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## **Annual Results Reporting 2009 - Analysts and Media Presentation**

*Remarks by Martin Senn*

*Chief Executive Officer*

*February 4, 2010*

This is my first opportunity as Zurich's Chief Executive Officer to address you, and I am excited to have such a strong set of results to discuss.

At the outset, though, I would like to acknowledge that this impressive performance occurred under Jim Schiro's leadership, and to publicly pay tribute to the eight years of committed service he gave to this great company.

As each of you know, Jim brought a passion and focus to everything he did at Zurich, and his legacy is reflected not just in seven straight years of profitability, but in the confidence and pride that marks the Zurich spirit today.

Another legacy Jim left was an institutional commitment to operational and financial discipline that is rooted in our culture. And today, as we emerge from one of the most challenging financial markets in generations, our continued success in adhering to those core principles is what allows me to present to you such a strong set of 2009 results.

Our business operating profit rose 8 percent to USD 5.6 billion and our net income rose 6 percent to USD 3.2 billion, driven by sustained operating performances across all our businesses. General Insurance improved its combined ratio; Global Life increased its new business value; and Farmers enhanced its margins even further. In addition, shareholders equity climbed 34 percent to USD 29.7 billion. These results allowed us to drive a 17.2 percent business operating profit return on equity, once again exceeding our target.

As importantly, they also put Zurich in one of the strongest financial positions it has ever enjoyed, and will enable us to react quickly to any opportunities that emerge in a market upturn, as well as to withstand pressures that may arise from any further market corrections.

The strength of these numbers rest in the operating performances of our various businesses, so let's look a little closer at their respective results.

In General Insurance, profitability continued to be our primary focus. Through a combination of successful rate actions, disciplined underwriting, portfolio management and a below average catastrophe season we were able to achieve a business operating profit of USD 3.5 billion.

This, despite lower investment yields and decreased volumes attributable to both the economic environment and the lost business we could not provide because it did not meet our rigorous underwriting standards.

In terms of issues we see, I would highlight the challenges we continue to face in our motor book of business in Italy and the UK. These high loss trends, affecting all players in those markets, have eroded EGI's loss ratio and expected profitability. We have already taken significant rate actions, as well as other appropriate measures, and anticipate marked improvements in those businesses in the second half of 2010.

On the positive side, results in our commercial business have held up well, in a very competitive environment, with a strong increase in profitability from our Global Corporate division.

In Global Life, we grew at an impressive pace while maintaining strong profitability and new business margin. In particular, our bank distribution, private banking and corporate life and pensions pillars drove strong organic growth, while we continued to make significant structural change in the business. This demonstrates the power and efficiency of our strategy to globalise the business and industrialise our business model.

At Farmers, business operating profit jumped 10 percent, reflecting not just the successful integration of 21<sup>st</sup> Century but also continued expense management as well as increased profitability from Farmers Re following the increased quota share arrangements.

In our Non-Core businesses, which now include our banking activities, we improved profitability but still showed a USD 290 million loss for the year. This result is attributable primarily to increased loan loss provisions in banking and increases in certain life reserves outweighing positive market movements in Centre and other run off businesses.

Taken together, and considered within the context of the global recession, we are proud of these results as they signal the inherent strengths of our global businesses. Strengths that range from the proven discipline to price risk appropriately, to the ability to integrate new acquisitions, to the capability of finding new ways to grow despite the distractions of the market.

But perhaps the most impressive indicator of how deep these strengths run is our ability to emerge from all this market turmoil with one of the most solid balance sheets we have ever enjoyed.

An economic solvency margin of 136 percent and a regulatory Solvency I margin of 198 percent are not accidents. They are the result of a deliberate strategy to protect our balance sheet from the unpredictability of our external environment.

Remember, the promise we sell to our customers is based on the integrity of our balance sheet, and we take that promise very seriously.

But customers are not our only stakeholder, and as a result we must balance the security we provide them with the long-term value we offer our shareholders.

This is why we are so pleased to be able to announce that the Board will be recommending a CHF 16.00 per share dividend at our March 30 Annual General Meeting. At a yield of 7.1 percent and a payout ratio of 66 percent, this dividend proposal is squarely in line with our shareholder oriented capital management strategy, and returns us to the levels of shareholder value we generated prior to the economic crisis.

However, we will not undertake a share buy-back in 2010, preferring instead to return value to our shareholders through the dividend, and maintain our strong capital position in the future.

Fundamentally, this attractive dividend proposal reflects the Board's confidence in the strength of Zurich's strategy, and the sustainability of its results.

That confidence is well-placed, for today Zurich stands in a very strong position.

Our balance sheet is healthy, with both sides of the ledger sheet reflecting a profound appreciation for the risks we take. Our geographic and market mix is diverse. We are pursuing the right strategies, with a proven ability to execute. Our focus on growth is balanced with our commitment to profitability. We enjoy a strong reputation and growing brand presence. And our people are among the most qualified in our sector.

But all that being true, we still face challenges. We need to anticipate better and react quicker. We need to find ways to grow smarter, and drive even greater efficiencies in our operating models. We need to understand more intimately the risks our customers face. And we need to engage our people more fully in what Zurich is and what it can become.

Those are the expectations the Board has set for my team and me. And they are what I have been focusing on in these early days, and will continue to focus on in the months and years to come.

I bring to these challenges a broad range of international experiences that give me an awareness of what change means in different cultures. I have a deep appreciation for risk, with an understanding of the discipline it takes to systematically harness its potential for upside gain. I approach issues with a deep-rooted respect for the power of transparency and candour. I believe values matter. And I am sensitive to the valid interests of our multiple stakeholders.

In all of this, I take an approach to leadership that focuses on people, and recognizes that it is the decisions and actions taken by its people that determine a firm's success.

It is fortunate for us, and fortunate for Zurich, that we have a proven winning strategy, and that we can ask ourselves difficult questions from a position of strength.

So you should expect continuity in our strategy going forward. We will continue to treat operational and financial discipline as core principles. And we will continue to pursue profitable growth and operational transformation as our pathways to future success. Insurance is a long term business, and we need to make our decisions accordingly, recognizing the need to drive long-term shareholder value while staying sensitive to the increasing expectations of society more generally.

The strong results we are announcing today are a reflection of how seriously we take these commitments. And over the next several months I look forward to sharing with you some of the answers to the tough questions I will be asking.

Let me highlight the core themes of our 2009 full-year results.

- By proactively driving expense and market actions we generated solid operating performances across our core businesses.
- We continue to benefit from a sophisticated approach to risk.
- Our capital position remains solid.
- Our reputation and brand recognition continue to grow.
- And our very attractive dividend proposal stands as a testament to our confidence in the future.

## CLOSING SUMMARY

I must say that I have been participating in these presentations since joining Zurich in 2006, but it was definitely a different experience to participate as the CEO.

I hope that these results show you not just how effectively we have managed this company during this period of turmoil, but how confident we are in our ability to continue generating shareholder value.

This is a great time to be Zurich's CEO, and I'm excited to work with my team – as well as each of you – to make the most of the opportunities we have created for ourselves.