

Published as written. Please check against delivery.



Embargoed until 15:30 hrs. CEDT

Annual General Meeting 2010

Speech by Martin Senn

Chief Executive Officer

March 30, 2010

Thank you very much, Mr. Gentz. Good afternoon ladies and gentlemen, esteemed board members, shareholders, colleagues and friends. I am grateful to you, the shareholders, for the trust you have placed in me over the past several months.

It is a great honor to address you today as Zurich's new chief executive officer. I know that I am inheriting a legacy of greatness. The 140-year history of our business commands my deepest respect. And I will commit all of my ability to do justice to this legacy and to build on it. The long-term success of Zurich is my main goal, and I know that I can count on the support of my 60,000 colleagues around the globe to help me reach it.

This company's roots go back to 1872, when it helped promote the textile trade along the Rhine river. It grew along with the Swiss economy's expansion within Europe. Later it expanded to the United States, Latin America and Asia as the world grew more interconnected and the skillful handling of risk became increasingly important to our customers.

Over the past decade, and especially in the last 18 months, we have solidified our standing as one of the world's leading insurers. Zurich stands for capital strength, financial discipline and operational excellence. We are the pride of the city whose name we bear around the globe.

All of this was made possible by my predecessors and the people who have worked for Zurich over the years. And while each of them contributed to our success in their own way, I want to take this opportunity to mention Jim Schiro in particular. I think I speak for everyone here when I say that

Zurich would not be in such a strong position today had it not been for Jim Schiro's vision and his passionate commitment. Jim Schiro had to make a lot of tough choices in the eight years he was in office. He made those choices decisively and, in the best Swiss manner, forged a powerful union that was greater than the many individual parts that make up this company.

The result is indeed something to be proud of. There were many skeptics when Jim Schiro and his management team unveiled their new strategy in August, 2002. Hardly anyone believed that Zurich would ever be able to produce a 12 percent operating return on equity. But Jim Schiro proved all the pessimists wrong. Today we are targeting a medium-term return of 16 percent. And even in the years of financial crisis, we proved that we could exceed this ambitious goal.

Zurich's capital strength is one of the most significant legacies of the Schiro era. After all, the insurance business is based on the assumption that even in the most difficult of times, customers can depend on us. And probably the most important criterion for assessing capital strength is economic capital adequacy according to our internal model. At Zurich, we began 2010 with an economic solvency ratio of 136 percent. That means we have 36 percent more capital than we would need based on a conservative assessment of our risks. Not only is this a high economic solvency ratio compared to the rest of our industry, but it is one of the highest ever in the history of our company.

This achievement was only possible because we never strayed off course even as we faced the difficult headwinds of the financial crisis. We are among the very few companies in the financial sector that consistently produced positive quarterly results in the previous two years. The secret to our success is simple: financial discipline coupled with operational excellence. Only the implementation is difficult. But Jim Schiro showed the way. We will continue to follow this path going forward.

Our achievements have impressed others as well. The American magazine "Fortune" recently ranked Zurich second among global insurers, behind only Warren Buffett's Berkshire Hathaway. Other key trade publications have also voted us best global insurer or the number one in particular markets.

We are proud of our record of achievement. Jim, we thank you for everything you have done for Zurich, the company – Zurich, the city – and for Switzerland.

Ladies and gentlemen, today the Board of Directors is recommending to you a gross dividend of 16 francs. It does this not only with a look back at our past accomplishments but also with confidence in our business strategy and the sustainability of our results. We are well positioned in the world's

most important insurance markets. We are well-capitalized and we have among the best employees to take advantage of emerging opportunities.

Seeing these opportunities clearly, however, should not cloud our view of the many challenges we face. Among these is uncertainty about the quality and speed of the economic recovery. Or the continuing instability in the financial markets and the resulting low investment returns. Or the threat of an overreaction by regulators, as well as by politics in general, which could seriously affect not only banking but also the insurance industry.

Although some of these challenges defy direct influence, we must position our company so it can withstand even the most difficult of external circumstances. Just maintaining the status quo is not an option. Versatility, flexibility and, where necessary, refinement of our strategy are part of management's permanent list of things to do.

Considering our position of strength, and the competitive market in which we operate, I see three concrete challenges facing us today:

- First, where and how can we accelerate growth – profitable sustainable growth – going forward?
- Second, how can we make our operational processes even more efficient?
- And third, how can we address organizational complexity and make Zurich a leaner and more agile organization?

Allow me to address briefly these three items.

First, growth: Switzerland can consider itself fortunate that it withstood the global economic crisis relatively unharmed. But many industrialized countries suffered deep wounds that will not heal quickly. The recession was felt strongest in our general insurance business, at times quite severely. In industrialized countries in general, we did not continue to grow in this business over the past few years. This despite increasing our brand strength and making significant strides forward in how we align our customer focus, distribution management and product development activities.

Farmers and life insurance made significant progress, though, successfully driving their distribution and product strategies and effectively integrating strategic acquisitions. Their success helped compensate for the weakness in general insurance, demonstrating the power of our diversified portfolio.

In addition to diversification along business lines, we seek geographic diversification, especially since growth in developed countries will probably be limited for a fairly long time. These dynamics can be seen in the emerging markets of Asia, Eastern Europe, the Middle East and Latin America. While Zurich has been present in these countries for a long time, we still see significant, untapped potential for the future.

Now to the second point: increasing efficiency. Over the years, Zurich, like many other large companies, has also grown through acquisitions. As a consequence, we continued to operate different information technology systems side-by-side.

I am speaking deliberately in the past tense because today, much has already changed. For example, in Europe we combined four data-processing centers in two locations. If you purchase a life insurance policy in Germany or Switzerland today, it will be processed on a shared platform. And in general insurance, we increasingly offer our services to customers in the EU area through a branch network run by a Dublin-based subsidiary. Not only does that tie up less capital, but it leads to cost savings that, in the end, benefit our customers.

These examples underscore how we are progressively improving the efficiency of our operations. My colleagues and I believe there are significant operational improvements waiting to be harvested as we leverage our global scale even further. We know how to align and improve the operational platforms. We have to boost these efforts and execute them more effectively across the globe.

With that, I come to the topic of organizational complexity. Clearly, there are significant benefits to being a large global company with massive resources – benefits for Zurich, its customers and its shareholders. But it is also a fact of life for large institutions that they become somewhat bureaucratic as the years progress. Processes and procedures that were initially well-intentioned and appropriate outlive their purpose, with the power of inertia outweighing the power of change.

I know it is time for a critical assessment when I hear, for example, that in individual cases it takes as many as seven approvals and probably just as many weeks if not months before a new employee can be hired. We have to scour our business, reduce the complexity and speed up decision-making processes. Only on the basis of simplified processes we will be agile enough to meet the constantly changing requirements of the marketplace. When there's a fire and we need to send people to the front lines, we can't wait for the bureaucracy to give its blessing.

But all of this will just be empty promises if we do not have our people on board. Zurich last year conducted its first-ever global opinion survey of its employees. Nearly four-fifths, an astonishing number, participated, underscoring their commitment to Zurich. And for this I would like to thank all my colleagues throughout the Group.

For us, one of the most important messages we received was that employees want to be kept openly informed about the company's goals. They want to better understand how and what tools they need to contribute to the success of our business. This is an important message, and we need to listen closely.

Unless we listen closely, Zurich will not be able to further improve its competitiveness. If we fail to listen to the changing expectations of our customers, we will not be able to differentiate ourselves in competitive markets and offer services that distinguish us from our peers. If we do not listen to our shareholders, we will lose our identity and leave it to unpredictable markets to determine our fate. If we fail to listen to our employees, we will never fully realize our potential. And if we do not listen to and involve ourselves in debates over social and political matters that affect us all, then we will hardly do justice to our responsibility as members of society.

I have been listening, and what I have heard from our customers, employees and shareholders in my first three months in office makes me feel very confident. We have withstood the financial crisis very effectively. With our capital strength and our motivated employees, the company is well-positioned to take advantage of the opportunities in the market.

Ladies and gentlemen, I look forward to keeping you up-to-date on our progress implementing our plans. Thank you for your confidence in me and for your attention today.