-winning products and service standards, and on our success in bancassurance with our major business associate Deutsche Bank, to develop relationships with other independent distribution channels.

In Switzerland, we have signed a distribution agreement for unit-linked products with SwissCanto, the umbrella organization for the Swiss cantonal banks. This gives us access to the largest retail bank network in the country. In Ireland, we have reached agreement with the central organization for the main Irish Credit Unions, which counts one Irish family in three holding an account with a credit union. In Spain and other markets, we are expanding our broker presence by building on relationships with brokers who already deal with us on general insurance.

A single center for direct selling

As the only insurance company with direct selling capabilities in Austria, Germany, Ireland, Italy, Portugal, Spain, Switzerland and the UK, we are naturally keen to strengthen our Internet channels. Our Europe General Insurance business division has created a center of excellence in Barcelona with a refined IT system – originally developed in Spain – that will support standard products and processes.

We have made that same technology platform available to large corporate customers, providing their employees with a simple way to buy personal insurance for their homes and autos. With automated underwriting and claims management, this innovative approach offers improved service to our customers, significant process improvements and very low administrative costs.

Through their company intranets, employees of IBM and Accenture in Spain have had access to this Web site since its launch in September 2006. In December, we extended the pilot scheme to the UK, with home products available to customers of Alliance and Leicester.

Agent numbers increasing

At the same time, we remain firmly committed to multi-channel distribution, including our tied agents and brokers. Ambitious growth targets can only be achieved if we have a large and strong distribution organization. In 2006, we recruited about 2,800 agents globally. In Europe, we have more than 9,800 tied agents and plan to increase this number by 1,000 over the next three years. One example of our progress is Italy, where we introduced a further 40 agencies, bringing our total there to 548 – an increase of 16% in two years. Switzerland plans to recruit 150 agents in 2007.

It is important to us to demonstrate to our agents that we are investing in their development by giving them the training and support they need to increase sales, improve customer service and retention, and enhance their skills in risk selection. The Zurich Way has enabled us to develop better methods of recruiting and training tied agents.

In Switzerland, for example, successful and innovative processes help to identify, at a very early stage, whether prospective new agents meet our standards and can rapidly become active in the market after completing their training. In Germany, recruitment has been streamlined by fully using the Internet. Potential new recruits can be assessed online and their progress tracked. In Italy, an innovative sales academy provides a structured training path for desired agency groups, rather than training on demand. In North America, a new Producer School concept launched in 2006 provides quality training both for new hires and for seasoned producers of many of Zurich's top-tier agencies, strengthening relationships with a new generation of agents.

Car insurance at stores and filling stations

We are similarly committed to expand our business associations. In Germany, our direct auto insurer, DA Direkt, is linking up with the JET network of filling stations and with C&A department stores throughout the country. Since September 2006, motorists have been

able to obtain information about DA Direkt products at more than 520 filling stations. They can calculate their insurance premium, request a quote, get phone support if necessary, and complete the contract online. C&A offers car insurance at nearly 400 of its stores across Germany, and at nine of its largest branches, customers can get a quote from specially trained external staff and complete a policy on the spot. We are also expanding alternative channels in Spain, where we distribute motor insurance through the network of one of the country's biggest savings banks.

Expanding in Russia

In Russia, Zurich has just celebrated its 10th anniversary and recently moved into the consumer segment, having already built up a solid customer base consisting mainly of large Russian enterprises and the subsidiaries of large multinational companies. For personal customers, we launched a series of new products, including motor and real estate lines. At first, these were mainly distributed through the Moscow office but we now have distribution agreements with large auto dealerships and leading banks. We are also systematically developing our network of branches and today operate in six Russian cities: Moscow, Vladivostok, Khabarovsk, St. Petersburg, Ula and Chelyabinsk.

Small business is big business

To round out Zurich's offering, we value small business and recognize its importance in the commercial market. In the United States, for instance, 95 percent of all businesses are classified as small, and this market segment is a strategic priority for Zurich. In just over 10 years, we have become the third-largest small business insurer in the independent agent channel, with 39,000 agents. We recruited a further 1,400 agents in 2006, during which year new business in workers' compensation rose by more than 40 percent. We plan to seek a further 5,000 agents by 2008.