

# Morgan Stanley 10<sup>th</sup> Annual European Financials Conference

Mike Kerner  
CEO General Insurance  
Zurich Insurance Group

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# Three key messages for today

**A**

**We have businesses with distinctive strengths and gearing to economic recovery, particularly in commercial and corporate insurance**

**B**

**We are stepping up investments to drive growth in markets where we have these distinctive strengths, while maximizing profitability in markets where we do not**

**C**

**Our strategy is also about improving profitability and growing operating earnings, without regard to market conditions**

# General Insurance is the biggest driver of operating profits and of the cash to fund the Group's dividend

Segment	Business Operating Profit 2013, USD billions
General Insurance	2.9
Global Life	1.3
Farmers	1.5
Others <sup>1</sup>	-1.0

**GI drives  
~ 50%  
of Group  
BOP**

Segment	Net cash remittances 2013, USD billions
General Insurance	2.4
Global Life	0.6
Farmers	0.9
Others <sup>1</sup>	-1.0

**GI drives  
~ 60%  
of Net cash  
remittances  
to Group**

<sup>1</sup> Others refers to Non Core Businesses and Other Operating Businesses



# How General Insurance will deliver the Group's strategy

## Group's Strategy 2014-2016

1

**Prioritizing investment in distinctive positions**

## What does it mean for General Insurance in 2014

- Strong, continued focus on GC's International Program business, and GC-CLP collaboration
- Leveraging predictive analytics in NAC
- Retail initiatives go live in two major markets

2

**Managing other businesses for value**

- Maximize extraction of value from profitable, smaller GI businesses
- Actively manage underperforming businesses to deliver desired level of returns, exiting if necessary

3

**Growing our operating earnings**

- Continue executing on portfolio management
- Focus upon reducing complexity and central costs
- GI-specific growth initiatives

# Global Corporate's customer focus is a solid foundation for growth

## Global Corporate

### Growth<sup>1</sup>

6%

For year ended  
31 December 2013

### Combined Ratio

92%

For year ended  
31 December 2013

### BOP ROE<sup>2</sup>

20%

For year ended  
31 December 2013

- Zurich Global Corporate offers insurance and risk management services, including risk transfer and risk finance solutions, to large corporations and multinational companies
- > 24'000 customers which we are able to serve in 210 territories through our market-leading international network
- Reviewing customers' risks and supporting them through Risk Engineering insights and benchmarks
- Protecting customers' brand through Zurich's Multinational Insurance Application (MIA), by helping them through complex and changing regulatory environments
- Delivering innovative solutions for our corporate customers through joint composite go-to-market approach together with Zurich's Corporate Life and Pension (CLP) unit

<sup>1</sup> In local currency and on comparable basis

<sup>2</sup> Pre-tax and before any allocation of OOB costs, adjusted BOP ROE based on average IFRS Group equity (excl. unrealized capital gains/losses) allocated to the segment based on its share of Zurich risk based capital (RBC)

# Focus on International Programs will contribute to delivering the strategy

## Strong, continued focus on our International Program business

### Group's Strategy 2014-2016

**1** Prioritizing investment in distinctive positions

**2** Managing other businesses for value

**3** Growing our operating earnings



<sup>1</sup> The Risk Management Society, USA

# We will leverage the strengths of our North America Commercial business

## North America Commercial

### Growth<sup>1</sup>

6%

For year ended  
31 December 2013

### Combined Ratio

95%

For year ended  
31 December 2013

### BOP ROE<sup>2</sup>

19%

For year ended  
31 December 2013

- Gross Written Premium of USD 10 billion
- Our Combined Ratio improved by 4.4 percentage points in 2013, and we are focusing on further improving specific portfolios
- In the United States, Zurich is the:
  - Biggest construction insurer
  - 4<sup>th</sup> largest commercial P&C insurance company<sup>3</sup>
  - Largest insurer of franchised auto dealers<sup>4</sup>
  - 3<sup>rd</sup> largest writer of surety<sup>3</sup>
  - 5<sup>th</sup> largest writer of commercial auto, general liability, and workers' compensation<sup>3</sup>

<sup>1</sup> In local currency and on comparable basis

<sup>2</sup> Pre-tax and before any allocation of OOB costs, adjusted BOP ROE based on average IFRS Group equity (excl. unrealized capital gains/losses) allocated to the segment based on its share of Zurich risk based capital (RBC)

<sup>3</sup> SNL, Insurance Statutory Market Share Report for 2012

<sup>4</sup> National Auto Dealer Association, NADA DATA 2013

# Along with growth, NAC is focusing on improving operating earnings

## Group's Strategy 2014-2016

1 Prioritizing investment in distinctive positions

2 Managing other businesses for value

3 Growing our operating earnings

## Workers Comp

**Context:** We have identified underperforming parts of our WC book, and continue to take corrective measures to further improve the portfolio

### Actions:

- Delivered next generation predictive model
- Calibrated underwriters
- Executed on tiering

### Early indicators:

- Maintained book size at ~USD 1.7bn
- Improved profitability by decreasing AY combined ratio by 3.8 % points in 2013
- Expect acceptable returns on new business by end of 2014

## Specialty Auto

**Context:** We identified that Specialty Auto's profitability was beginning to deteriorate in spring of 2012

### Actions:

- Terminated unprofitable relationships
- Delivered deeper risk insights
- Implemented more robust predictive models
- Executed on tiering

### Early indicators:

- Shrunk book by > 20% in 2013
- We aim to improve policy year loss ratio in 2014

# In EMEA, we will focus on our strong positions in key markets

## EMEA

### Growth<sup>1</sup>

**-2%**

For year ended  
31 December 2013

### Combined Ratio

**95%**

For year ended  
31 December 2013

### BOP ROE<sup>2</sup>

**22%**

For year ended  
31 December 2013

- EMEA represents a USD 13 billion book, which accounts for roughly one third of GI globally
- EMEA serves 11 million personal and 1.5 million commercial customers
- In most European countries where we operate, we are a top-10 general insurance player and we are investing in areas where we have the strongest positions
- EMEA also has some businesses where we are focusing on turnaround to deliver desired returns, and where we are prepared to exit, if needed (e.g. Zurich-branded UK aggregator)

<sup>1</sup> In local currency

<sup>2</sup> Pre-tax and before any allocation of OOB costs, adjusted BOP ROE based on average IFRS Group equity (excl. unrealized capital gains/losses) allocated to the segment based on its share of Zurich risk based capital (RBC), excludes Middle-East and Africa

# Revised Retail go-to-market model is all about delivering on customer needs

## Group's Strategy 2014-2016

**1** Prioritizing investment in distinctive positions

**2** Managing other businesses for value

**3** Growing our operating earnings

## From 'pushing' products to understanding customers and delivering on their needs

1. Segment markets based on needs and behaviours
  - ✓ 5 priority markets in 2013-'14
  - ✓ Internal and external data analytics
  - ✓ ~32.000 in-depth customer interviews
2. Select most attractive customer segments
3. Adapt entire go-to-market model to meet target segment needs
4. Competitive and targeted brand investment

## Pillars of revised Retail go-to-market model based on customer insights

- Seamless omni-channel experience
- Modular and innovative propositions
- Enhanced service levels

# International Markets have strong growth, with a focus on improving profitability in specific areas

## International Markets

### Growth<sup>1</sup>

**13%**

For year ended  
31 December 2013

### Combined Ratio

**99%**

For year ended  
31 December 2013

### BOP ROE<sup>2</sup>

**8%**

For year ended  
31 December 2013

- IM is mostly made up of key emerging markets in Asia Pacific, and in Central and Latin America
- APAC GWP in 2013 was USD 2 billion, with a business operating profit of USD 287 million, representing a 23% increase over prior year
- In APAC, core sources of revenue growth and profit for next three years are Australia, Japan, Hong Kong and Malaysia
- Lat Am's contribution to the top-line was USD 3 billion
- In Lat Am, growth is not just in Brazil: Zurich Mexico grew more than twice as fast as the local market<sup>3</sup>
- In all emerging markets, continued focus on building up a solid foundation of technical excellence

<sup>1</sup> In local currency

<sup>2</sup> Pre-tax and before any allocation of OOB costs, adjusted BOP-ROE based on average IFRS Group equity (excl. unrealized capital gains/losses) allocated to the segment based on its share of Zurich risk based capital (RBC), includes Middle-East and Africa

<sup>3</sup> EstadisticAMIS, based upon YOY growth rates of Zurich Mexico and local Mexican market in Q3 2013

# Brazil: consolidating growth and optimizing portfolio profitability

## Group's Strategy 2014-2016

**1** Prioritizing investment in distinctive positions

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**In Brazil, our current focus is on consolidating growth and optimizing the profitability of the portfolio, based on The Zurich Way of Underwriting excellence**

- Incorporate our portfolio experience into better and more granular underwriting insights and risk pricing
- Build out a more effective claims-handling approach including vendor management, litigation management and fraud detection
- Implement our agency system platform to improve ease of doing business as well as portfolio controls

# In conclusion: recap of today's three key messages

**A**

**We have businesses with distinctive strengths and gearing to economic recovery, particularly in commercial and corporate insurance**

**B**

**We are stepping up investments to drive growth in markets where we have these distinctive strengths, while maximizing profitability in markets where we do not**

**C**

**Our strategy is also about improving profitability and growing operating earnings, without regard to market conditions**