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Annual General Meeting 2009

Speech by James J. Schiro

Chief Executive Officer

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Thank you Mr. Chairman, both for those kind words and for the continued vote of confidence in our team and our strategy. But as you said, there is still much work to be accomplished during 2009, and I can firmly commit to you and to all shareholders that that is where our focus will remain.

For it is true that we are living in difficult times. In fact, this may be the most challenging moment of the modern financial era. Global credit markets have virtually collapsed. Emotion and panic have replaced fundamentals as the primary drivers of equity markets. And the impact of a deep global recession is fuelling a vicious cycle of tighter capital, increased job losses, and plunging consumer spending.

Amidst this financial turmoil, the world's leaders are gathering this week, seeking to restore confidence in the global financial framework by taking direct ownership stakes in those entities that represent the most systemic of risks, and taking unprecedented monetary policy actions to stimulate growth.

Naturally, we wish them the swiftest of success for all our sakes, but addressing the immediate after effects of this crisis is not sufficient, nor is limiting reforms to the banking sector. For while banking and insurance may operate under very different business models, the perceived impact of today's financial crisis on the insurance sector demands that we re-evaluate our current regulatory and accounting models. We need greater convergence among national and regional regulators. We need more consistency and transparency across accounting regimes. And we need holistic approaches to enterprise-wide risks, with corresponding regulatory approaches that match those underlying risks.

In pursuing these objectives, our leaders should follow three very basic principles.

First, they should avoid causing more harm than has already been caused by the recklessness of poor risk management. This means limiting direct government involvement, both in scope and duration, to only the most critical situations, and not distorting market forces through unintended consequences.

Second, regulatory structures should create strong incentives for sound enterprise-wide risk and capital management. The Swiss Solvency Test and the Solvency II regime in Europe take this approach, but we must drive implementation in a consistent fashion quickly across all major trading partners.

And to this point, the third basic principle that will be critical for success is deeper collaboration among and between national regulators. This does not mean a single global regulator or an abdication of sovereign authority. It simply means a deeper appreciation for the global nature of our markets and the interconnectivity of risks they present.

But calling on governments to act during these times of crisis is easy, since it suggests that the problems are not ours to address, and transfers the responsibility for action to someone else. What is harder is preparing for times of trouble, and positioning oneself to capitalize on the opportunities that moments like these inevitably present. For the ability to turn crisis into opportunity demands foresight, discipline and focus, as well as an aligned and motivated group of people to make it happen.

This is precisely where Zurich finds itself today.

Today we face the turbulence of these complex markets with an embedded culture of financial discipline and enterprise-wide risk management. That culture is evident throughout our operations, be it the positive one percent investment return in 2008, the rigor of our pricing and risk selection process, or the personal engagement of our leadership team in weekly assessments of our capital situation and ongoing risk appetite.

Today we assess our options and make our decisions knowing that we have a Zurich Way mindset that will drive consistent execution across all our operating platforms. The Zurich Way exceeded its \$800 million target for 2008, and since its inception has generated over \$3 billion of economic value. That proven ability to execute is why the contingency plans we develop are meaningful, and why we are capable of taking steps like a further \$400 million in targeted cost reductions in 2009 with timely precision and meaningful results.

Today we also possess an approach to leadership that ensures alignment of interests, brings clarity to times of uncertainty, and increasingly engages our most valuable resource – our people. Whether it is a performance-based compensation scheme built on long-term financial metrics and shareholder returns, or training and development programs that make the most of each individual's potential, we take a holistic approach to preparing our people for the challenges of the moment as well as the opportunities of the future.

So unlike 2002, when we entered a period of financial turmoil with our own internal deficiencies, we enter this period of crisis from a position of strength. Our balance sheet is strong, with a sound regulatory solvency ratio. Our liquidity position remains nimble, leaving us capable to act when opportunities arise. And our operating base remains resilient, with a global footprint of profitable general insurance, Farmers and life businesses delivering increasingly attractive products and services to an increasingly aware customer base.

However, we are not complacent, and remain acutely aware of the strain that the current economic environment imposes on our businesses. Those strains include diminished asset values and extended low interest rates, which impact the returns we earn on our \$180 billion investment portfolio, which in turn affect the rates we charge our customers. It is why we have developed extensive contingency plans, and why we are being particularly vigilant in our pricing.

So yes, these are difficult markets, and yes Zurich is feeling the strain of this historic financial turbulence. But we do not view 2009 as a time of retrenchment. Instead, we view this period of disruption as an opportunity. An historic opportunity. An opportunity to demonstrate to our customers – and ourselves – the inherent strengths we created over the past seven years. An opportunity to show that The Zurich Way operates not at our periphery, but at our core. And an opportunity to take a prudently managed balance sheet and act not from a position of fear, but a position of strength.

For Zurich stands before you today as one of the largest and most financially secure insurers in the world. Our market capitalization ranks us among the top five global insurers. Our \$3 billion in net income was the highest among major global insurers in 2008. Our general insurance gross written premiums, when expanded to include the Farmers Exchanges, which we manage but do not own, put us among the top three insurers globally. Our life insurance operations are growing and adding new business value while many competitors falter. Our brand value is increasing across our markets. And our customer breadth continues to expand, now extending well beyond Europe and the US into the markets of the future like China, Brazil, Russia, Turkey and other emerging economies.

We find ourselves in this envious position not by accident or chance, but because of our people's ability to deliver against a four-part strategy of operational transformation, profitable growth, customer centricity and people management.

And with that record of execution behind us, we possess the credibility to be confident. We generated 20-plus returns on equity during the best of times, and we are showing resilience and continued profit-making capability during the most difficult of times. In other words, our strategy is working.

Our operational transformation efforts continue to challenge orthodox thinking and drive deep organizational changes that are aimed to generate sustained competitive advantage going forward. Globalization is not halting simply because lax risk management in today's credit markets have highlighted systemic challenges. No, globalization is a force that will continue, although with a greater appreciation for risk, and we are confident that today's efforts will position Zurich as a leader in harnessing that power for the benefit of its customers, employees and shareholders. Today, those efforts range from establishing regional manufacturing hubs for our life businesses across Europe, to centralizing data collection, to driving a Group-wide claims scorecard with 80 common key performance indicators. Over time they will drill deeper into the organization, each with the goal of driving down per unit costs and increasing customer relevance.

Our drive for profitable growth remains undaunted, as we view the disruptions occurring in our markets as our opportunity for lasting meaningful growth. By continuing to pursue customer, product and distribution excellence we are delivering richer value propositions to our growing customer base, including many who were previously with some of the more distressed companies in our markets. And our acquisition strategy – which now includes 15 transactions over the past two years – benefits from a targeted selection criteria, a disciplined valuation approach and an effective integration process that quickly instills The Zurich Way mindset into our new operations. This systematic approach to growth is why we continue to find new ways to grow in our key markets, why we emerged in 2008 as the second largest composite insurer in Spain, and why we still view insurance as a growth market with significant upside potential.

Our focus on instilling a deeper customer-centric approach to our business has not been deterred either, as we move systematically to embed the customer's perspective into everything we do. This includes altering our measures of success to include customer satisfaction and loyalty metrics, and positioning Zurich HelpPoint – conceived in Switzerland but featured globally – as more than just a timely advertising phrase, but as a core differentiator. We are already seeing evidence of this renewed focus taking shape in the form of deeper customer dialogues, refined value propositions and more

robust risk insights. For customer centricity can not be a buzz word or marketing phrase. It must come to represent an instinctive reflex to how we view challenges and opportunities. That is how the greatest companies reach the pinnacle of success, and how Zurich will solidify its position as one of the leading global insurers in the world.

And finally, our commitment to our people runs deeper than it ever has, as these times illustrate how the right people making the right decisions can make the difference between success and failure. We continue to roll-out training and development programs, new recruitment strategies and enhanced performance management tools, all with the aim of ensuring the most motivated, engaged and knowledgeable workforce in the insurance sector.

But even with successful execution of these strategies, change is all around us, and we can not predict what our competitive landscape will look like in 10, 5 or – as the recent past has shown us – even one year.

And while I – and the entire Zurich organization – stand before you today confident that we have positioned ourselves to capitalize on this moment of opportunity, it is also critical that Zurich retain the credibility to be confident, in good times and bad. We must never underestimate the importance of humility, and never waver in our commitment to over-deliver on the promises we make.

This means much more than superior financial performance, though, as our confidence is only as strong as our credibility, and our credibility is only as strong as the moral and ethical grounding of our behavior. Much of the crisis we face today is a reflection of misaligned priorities and poor decision-making. But I can assure you today that Zurich will continue to lead by example in this area, living our Zurich Basics and making you proud to be a shareholder.

Zurich will also leverage that credibility to speak out on issues affecting its operations, its shareholders and its customers. Whether that's driving a deeper understanding of the risks associated with climate change, expanding the benefits of proper risk management to new populations, or advocating the Swiss regulatory regime as the basis for tighter global convergence, we have earned the right for our opinions to count, and we will continue to share our insights and learnings with stakeholders around the world.

I do not make these commitments lightly. Each rests on the ability of 60,000 proud people to juggle priorities and avoid distractions. I also recognize that their fulfillment will require leadership and dedication well beyond my tenure at Zurich.

But I make these pledges with an intimate knowledge of the people and passions that make up this wonderful organization. It has been an honor to work at their side, and to share their joys and frustrations, their disappointments and pride. It has also been an honor to serve with this outstanding leadership team, which possesses a common vision of success and a shared commitment to execution. Of particular note, I would like to publicly thank Patrick O'Sullivan and Paul van de Geijn for all they did to contribute to Zurich's success. Patrick will be retiring soon, and Paul retired at the end of last year, but both their legacies live on. Thank you Patrick and Paul for your service to Zurich.

But the ultimate test of any leader is to leave a situation better than how he found it, and to develop a team capable of achieving even greater things than he accomplished. I am confident that I have met those tests, and I am confident that my successor will as well.

On a more personal level, I would also like to express the honor it has been to live in Switzerland, and to develop a deeper appreciation for the unique culture, heritage and outlook on life that makes this small country such a big global player.

I thank you for your continued support, but most of all I thank you for granting me the privilege to have been part of Zurich's return to global market leadership.

Despite the challenges facing the global market today, we are confident of our ability to succeed, while remaining keenly focused on the challenges we will need to overcome in 2009. But more importantly for you, as shareholders, we possess the credibility to be confident. I hope you share that sense of confidence, as well as the pride I feel to be associated with this great company.

Dieter Wemmer will now present a more detailed look at the financial results underpinning that confidence. Thank you.