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## **Embargoed until 15:30 hrs. CEDT**

### **Annual General Meeting 2013**

*Speech by Martin Senn*

*Chief Executive Officer*

*April 4, 2013*

Dear Shareholders, Ladies and Gentleman, and Colleagues

I would like to personally welcome you all to this Annual General Meeting.

A very heartfelt Swiss greeting - Grüezi mitenand - in particular to our Zurich Switzerland apprentices and trainees who are here today. I am delighted that you have accepted our invitation and have come to see what happens at a General Meeting. I understand your situation very well: 37 years ago I began my career with the former Bankverein as an apprentice – the sudden transition into a new world, the world of work, and the opportunity to learn new things are anchored vividly and fondly in my memory.

I would like to say: Here at Zurich there are few tasks that are more rewarding than offering young people such an opportunity and providing them with vocational training. And hardly a more important one.

Our dual education system - of this I am sure - is the cornerstone of Switzerland's economic success. It is not without reason that the youth unemployment rate is lower here than almost anywhere else in the world.

I am proud that in Switzerland alone Zurich provides 250 school leavers with their first opportunity to gain experience in the workforce. Every year between 70 and 80 apprentices and a good 30 senior

high school leavers join us. We benefit from this because in order to be one of the best we need talented and committed young employees to be future leaders.

Dear apprentices and trainees

I am happy that you see your future to be in our industry. You have made a good choice and are making a valuable contribution to society as part of the financial sector.

I wish you all an exciting apprenticeship and hope that you find fulfillment in your training and later in your chosen career.

Ladies and Gentlemen

Zurich delivered a solid performance last year. This is reflected in the numbers: We generated a business operating profit of USD 4.1 billion – despite a challenging market environment. Our net profit was USD 3.9 billion, 100 million higher than the previous year. We have maintained our strong capital base and delivered a high return on equity and excellent investment performance.

Last year I was particularly pleased to be able to celebrate a very special anniversary: 100 years ago Zurich took the big step of crossing the Atlantic to the United States. Today, we are one of the leading insurance companies in what is now the largest insurance market in the world, 100 years is quite a long time. I think this demonstrates that we can be believed when we say:

- We think and act with the long term in mind.
- We fulfill our obligations.
- We will be there for our customers tomorrow and the day after.

They are the reason we exist. We want to earn their renewed trust every day.

I would not be being honest with you if, amongst all this good news, I failed to mention something that greatly disappointed us last year. We had to strengthen claims provisions in our General Insurance business in Germany by more than USD 500 million. Among other things, the initial projections for professional indemnity losses for certain professional groups such as architects and doctors were unrealistically low. We ascertained and corrected this ourselves and made the requisite

personnel decisions accordingly. It was a one-off incident that we were well able to master thanks to our strong capital position.

Ladies and Gentlemen

Last year we also saw once again how powerful and destructive nature's forces can be. At the end of October, Hurricane Sandy caused roughly USD 75 billion of damage in North America and the Caribbean. With a diameter of 1,800 kilometers, Sandy was the largest Atlantic storm in history. Dozens of people lost their lives. Millions were without power. And for the first time in over 100 years, the subway in Manhattan was flooded. Still today, six months later, one can see the devastation wreaked by Hurricane Sandy.

I am proud of the way in which Zurich employees assisted our customers. A couple of days before the storm struck we contacted around 1,800 brokers and set up a help center. Tens of thousands of customers were able to find out how to protect themselves from Sandy even before the storm struck. After the storm, our staff worked night shifts to process claims. Just five days after the storm we were able to pay the first claims. Overall, we will be paying out USD 700 million in claims.

That is precisely the promise we make to our customers:

- We help quickly,
- we help in practical ways
- and we help efficiently.

Just imagine for a second that there was no insurance. Nobody would cover such losses. The impact would be devastating. Even a rich, industrialized country such as the U.S. would find it very difficult to recover.

We ensure that people and companies do not have to fear for their existence in the event of a catastrophe.

I found the following story particularly moving: Immediately after the storm, 88 Zurich staff spontaneously organized a bus and drove to Rockaway in Queens. This suburb of New York lies on the ocean and was hit particularly hard by Sandy. Dozens of houses were burned to the ground. Whole streets were covered with meters of rubble, mud and sand. Our people helped clean up and repair a playground there.

This was the second year in a row – following the earthquake and tsunami in Japan – that exceptionally large losses have compromised our bottom line, particularly due to Sandy. But that is part of our business. That is why we exist.

And as in the preceding years, the 2012 financial year was marked by the debt crisis and upheavals in the financial markets. Despite the economic downturn and record low interest rates, we were still able to grow in selected areas and maintain our strong capital base.

We were able to overcome all these events because our foundations are solid. And it is our customers who benefit from this most. Our strong capital base, the healthy cash flow and our expertise in risk management mean that we are able to be there for our customers when they need us most.

As I mentioned earlier, Ladies and Gentlemen, last year we celebrated 100 years of doing business in the U.S. That was one of the sweetest moments of the year for me.

In September 1912 August Leonhard Tobler, a vice president at Zurich Insurance, travelled to Chicago in search of new business opportunities. At that time the city was the economic hub of the country and the economy was booming.

Tobler was able to make a virtue out of a necessity. At that time, the laws governing workers compensation in Switzerland were changing. The introduction of mandatory workers compensation – and therefore the establishment of the public Swiss National Accident Insurance Fund (SUVA) – meant that Zurich lost a large portion of its business. We therefore needed to find new areas of business and to diversify our risk.

In Chicago, August Leonhard Tobler recognized that a growing number of American states were requiring companies to insure their workers against accidents in the workplace. That was something very new in the U.S. but Zurich already had extensive experience in this field. As a result, the first product that Zurich launched in the U.S. was accident insurance. It protected thousands of families from financial hardship as a result of workplace accidents.

The success exceeded all expectations. After the first year, the American business contributed ten percent of total receipts. Today, the U.S. is our largest market. We generate around half of our operating profit there. Half of our workforce is also to be found in the U.S.

I am telling about our history in the USA in somewhat greater detail as it demonstrates in an exemplary fashion why insurance companies exist in the first place and what a vital role they play in society.

We help our customers to protect themselves against risks. And we help to develop the infrastructure of a country. Now and in the past, we mainly reinvest the premiums we earn in a particular country in that country.

Consequently, right from the beginning Zurich invested in the most important industries in the U.S.: the automotive industry, production and construction.

Companies that belong to Zurich today, for example, provided insurance cover for the construction of the Hoover Dam, the largest artificial lake in the U.S. We insured the construction of the Golden Gate Bridge in San Francisco and the World Fair in Chicago. We helped finance the Panama Canal and were involved in building Madison Square Garden in New York. I am not exaggerating when I say that Zurich played a central role in the economic development of America.

Zurich contributed to the success of large and small American companies, helping to make America what it is today.

We have facilitated and encouraged. As insurer and investor. And we are still doing it today.

Ladies and Gentleman

Economic development and prosperity are only possible if entrepreneurial risks are taken. There is no innovation and no progress without risk.

However, the word 'risk' has taken on negative connotations in many circles since the financial crisis began. That is understandable, considering that poor risk management was one of the main reasons for the crisis.

But as a society we cannot become excessively fearful of risk. We must once more focus more on the opportunities and not only on the risks. We must see the potential successes again and not the failure, without becoming reckless.

That is one of our most important contributions as an insurer. We help individuals, companies and society in general to deal with tragedies, great and small. We protect property and we insure social risks such as accidents or illnesses. When someone knows that they are not putting their whole existence at stake with one decision or investment, they are more likely to take on risk.

But there needs to be a general acceptance within the community that entrepreneurial activity is positive for society.

Businesses can only be successful if there is broad confidence in them. And it is only when a company is successful that it can provide benefits to its customers, its employees, its shareholders and the community in general.

It is only possible to be successful as a community - or not at all.

Ladies and Gentlemen

As mentioned earlier, the past financial year was a successful one. We achieved a business operating profit of USD 4.1 billion and a net profit of USD 3.9 billion. We are generating strong cash flows and have a broad and diverse portfolio of insurance risks. We have a strong balance sheet with shareholder equity of USD 34.5 billion. And our investments of around USD 200 billion yielded an outstanding return of 7 percent.

We have been growing where we want to grow – above all in Asia and South America. These so-called emerging markets are today what the U.S. was 100 years ago, a surging growth market. Strong growth in emerging countries has kept the world's economy on the go. Millions of people are making the upward transition into the middle class every year. On the one hand, this helps to improve their living standards, and on the other, this positive development offers new business opportunities to globally active companies such as Zurich. One figure to illustrate this: More than 40 percent of our new life insurance and pension fund business comes from emerging countries.

At the same time, we have remained resilient in the mature markets of Europe and America and continue to perform reliably.

This very good result, which our employees were able to achieve in a very challenging market environment, confirms our strategy: We work in a disciplined and focused manner with a long-term perspective.

If I had to describe our philosophy, I would break it down into three key elements:

- We focus first and foremost on the needs of our customers.
- We aim to offer excellent products and services.
- And we concentrate on compiling a profitable business portfolio.

Dear Shareholders

You trust us to pursue the right strategy. I would like to express my sincere and heartfelt gratitude on behalf of all Zurich employees. Your trust should be repaid. You should share in the success of your company. That is why it is my pleasure, after citing so many figures already, to be able to give you one figure that will be of particular interest to you: The Board of Directors proposes to pay a dividend of CHF 17.00, the same as last year. That is a very attractive yield of 6.4 percent – and that is once again exempt from withholding tax in Switzerland. This also reflects our faith in the sustainability of our earnings capability.

Above all, I would like to thank our employees. These results would not have been possible without their hard work and commitment every single day. I would like to offer them all my sincere gratitude and to say to them: I am proud of you.

Anyone who works at Zurich knows that this is more than a job. It is an attitude. This was demonstrated impressively over the course of our first Global Community Week that we held last year in April. I really enjoy recollecting how Zurich employees committed themselves to a large number of community projects during that week.

I am very pleased to see such commitment. I see Zurich in exactly the same way. We are part of the community. There, where we live and work, we help to make the world just that little bit more reliable.

Ladies and Gentlemen

In closing, please allow me to give you a brief assessment of the current year. I believe we can look forward to more stable economic conditions. Financial markets have eased a bit. This should have a positive effect on economic development and thus on our business over the medium to long term.

Of course we must not become complacent. We must hold firmly to our proven strategic principles in a disciplined manner. And we must continue to help our customers understand and protect themselves from risk. If we do this we will continue to be successful. And then the whole community will continue to benefit from this. We are looking forward to this.

Thank you very much for your attention today.