

At Zurich our mission is to recognize, understand and manage change on behalf of individuals and businesses around the world. As a global organization with 135 years of experience in providing insurance protection, we possess an excellent perspective on our complex environment and the trends that influence it, as well as specific local knowledge of particular markets.

Our Zurich tagline, *Because change happenz*, expresses our commitment to helping customers better understand and manage their risks. The sheer speed, depth and breadth of change in today's world indicates that the past is often no longer a reliable guide to the future. There is a need to know how to cope with uncertainty, and people feel more comfortable and secure when they can manage continual changes to their lives, their businesses and the world around them.

Our expertise and insight enable us to be ready with relevant products and services, often when our customers are just becoming aware of the emerging challenges they will face. This forward-thinking approach can take the form of developing complex coverage for multinational organizations, creating investment products to enhance pensions, or providing innovative personal insurance.

### Seeking opportunities for innovation

By continually anticipating and evaluating change, we can prepare for risks that may be global or local, geopolitical or economic, financial or commercial. Within this dynamic environment, we search for opportunities for innovation, because as times change, so do the outlooks and needs of our customers, from changing corporate structures to evolving family structures.

Our international network, with service capabilities in more than 120 countries, is a major competitive advantage. Across our Group, we work as one Zurich with our customers, business associates, intermediaries, the public sector, academics and governments.

We share insights and conduct what-if-analyses with our customers to help them better understand and manage their risks. For major corporations, we organize workshops where we explore and discuss all types of hazard. We liaise closely with personal and commercial customers of all sizes through our own relationship managers or through agents, brokers, intermediaries and direct contact.

### A focus on profitable growth...

Over the past four years, Zurich has achieved a consistent record of sustainable financial results and constant operational improvements. All business segments have contributed strongly to these results, reflecting the strength and resilience of our diversified portfolio and a relentless focus on excellence. Three driving factors form this solid foundation for success:

- The Zurich Way, which has produced best-in-class operating platforms and processes to ensure efficiency and consistency
- Talent management, which enables us to have the right people with the right skills in the right place at the right time
- Building our brand, which positions us as an insurer capable of anticipating and addressing our customers' needs.

We will continue to focus on top-tier financial performance and profitable growth, maximizing shareholder value and further accelerating the momentum we have achieved through operational excellence. Our ability to do so is enhanced by our diversified risk portfolio, which runs across lines of business and geographies. This ensures a less volatile risk profile and acts as a bulwark against market cycles.

### ...and a strategy to deliver it

Operational excellence and financial discipline, with sound underwriting and claims management, are the cornerstones of our success. Our task now is to build on 16 consecutive quarters of profit and to differentiate ourselves, while attracting new talent and retaining the best people. Companies that embrace change are dynamic and our people benefit from working in such an environment.

Our businesses have developed organic and inorganic growth strategies emphasizing excellence in three areas – customers, products and distribution. General Insurance will seek to strengthen its leadership position by improving and sustaining operating results and growing profitably in selective areas, including both existing and emerging markets. Global Life will seek to achieve superior returns in selected niche markets through best-in-class products and expanding distribution platforms. Farmers will seek profitable growth in personal lines by entering new markets with revamped products and a highly trained agent force, while Investment Management will seek superior risk-adjusted returns relative to liabilities.

While pursuing these goals, we will continue our commitment to financial discipline, exemplified by our dedication to underwriting profitability and claims excellence. Our Global

Underwriting function ensures that we share best practice in this discipline across our organization. It also drives consistent process improvements throughout the business, assuring underwriting quality and customer service.

Our Global Claims function provides similar central coordination to ensure consistent technical and operational standards that benefit our customers. More accurate loss inspection helps us reduce the time it takes to settle a claim.

Because we embrace change, we have created the position of Chief Growth Officer. With effect from March 1, 2007, this has been filled by our former Group Finance Director. As part of his role, he will oversee our International Businesses division and IT function, with the emphasis on building greater value from this significant portion of our capital. A newly-created Growth Council will help him lead change, identify profitable growth opportunities and ensure that critical business processes are aligned with our growth targets.

We have already started along this road. At the end of 2006, we established a new business unit, Central and Eastern Europe. Initially focusing on growth plans already in place for our existing businesses in Austria and Russia, this unit will seek other profitable opportunities throughout central and eastern Europe, with emphasis primarily on retail business. We will also focus on other growing and emerging

markets. In China, where we have been represented since 1993, we became the first foreign insurer to be granted a license to establish a general insurance branch in Beijing, which will concentrate on corporate customers. We will continue to build on the strengths we have developed in Greater China, including Hong Kong and Taiwan.

To better serve our customers in Latin America, we relocated our regional headquarters from Santiago, Chile, to Miami, Florida, already home to the Latin American headquarters of many financial services companies, reinsurers and major brokers with whom we work.

In spring 2006, we formed a pan-European unit for servicing credit and surety business. According to industry estimates, this type of business is a high-growth area within the European Union. As part of our expansion, we acquired ACC Seguros y Reaseguros de Danos S.A. in Spain, making Zurich the leading writer of surety insurance in that country. ACC becomes part of the Europe-wide center of excellence for credit and surety business, based in Frankfurt, Germany.

Our Global Life business has developed a common approach for systematically identifying and pursuing growth opportunities in our independent channels – brokers,

independent financial advisers and banks. We have completed a pilot in six European markets and now have a number of growth initiatives to increase sales via existing partners and identify new partners, segments and even markets. Initial results from the pilot phase identified more than 70 opportunities and more than 60 distribution best practice case studies.

By introducing this approach in all countries, we plan to create even more distribution relationships with banks, credit unions and independent brokers during 2007. We have already established eight new banking partnerships across Global Life, and evaluations are under way to enter three new markets. We also plan to establish 22 new broker relationships in southern Europe.

### Building on The Zurich Way

While each business area has a defined strategy, they are linked by a common commitment to The Zurich Way, which unifies our approach to our business and to our customers. We have demonstrated that we can share our best ideas globally or within regions. We are one strong customer-focused Zurich.

In our drive for growth, we are building on The Zurich Way, which ensures that our whole organization embraces common business processes and methodologies, and a single mindset. It enables our people to have

common goals and a global approach to performing their tasks. It also helps us to grow profitably through offering a consistent and differentiated customer experience. It is an essential building block in the transformation that will enable us to become a leading company in our industry.

Across the Group, more than 300 initiatives provide hard evidence of our commitment to change and constant improvement. These are aimed at transforming the way we do business as well as improving quality, cost efficiency, and consistently better service to customers. The Zurich Way has already produced operational improvements of more than USD 1.5 billion over the last three years, and for the years 2007-2009, we expect it to generate a further USD 2 billion in after-tax improvements. About 80 percent of these are sustainable long-term benefits, not simply cost-cutting efforts.

One of The Zurich Way initiatives of the past three years exported Farmers' tied agent best practices to Europe. As a result, productivity among Swiss-based life agents increased by 20 percent, while applications for life policies in Germany increased by 40 percent during an initial pilot program in that country. During 2006, The Zurich Way methodologies were

applied to an expanding range of independent life agents and independent general insurance agents. Considering the Group's more than 50,000 tied agents, the potential for future growth is dramatic.

The Zurich Way has also instilled a common approach, methodology and language to underwriting discipline, resulting in improved hit ratios and helping to maintain good business retention ratios. In the US, it contributed to quote, hit rate and renewal lapse rates that remained stable across the board. Europe saw an increase in quote ratios, with hit rates and renewal lapse rates remaining stable. It has also instilled a common approach to global claims handling, including a uniform scorecard to measure and share information.

The Zurich Way provides a systematic approach to fostering excellence and exchanging knowledge and best practice across the organization. It also provides the processes and skills that help to set us apart from our competitors. Working together across borders and organizational boundaries provides a unique opportunity for deeper insight into different markets. It instills a true team spirit and pride among employees in knowing that their ideas and practices are considered globally. All this contributes to building one Zurich and to promoting operational excellence in everything we do. The result is a powerful combination that helps us offer the same quality service to all our customers, no matter where in the world they are.

### Our people are key

To bring our strategies and plans to life, we have people with the passion and talent to succeed, working in an environment that encourages imaginative thinking. This is the key element in our drive for innovation, growth and sustainable profitability. Through The Zurich Way, our human resources function will help us to reach our business goals and will equip our employees to cope with changes in their business world today and tomorrow.

We are convinced that only organizations firmly based on a culture of shared values will consistently reach their earnings targets, outperform the market over the cycle, and be attractive places for talented people to work.

Throughout the organization, we are taking a far more integrated approach to human resources to enable us to have the right people with the right skills in the right place at the right time. Our global structure encourages international mobility for employees, offering them rewarding career opportunities.

The wealth of knowledge and experience

from understanding other cultures and working with diverse teams helps us greatly in giving our customers the best insight and expertise.

In 2006 we further expanded The Zurich Way of Human Resources for core areas such as talent management, recruitment, compensation, learning and development, and performance management. We created centers of expertise for these processes, as well as for pensions and benefits, with experts from across the Group working together to develop a common language, processes and methodologies. We redesigned processes to align with global requirements, continued building the global talent pool to identify potential successors for key roles, and started building local talent pools. In 2007 we are introducing a Group-wide performance management system, with a common IT system and infrastructure.

As part of our continued efforts to attract the best and brightest talent, we introduced our Global Associate Program, a highly competitive Group-wide training initiative for recent university graduates. In its first year, we recruited 60 Associates in 10 countries for a

44-week program that includes training in their home country, an international assignment, and a meeting of the entire group in Zurich.

In the UK, Zurich has linked up with the Chartered Insurance Institute (CII) to create a professional qualifications program that aims to put all claims, risk management, sales and underwriting employees through CII training. They will be able to achieve fully chartered status within five years. This is the first time a UK insurer has worked with the CII to launch such a progressive training program, and the aim is to create a culture that supports further education among employees. More than 500 claims and underwriting professionals have attained their professional qualifications through the CII to date, and a further 600 have started training.

## Our strategic direction

Many companies may speak of similar goals and the fact that they have what it takes to be successful. Our winning combination of talented people, global infrastructure and commitment to operational excellence is underpinned by a proven record of financial discipline, a diverse risk portfolio and 135 years of experience. Together, these make up Zurich's strong foundation and differentiate us from our competitors. Our passion for excellence, focus on execution, global reach and ability to gain and share risk insights all contribute to the strength that comes from continually thinking and working as one Zurich.

We combine strong market positions in personal, commercial and corporate insurance on both sides of the Atlantic with strengthening positions in Asia and key emerging markets. To serve these, we are improving and expanding our distribution networks to ensure that customers find it as easy as possible to do business with us. We are strengthening our direct channels, increasing the number of tied agents across the globe, and building new links with independent agents and 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 distributors' businesses as well as our own.

Our position is further strengthened by our international brand program that aims to increase awareness of one Zurich and create a distinctive and consistent customer experience.

We have the team, the teamwork and the team spirit to achieve our aspiration to become the leading insurer in our chosen markets of general and life insurance. To drive us towards that aspiration, we have developed:

- Deep insight into the needs and concerns of our customers
- Commitment to provide relevant products
- Distribution channels that give customers a choice of ways in which to deal with us.

These strengths reflect our strategic focus and our ability to create competitive advantages in the market. Combined with our commitment to execution excellence, they will help us to withstand market volatility and help to provide long-term sustainable profitability.

All of our work in general and life insurance is geared to producing sustained profitable growth by continuously improving our performance. Our commitment to customers wherever they are remains paramount and our strategy reflects the fact that we are one strong and focused Zurich.