Investor Day

Company Participants

- Cecilia Reyes, Chief Risk Officer
- Conny Kalcher, Chief Customer Officer
- George Quinn, Group Chief Financial Officer
- Giovanni Giuliani, Head of Strategy
- James Shea, Chief Executive Officer Commercial Insurance
- Kristof Terryn, Group Chief Operating Officer
- Mario Greco, Group Chief Executive Officer
- Richard Burden, Investor Relations
- Unidentified Speaker

Other Participants

- Analyst
- Andrew Ritchie
- Farooq Hanif
- James Shuck
- Johnny Vo
- Jon Hocking
- Jonny Urwin
- Nick Holmes
- Peter Eliot
- Vinit Malhotra
- William Hawkins

Presentation

Operator

Ladies and gentlemen, welcome to the Investor Day 2019 Conference Call. I am Sandra, the Chorus Call Operator. (Operator Instructions) At this time, you will be joining to the conference room.

Richard Burden {BIO 1809244 <GO>}

Okay. In the interest of time, we'll get started this morning. Good morning, everybody and thank you for joining us in London today. Before I hand over to Mario, just a few points of order for the course of the day.

First is as you've noted we've tried as far as possible to make this paperless today. Therefore, there are very limited printed presentations for a few people who do not have electronic means, but please do not ask us to provide presentations. We're not going to do it today. That's hopefully in line with our sustainability goals, and please be understanding for that. All presentations are available on the website and there is internet access in the room. So if you need to download them, you should be able to do that fine.

Second, as day presentations will be webcast, could I ask you all to turn off your mobile phones, so we don't get disruptions during the course of the day. And now just turning to the logistics for the day. There will be a coffee break after Mario and Kristof's presentations this morning at around 10:30. Coffee will be served across the hallway in the room where you probably were just before you came in here. And if you need bathrooms, the bathrooms are down the corridor on the right hand side.

We will have two Q&A sessions. The first at the end of the morning, just before lunch and the second at the end of the day. So I would ask you to please save your questions for the dedicated Q&A sessions.

Lunch will be served around 12:45 in the room across the hallway and you also have time to ask further questions to our management team who will be around over the lunchtime. We'll then start back in here promptly at 2:00 o'clock for the afternoon sessions before finishing up around 3:45 this afternoon.

If you have any questions, obviously the IR team is available throughout the day, so please feel free to reach out to us if anything is uncertain.

With that, I'd like to pass over to Mario to start the day.

Mario Greco {BIO 1754408 <GO>}

Thank you, Richard. So good morning, welcome to the 2019 Zurich Insurance Investors Day and thank you very much for being here with us today. This is a special day for us. When three years ago, George, Kristof and myself stood in front of you, we planned for this result, but of course, we weren't sure about that. This is a much better feeling and it's a different presentation, because today, we can report not just on financial results and future financial targets, but also we can better explain what is our vision for the markets, the industry and ourselves, and how we planned to achieve the results and where we're planning for the future.

There is a very different composition today and let me spend a second on this. Compare with three years ago while the three of us just stood out, now you see full management team, you'll see the CI management team, the Commercial Insurance, which is Jim Shea, and Sierra Signorelli. Sierra is the Chief Underwriting Officer for Commercial Insurance. Both Jim and Sierra have been driving over the last 3.5 years the repositioning and so they own the results of Commercial Insurance.

Equally, you have presentation by Conny Kalcher. Conny recently joined us from one of the most important consumer goods company and where she spent a few years there. She is Chief Customer Officer. So she's at the core what we need to do to deliver our strategy. Giovanni Giuliani, Head of Strategy. He was behind the strategy definition three years ago, and has been a driving force in the execution of the strategy through the years.

Also you find in the room and you have an access later on in the breaks to Kathleen Savio, Head of North America and of course owning the big piece of the commercial books; and Alison Martin, Head of Europe and before Head of Risks; and also the Dalin Hoke [ph], our Head of M&A and our former CFO of US this year. So you have the full team of people here present and I talk later about the Make The Difference and what they have done in the past years and what they're doing today.

On three years of targets and efforts, we're very pleased and that's the message you will hear over-and-over through the day. We have delivered the targets. We have exceeded the targets. We have delivered a simplification program, which is probably an industry benchmark, and we have adjusted the volatility of the business, to who we are. We are in income stock, we need to generate cash every year, that's the promise we made, that's the promise we are keeping. And we're here to do that, so we needed to reduce the volatility of the business as we executed on that.

And we feel very strong today in terms of the foundations of the business. We've retail and we've a commercial business. So over the last three years, we have worked hard strengthening both and I'll comment on what we mean by strengthening and this is exactly the boost to the engine driving us forward.

We are on a journey. We are on a multi-year journey, which doesn't finish in three years. It didn't three years ago, it doesn't finish now and the next three years. The journey is to make this company the most successful insurance company in retail and commercial, knowing the challenges that we have ahead of us, knowing what the markets are doing and I'll define the sense of division we have later on in a better way.

The strategy we set three years ago is the strategy which has been guiding us and is working very strongly. There is nothing more important than being customer focused, or the old revolution in retail but also in commercial is customer lead and what matters is the customer satisfaction, the customer loyalty and the further potential that exists to develop with customers.

The targets that we announced today, they're very ambitious. They're much higher than the targets we're exceeding today. And we think we know perfectly at this time how to run the machine. We tested the capacity, we know where the potential is, we know what levers to use to reach the targets, but the targets are further stretch on what we have been achieving so far.

We maintained our dividend policy as it was announced as it was so far with 75% payout ratio, and the current dividend in each year consider the floor. So it's a ratchet function, where the achieved dividend is the floor for the future. Now, this dividend policy of course has been important over the last years in delivering what we think is quite rewarding shareholder return. We're close to 100 shareholder return over the last three years in excess of the insurance stock index.

You guys all you know that's a very well. And more importantly, all the targets that we set are going to be met or exceeded. And we are and, frankly, we still think that we're going to exceed all these targets by year end. George will talk about this later, but this is where frankly we feel extremely rewarded and proud for this achievements.

Now, why has the stock moves so strongly, so fast? The EPS growth has been above any other peers. Each of these column here is innate company and you can get yourself through the company start. These are the normal peers and you've seen the footnotes the list of them. Our earnings per share have grown above anyone else, but more importantly, the net income coefficient of variation is the lowest among the peers, now it matters a lot.

As in income stock, this is what we are supposed to do. We were not always known for this and this is probably the most important achievement and we count on maintaining this over the next years. The core what we did over the last years was a massive simplification program and let me spend a few seconds on this, because it's quite important that you really understand what we were doing. Yes, we have the cost target out there, but what we have in mind was a business objective. We wanted to become more agile and simpler to serve the customers much better, and the way we pursue this was not imposing top down targets of cost reduction to the units and we did not go into massive layoffs.

We were not doing butchery in the organization. Instead, we try to gather the organization of forces to get a simplified organization, a simplified IT and simplified products and services. How we did that? We did that in an unconventional way, because you remember we started off with the strategy definition, which was done by a team of colleagues without any external support and without really us a store management guiding what they were doing. They developed is for the colleagues with the support of some senior people, but just the support, they developed the strategy and they developed the strategy that they felt, it was the most proper for us.

Going into this simplification program we thought about following exactly the same path. So let's have ourselves defining what to do. So this wasn't a CEO-led program, it wasn't a COO-led program, it wasn't a CFO-led program. It is the organization itself that has the reshaped it to become more simple and more agile and the way we did it was to create this group of people which we called, Make The Difference. It all started when we requested, we made a pledge about who is willing to help us in doing this.

And initially, the definition is you have a chance to make a difference in your organization. This is where the name is coming from and they volunteered to participate within this program in rolling waves. And everything has been important meaning on this. Rolling waves means, that are not professionist of simplifying changing the organization. They do this for three, four months and then they go back, right? The beauty of this is that now we have almost 1,000 people, who have been involved and this 1,000 people are the ones who have created all these changes here that you see.

So when we talk about delayering the organization, that wasn't a top-down order you delayer. It naturally came out from the work of the colleagues who are needed to be simplified in the organization. We changed authority approvals, we changed authorizations, but we did that because ourselves, the colleagues, the Make The Difference people drove us into what needs to be done to simplify the business.

Make The Difference focused on three different priorities over time, initially was simplification. Later on, it became sustainability, which of course is an important priority for them being millennials. And they helped us focusing ourselves towards that what sustainability can mean and how important it should be, and even simple internal things like burning plastic or reducing paper. What Richard mentioned before, they were not even helpful, they were very decisive on that, eliminating printers from the organization. If you want to eliminate paper, just take the printers away and then people will adjust and this is what they told us and this is what we did.

Eventually, which is what they're going to talk today, they move to business, they move to customer segments, they move to products and services. Again, with the mindset that we own the company, we are young people, this is going to be our company, how better, how best this company can be over time?

Now, let me come back again on this because all these achievements are extremely important, de-layered organization, reduced corporate center. We're the huge corporate center which was calling for duties around the organization. It's 35% lighter today what we have the old organization has benefited from it. The Make The Difference people came with a proposal to cut one-third of the steering committees. We cut so one-third of steering committees of older organization. Zurich was known to be a company always in committees, now there is one-third less of that.

Simplified IT, Kristof committed to reduce the number of IT centers, he'll talking a few minutes about that, but we delivered on the reduction of the data centers. We delivered on the reduction of the networks that we use. A number of IT applications cut by 20%, but more importantly, we simplified the products. You cannot do these things if you don't go into the business at the roots of this complexity and start simplifying the products. You'll hear later from Kristof, you'll hear later from Giovanni, what this means in practical terms.

But this wasn't a gigantic simplification program and this is going to continue, because the kids are continuing to give us advice and suggestions on how to do it and because once you get the attraction, you keep on becoming more agile, more simple almost every day.

The results -- the financial results you know them. One company achieved more than we did on that, we're quite pleased and this is what we targeted and you will see in December that we will come ahead of our target to $1.5 billion of cost reduction. But it's a gigantic business simplification, it is not just cost reduction and this will continue over the next years and will give us further traction in business, besides helping the P&L and besides helping the cash generation.

Why we were simplifying the business and creating more opportunities for business? We were also investing in the business and the two most important things that we were doing to invest in business were work on specific markets and take opportunity in these markets to create a strong retail position in these markets. What you see there is the list of the acquisitions that we made, some of them are tactical, some of them are very strategical. Travel is very strategical. We were not a player in the travel business, now we have the second biggest global player in travels after a number of acquisitions we made.

Australia, we took opportunity of markets -- of market changes there and now we're number two in the Life business. South America, Asia again, we took opportunities that are available there. We are the third biggest South American player today across the continent. And we acquired a very interesting, promising opportunity for the future in Indonesia, where we are today the biggest Western company and a top five company in the Indonesian market.

So we look at opportunities to strengthen our business. But then most importantly, organically, we spend time understanding our customer bases. Later on, you'll hear the Make The Different people saying, we don't want customers, we want fans. But where we started three years ago from was who are our customers? The insurance companies don't know the customers, right? As strange as this statement is insurance company were not used to consider customers their policies, right? So we started the really from ground level, who are the customers, who are the, what they want from us, what needs they have, with whom other [ph] they work, and who else is out there, who can be a customer?

We established a system to understand and get feedback from the customers. Conny is going to talk later about this and how this is going to evolve, but some numbers are quite interesting. I mean, this year, we've more than 1 million people, who have responded to us about how we serve them. This is a massive set of information that allows us to change. And again, later on this morning, you'll hear about what change is how we responded for customer satisfaction and changed ourselves.

We are running for what we call closed loop calls. It means that we call back to customers and we do it, everyone does it. CEO do it, CFOs do it, everyone does it. The old organization is calling back customers, listening and taking actions. It's a massive traction. As a result of it, what we see is that the retention growth and we see that our capacity to develop the customers is much better, stronger, and broader than it was before.

And then we track market-by-market, country-by-country what is the customer satisfaction. This all go into the people incentives and the people KPIs from two years ago until today. So it became an important also way to measure the performances. So simplified organization and we invested for the future by building businesses or by creating much better customer relationship. What's the vision we have? The way we run the business today is, of course, we look at the market and we look at everything that's happening around the world, and the market has a lot of inputs and a lot of constraints, given to us from regulation to the customer revolution.

Our strategy is in the middle of it, because we filtered the market trends and inputs with our strategy. And our strategy is the customer-centered strategy, and then simplify and innovative for the customers. Because as much as we understand the customers today that's their request, get it simple please, insurance is too complicated. And that sounds very simple to ask, but they're difficult to deliver.

How we confront the market today? We've a unique business model, and I'd like to spend a few minutes about this and any question you have happy to take them later. We are the only company I'm aware of that is running commercial and retail under one roof. One roof means one balance sheet, one business unit, one head of country. I'm not aware of anybody running these businesses of retail and commercial under one roof as we do.

We do that because of this, because we have a unique distribution model. The customer data for us again are the treasury of our business organization. We're not relying as some others do on huge captive organizations for distribution. We are relying very often on partnerships, and we made this a strength of us by developing our capabilities on the partnership distribution model, we're relying on brokers, we're relying on direct and we're using the customer data across these two sectors.

That means, that for us, working with a commercial company is also an opportunity to develop the employee business with them in life and in property and casualty. The two things are quite different, because all of you have individual needs, but all of you also are employee of a company. As a employee of the company, you need some coverages as individual persons, you need something else. The data is extremely important and we've been working a lot on data and we continue improving the data and, again, you'll hear later in the day this importance of the data.

The two markets though -- although unified by the data. They're quite different. As we say, it is a marketing transformation, it is under a revolution, it's a distressed market and it's a great opportunity to take advantage by being an innovator and possibly disrupt ourselves to take advantage of it.

In retail consider, and again, you'll hear this later that there are fundamentally two buckets of customers in retail. One is the baby boomers, all the people, let's say, above the millennials, older than millennials and then the millennials and younger generations. What's the fundamental difference? It's not age, it's education. It's digital education. The baby boomers are not digitally educated, we can be digitally savvy. I can use technology, but I was not born with technology.

Millennials are born with technology. This means two things, two fundamental consequences for us. And again, you'll hear that later by the colleagues. Consequence number one is they have different needs. We tested these needs over the last years, we launched Klinc in Spain in 2018, we launched Toggle in US, we launched a similar business in Argentina. We wanted to test it is right that they have different needs? Yes, they have different needs.

The second thing is this opens up to global market, because this different needs they have are very similar, because they're educated in the same way by the digital tools. It's a very different set of needs and opportunities compared with the baby boomers, compared with the other generations.

So the challenge in retail every set going forward, on the baby boomers, on the older generation, is how to achieve dominance in the customer needs? Today, we estimate that we cover 30% of their needs. No other insurance company does much better than us. But the model with the baby boomers is that they buy insurance tactically and coincidentally, they don't choose insurance companies. As a consequence, you end up having a market share with the customers, which is typically around where we are or even lower. That's your opportunity with the baby boomers with existing customers.

And then, there are these new customers, the millennials, the Generation Z, are how to grab that opportunity, changing your business model and providing solution for their needs, which are very different. So retail is evolving transformation, where there are lots of opportunities, but there is no sustainability of the existing business model.

Commercial, it's a very different world. We're proud of where we are in commercial. It's different from what I heard over the last three years. We have no intention at all to scale down and exit commercial. We're the third biggest company in commercial globally. Our results are great. We are improving combined ratio. Jim is going to talk about this. The way Jim and Sierra transformed our portfolios over the last years made this business for us interesting, promising, and sustainable and we will maintain this leadership position over time.

It's a sustainable business, it is not under revolution. You need to be extremely clever in the business you want to take in your portfolio. Today, we are enjoying the results of choices made three years ago about the strategic vision of the market. We reduced casualty, we reduced long sale, we went into short sale business, and now the next progression that Kathleen and Alison are implementing in US and Europe is removing the business more and more towards markets.

This is gradually transforming and improving the quality of the business, but it's a much more stable world than the world of retail. What's the final aim of this? The final aim of this is that we want to remain a leader here and we want to become the priority choice in this space for our customer using the glue, which is the customer data, the brand and the capital for that purpose.

And if this is not clear, please ask me question and I'm happy and as you here I'm extremely passionate about that. And this is where really the journey is for us. This is a long-term journey that we started back in 2016. We're making progress, we're gaining speed, we're gaining traction and we will continue on this.

Let me now talk for a second about how we run these two businesses and where we think we have a competitive advantage. In commercial, everything we try to do over the last three years has been differentiating ourselves. First of all, we wanted to differentiate ourselves on the profitability of the business. Again, these are named companies and you can do that yourself. This is our improvements and this is what happened to them. So we managed to have results pretty much ahead of the market and, in some cases, contrary to market results. So the businesses can be run with profitable good combined ratios.

We reduced volatility. We did not speak any more about large losses. Large losses is something that George and I never mention any more. Why is that? Because we brought to the large losses volatility in a corridor, which don't make them interesting to discuss with you anymore and we'll continue monitoring and working on that.

The portfolios. The portfolios have been completely reshaped. One thing you heard me say many times is it's not the stock peaking matters, it is much more the strategical portfolio choices. We took underwriting as such. We said in which sector do we want to be present? We shrank -- a year ago, we shrank credit that was a decision that Sierra and Jim took and we implemented it painfully with the business, with the regions with the customers, but we thought it was right to do it. And now people start understanding why that was right.

We shrank casualty, not because we like or don't like, because we thought it was right to do it for us in 2016. And again today, we enjoy the benefits of that. You need to have a market vision to do these things. The profits, the benefits will continue to be extracted over the next year, so we will continue managing the portfolios with the strategical views of the portfolios. That is where we made the difference and this is where we will continue exercising this difference.

The underwriting -- the other underwriting expense ratio in commercial has been produced and is probably one of the lowest in the markets. There is further potential to grow here. On all these things, we're not satisfied. We're still hungry to go and we will continue improving, but it's important that you understand that there are years of development behind us and we know precisely how to reach down the next targets that in a second I'm going to get to.

We maintaining commercial a unique service model. Almost 70 points of TNPS score is one of the highest we have and I believe is one of the highest across the industry . That has always been a Zurich characteristic. Zurich has always been an extremely high service company, we maintain that and we're proud of it.

We have dedicated to customer account managers, we follow the customers one-by-one in commercial, especially the bigger customers. Jim is personally active with the number of customers. It's a very hands-on reactive mode, which is what the customers like. This is the uniqueness of Zurich and we will continue with this.

Underwriting, underwriting has been an extremely important theme for all of us. With many of you I discuss what was the problem with underwriting, many of you thought that we had an issue with our underwriters. So never had an issue with our underwriters. We've 1,000 of underwriters. They're brilliant people, they are extremely skilled.

What we did was to reconsider, first of all, what was their empowerment of recognition, and we moved them to be much more empowered than before and we moved the recognition up. We changed the compensation system. We changed their incentive grids. We changed their KPIs. We work on their professional careers and we developed a new professional careers for the underwriters. We started doing that in UK, now we moved to US. Kathleen led a program on underwriters beginning of this year. We then moved to Switzerland. At the end -- at the beginning of next year, we're going to move to Germany. With that, so we will cover practically 80% of our underwriters.

The rest of the underwriters are scattered, because in UK, in US, in Switzerland, we also run halves [ph] for underwriting across the world. So we stabilized the underwriting populations, the turnover dropped to below market and definitely below historical numbers we're very pleased with that. Underwriting and claims are the backbone of this organization. We need them to be happy with us, we need them to be motivated, and we need them to be good as they've always been.

Let me move now to retail. But before I start talking retail, let me summarize on commercial. So a lot of changes happened. All these changes have been driven with the very clear strategic review of what we wanted from commercial. This is a business, which will give us a sustainable high single-digit return on capital over the next years. And we're confident that the way we have formed the business, the business will deliver this over the next years.

Be also mindful of the cycle of where we are in commercial. Commercial today is in hardening cycle. And be mindful of the fact that this hasn't been always the case. We've been on a softening cycle for a number of years and now the cycle is turning around. This is the right time and we are in the right set of positions to enjoy this, and continuing developing what we have been doing, which is work on reducing volatility, work on improving the profitability, work on the strategic composition of portfolios, reduce the cost and keep underwriting and claims, as strong and motivated as they have been.

Retail: disruptions, revolution, opportunities in retail. What have we done? As I said, customer insights has been one of the lighthouse that we followed over the last years. One thing that probably went under the retail is that in 2017, we acquired a company which was specializing itself in data analytics for customers. It was marketing data analytics company, which we acquired, we transformed it as captive. So we eliminated all the external businesses and we started using it internally. This is one of the engine besides this customer focus and now this is what is that ZCAM, which stands for Zurich Customer Management.

Now, we use it in our business units to provide us understanding of the needs and leads, what would the customer like to buy? The other thing that we've been working is we acquired more than 80 million customers over the last three years. This is a huge number. We developed partnerships. Partnerships that Giovanni will touch on this later is the way we see the future of retail. Forget about captivity. Customers don't want to be captive anymore. You need to connect yourself through partners, through opportunities or directly.

And you need to reach out the customers with a unique customer experience, which is what Conny is working on and what she will deliver later on. And we introduced new services, all right. We introduced new services in mobility, in property, in travel and in wellcare. So far, retail has grown roughly 2% per annum in property and casualty and in life. But '19 is accelerating and we're confident that over the next years, this will give us further traction to accelerate.

Farmers; farmers is 50% of our retail capacity, and farmers is part of all these efforts and changes that we've been making with one important exception farmers is a huge agency force, right? So this is where exactly the disruption, the revolution happens. So knowing that, we started two years ago transforming the farmers agent in agents capable of facing the changes and the disruption in the market. This has in-selling [ph] number of different things including management changes. There is a brand new management team working and leading the agents of farmers. We changed the tools for the agents. We changed the incentives for the agents. We target as a result of this much higher numbers than 3% of growth per annum at farmers.

At the same time, farmers have been investing in new opportunities. This new opportunities are Toggle, which is millennials directly contacted with the platforms that they developed in-house and it's very similar to Klinc that we had in Europe. They developed a strong relationship with Uber, which is very interesting that their difference is not agency driven and they start investing themselves into partnerships.

So the retail franchise we have is evolving around customer insights and customer leads, but also about new investments in new ways of contacting the customers. What does that mean for the targets and why I spent so much time talking about things that we have developed? Because this is exactly what give us then the confidence and the trust that's now we can change the gear and go faster and achieve this higher targets than the one, which are behind us for the next three years.

What we want to do in the next three years? We want to establish ourselves as the preferred provider for our retail customers. That's an ambitious target. Today, we're not. We cover 30% of their needs, we want to move and become the preferred ensure for our retail customers. And in commercial, we want to take advantage of the market situation in our strength and keep building on that and remain one of the market leaders, but improve our profits and improve the contribution to the profits.

Now, in doing all this, as I mentioned before, we have a very strong priority into leading also on sustainability. Now, we made a number of pledges and you see them on that side of the page. But again, what make the difference people told us strongly and lovely is we care for these things. This is our world and we want this world to be sustainable. So we try to decline the things that mean something for us and we found three areas where we can lead the world in sustainability.

One is work. Yesterday, we published a commitment in work sustainability, which is quite important for us. It's for our employees, but it's also externally. We commit to help societies to face the issue about work sustainability in the future. We need trust, we need confidence that work will remain an opportunity for all families and for all individuals, despite the concerns that people have on computers and digital and automation.

On changing climates, we have been working already over the past years in flooding, but then we extended our commitment to be responsible underwriters and responsible investors. And I think we're leading the way of the industry in making choices on the customers that we want to ensure for that or in leading discussion with the customers about what is your plan to make your business fully sustainable over time.

And on connectivity digital cyber, we are working hard and making the trust back that this is the world where we can all thrive and live. And we're doing this with government, with organization, but also with SMEs, with individuals by giving them tools or coverages to maintain this trust in the world. That's an important element of how we will work over the next years and we will not go away. That's the way we see the daily work that we're doing, and doing that on time Richard, sorry.

One question, I often heard was what else can you guys deliver? We can deliver a lot more, because we've been investing on ourselves a lot, and this is probably what you guys did not perceive in details in the past and this is why I wanted to spend time on this. This is where, we see opportunities. We can grow the business much more than we did before. Because now we know precisely what growth means and which growth we will like and which growth is not interesting for us.

Productivity, we will remain cost-driven, we will continue to simplify the organization. There is further opportunity to be achieved through cost reduction. Portfolio policy, we've done a lot, there is more to do. We're not at the end of the story. Three years ago when George, Kristof and I presented you the plan, we told you we would not be finished by 2019. We're not finished today that we are in 2019. Portfolio quality can still improve.

Capital allocation, we have a continuous creation of capital. Capital allocation can help us improving return on equity by properly deploying the capital and better making use of capital. These are the opportunities that we see in front of us and trust me, we know the machine very well today. We know exactly what livers to use to get all these things into the P&L. Of course, we have drain and when you see later George's famous ROE walk you also see the drain that we have.

And so that all together will make us achieving the targets that now are we standing in front of you with. We talk today of BOPAT ROE in excess of 14% and growing over time. George will show you a chart in ROE walk. We've 15% ROE targets by 2022. And cumulative cash remittances in excess of $11.5 billion, in the past three years, we talked about $9.5 billion That's a significant step up in our capacity to generate cash and then to use this cash for shareholder and innovation.

We introduced new targets, which you kind of asked us for which is earning per share growth. Now, the important word to underscore you is organic. We commit to organically grow the earning per share by at least 5% per year. And we think this is relevant commitment again being that organic. And of course, we remain committed to Z-ECM, capital ratios and to run the business with AA as we do today.

We also want to introduce two new KPIs. We talk KPIs not targets, because their brand new for all of you and pretty brand new for the industry. Net new customers, they matter to us. They matter to us for all the things I said before, for all the things that Giovanni and Conny will tell you soon. And retail brand consideration, again that's very important. And so we will track timely these two results and we will report on you and maybe later, they will become target.

So let me wrap it up before Richard takes off my microphone. You know the targets, you know the story. One thing I want to make clear and I repeat this afternoon, we're not going to let any stone unturned in order to achieve this. Thank you.

Kristof Terryn {BIO 17664174 <GO>}

All right. Thank you, Mario. Good morning, everybody. Good to see you all of you. I'm excited to share with you operations will contribute to what Mario described, I mean, some of the accomplishments over the last two years, but also how we'll build on that going forward.

Now, we have worked really, really hard to drive simplicity into everything that we do at operations. And that's because I believe that simplicity is not just about efficiency. I mean it's not how you deliver a consistent customer experience, it's also you create trust that you can execute and deliver for your customers. Now, simplicity may be one of the most difficult things to do. I mean, it's like that in life, it's like that in business and it's no different than insurance.

Now, we are a complicated industry, we're heavily regulated, regulation is increasing, it sometimes diverging. We all deal with old technology and some time and somehow in that legacy we need to bring in the new technology and address changing customer needs. And that's why almost every insurance company talks about simplicity, a very few have actually done it.

Now, at Zurich, we started this journey three years ago when by enlarge we are done with the back-ends. It's where we have focused. It's where you have seen the delivery of the $600 million of savings in operations. But I think what more important is also giving us the confidence to, actually, now move from the back-ends to the front-ends and, basically, accomplish two things. I mean one is drive a completely superior customer experience, and two is continuing on that cost efficiency drive. And with that, we're committing to taken out another point of view of OUE ratio after the investments in growth and in capabilities.

Now, these are some of the targets that we set three years ago, and I won't dwell on it. I think the numbers here speak for themselves, but I want to point out just one thing, which is that all numbers on this page are absolute numbers. So when we talk about the savings, the $600 million of savings in operations, I mean that is our contribution to the $1.5 billion overall, that is an absolute number. So basically, it means that we started with our cost base at the end of '15 after the inflation, after the growth, after having continued to make the required investments. I mean our cost base and operations today is $600 million lower than it was at the end of '15. And that goes for every number on this page.

I'll just give one more example. If I look at the IT applications, so you see reduction of 550 applications. The reality is that when we started this back at the end of '15, we had close to 3,000 applications and that application number grows organically. I mean we add new propositions, I mean we also do acquisitions. And to just give the example of Latin America, QBE and EuroAmerica just those two acquisitions came with more than 150 applications. So all the hard work to get that absolute reduction after absorbing all of that.

Now, when I think about simplification, our strategy. I mean simplification comes at many different levels. And if you think about the operation landscape, I mean in the back you have infrastructure, that's our network, data centers; applications and tools sitting on top of that; and then ultimately processes some products. And cutting through all of it is that data layer that is so crucially important.

Now, our focus so far has been on the back end. I mean it's where most of the investments have gone over the last two years, it's also where you've seen the savings. And it doesn't mean that we haven't started on products and processes, but moving into the next phase now that is where to focus will be.

Now, before I go to the next page, let me give you some examples of what we've accomplished over the last three years. This is an example of what we done on the infrastructure side. And so as I said two major components, there's the network and there's also the data centers. On the network side, I think Mario mentioned before already, we had more than 140 different suppliers. So think about what that means. When you need to put in place new technology like a next-generation firewall, the complexity of that implementation we have brought that down to just one. We're working with one single global supplier, makes it much easier for us to predict that, make it more secure, but also roll out new technology at scale.

So the hardest piece of work here have been the data center side. We started with 70 and, here, similar as what we did with the applications, now I mean through some of the acquisitions, if I go back to the QBE and EuroAmerica example, they didn't just come with 150 applications, they actually added 12 data centers as well that somehow we had to integrate. So in spite of that, today, we're down to 13. We will move the remaining three directly into the clouds over the next few months, which gets us to the targets of 10.

Now that again has done a couple of things, I mean it has vastly reduced our attack surface. I mean, from a cyber-security perspective, I mean it is a lot easier to protect 10 data centers rather than 70-plus. It's also reduced our cost when you look at the two combined. I mean this has saved us those more than $100 million in the run rate, infrastructure expenses over the last few years. And more importantly, it's also allowed us to move to new technology.

Now back in '15, we had some limited clouds offering. I mean we had a private cloud offering, but very few applications running in it. And over the last few years, we've been on a journey of moving your application loads into the cloud. Today, we run 34% of our application loads in either the public or private cloud, I mean we're on a hybrid cloud concept. But more importantly, we've actually taken our entire technology stack.

So taking that entire technology depth, moved it into the clouds and, with that, compressed it significantly. Because we now run on scalable standard infrastructure that again is much easier to manage. Now some of the benefits of that were clear, I talked about security. It is much easier to protect, because one other thing that we've done at the same time is that we moved to an API-based architecture, which basically means that we have a standard way to get in and out of the environment, which makes it easier to work with ecosystems, distribution partners, et cetera, and much easier to manage that single point of entry than having many-to-many endpoint integrations.

But it also had a massive impact on stability. If I look at stability and we measure the outages, I mean the Severity ones and Severity twos overtime. If I look at the amount of severities that we've had say ones and twos this year, it is less than a third when I compared to the same period in 2015. So that's the simplification journey on the infrastructure side, big driver of efficiency, big driver of expense savings as well. It gives us the ability to now move to new technology. It also gives us a much more stable and secure environments.

Now, moving up into that operation landscape to the next level of simplification this time on the application side. I commented on that when I showed you the overall target slide. We've taken out 550 applications and it has really been across the entire spectrum, I mean both from back end to front end. Just give you two examples, I mean a Russian business was sitting on our legacy system came to the end of its life, rather than replacing that, we moved them onto the first system, which is our homegrown application that we run for most of our standalone commercial countries.

Now an example on the front-end, simplification. We used have five different applications that we're facing the customers. We had three risk engineering apps, we had a claim apps where the customer could directly download claims data, we also had a MIA application, that's the multinational insurance application. They were all sitting on different technology stacks, they all had different operating models.

We brought those onto one single My Zurich portal. Customer has access in one place to the data they need. It obviously sits on one single-technology stack, so cost of ownership is much lower. And there's plenty of examples and a lot of hard work to get to that number, but this has been one of the biggest drivers of the savings. I mean $230 million in savings just from the application simplification.

Now, one thing that I was worried about three years ago was also our ability to deliver new development -- new application development, new capabilities to our customers because we had an IT organization that was actually largely outsourced than offshore that was using predominantly a waterfall model. And in order to be able to be much more agile and faster in delivery, we've done a couple of things; on the one hand, we brought some of the critical capabilities in house and predictive analytics, big data is a good example of that used to be almost entirely outsourced. We brought all of that back in house. I mean our two centers one in Barcelona, one in North America that serve all of our regions where we have teams that can do predictive analytics, but also host the infrastructure for big data analysis, data lake infrastructure, data visualization tools, et cetera. That's an example of in-sourcing.

On the outsourcing model, I mean we've become much more agile. And one of the things that we've been working on is to actually leverage crowdsourcing. I mean we signed strategic deal with TopCoder now two years ago. TopCoder is a crowdsourcing platform that host 1.5 million developers. It's global platform, it is now bought by Wipro. But the way we've been working with them is to access on smaller pieces of development where we need peak capacity or we need skills that are scarce to come by product design, customer experience design, I mean UX, you name it. We work with them in a very agile way. And over the last two years, we've done more than 60 projects with them, more than half of them have been in the innovation space.

Now, simplification is not just about applications. It's also about tools and I'm particularly proud of this example. I mean not because of the efficiencies this has driven, because frankly taking out this single pricing tool doesn't have a big impact on our cost base. I mean the importance of reducing the number of pricing tools and, here, we went from 680 pricing tools to 300 is about the quality of the data.

I mean, typically, the first place where you capture the underwriting data is within the pricing tool, and having that in one consistent space leads to better risk selection and leads to better pricing. It also helps us with accumulation management. I mean to just give you an example, on the global marine line of business, we now have one single global pricing tool. So we get to see the data in one single application, it also allows us to then run predictive analytics, allows the student run machine learning techniques et cetera. So a huge benefit on the underwriting side from simplifying the pricing tools.

Now, moving through the stack of the operations landscape, mean we've covered infrastructure, tools and applications. If I now move to the process side, this is an example of our Irish retail business. On the left hand side, you see the good old green screen very clunky, non-intuitive, took a lot of time to actually train claims handlers, and I could have brought a video. There's actually a cool video where we compare the green screen to the white screen, which is the much more digital front end that we've now put in place.

And we have two employees doing the settlement of a claim next to each other. And the one on the right is done so fast and get so bored, that the other one is still working that he got up and left. So it gives you a flavor of how much this is improved in terms of processing times, but that is not the most important piece.

The old system didn't have any interfaces needed, I mean neither with suppliers nor with customers. I mean this one is fully connected with our customers, and the customer experience has been vastly changed. So the way now works when customer has a motor claim, they can choose to either make a call, but they can also go to our web. They can download a small app and they can initiate the claims process himself. It's all very intuitive. They can take pictures of the claim, upload those, and in some cases, we can actually say through process those, offer indemnity or send them to one of our preferred suppliers.

Now with that TNPS, which Mario talked about it's how we measure the satisfaction of our customers went up 9 points on this transaction settlement times. So time to pay a customer is down from 10 to 3 days and we're targeting on the improvement of 1 points to 2 points in the loss ratio, because basically we will have about a 20% better steerage of people into preferred suppliers within our network, we will also be able to use predictive analytics to do 2 things. One, look at which claims are good candidates for space with processing, but also look at whether a fraud patterns.

Which then brings me to the last example of simplification. So this is now really the top of the stack product simplification. And the example here is one from our UK SME business. I mean Mario talked about the 108 products that we had in the UK and now you may think that 108 products is a very customer centric thing to do, because it reflects all the different needs, the reality when you see that product complexity typically, it has grown historically, it's the result of acquisitions that are not fully integrated, it's because we made exceptions overtime for a particular distribution channel, and what it makes is actually a very slow and difficult environment. Hard to change things, I mean hard to put in things like dynamic pricing, when you have such a complex product landscape.

Now, what is different here with our approach? We did not tackle this from the back-end. And so, we didn't try to create the Pan-European, Pan-Galactic platform that could host all products. I mean we started with a customer needs upfront and we basically map the customer needs to a minimum set of products that map those needs, that were vastly simplified, have much simpler wording. And the result of that has been that, first of all, it's much easier for us now to articulate our appetite. Can you broke a channels, I mean online channels? The processing times here as well, I mean we all settle 80% of all service requests within an hour, TNPS went up by almost 30 points and the new business pipeline in UK is historical high at GBP100 million.

So a very good example of how simplicity on the product side doesn't just drive efficiency. And yes, I forgot to mention at back of this, we could sunset two applications, but that was not the main driver. The main driver was really how do we have a much simpler product set that is able to go to market much quicker that we can adjust much quicker and at least feel much better customer experience.

Now, that was some of the work that we did over the last few years. As we now move into the next phase of our strategy, we're shifting radically towards the front end. And it doesn't mean that we're giving up on the back end. We will continue that journey. So particularly on the infrastructure side, you'll see us continuing to migrate to the cloud, you'll see as continue to migrate to that standardized API architecture that's important because, we do want to play in ecosystems, we do want to play in new distribution channels.

Same on the application side, we will continue to be vigilant about that application count, we will continue to invest as well in tools and capabilities around data analytics, but the focus really will be on the front end.

So on the product and services side, that means that we want to develop more digital products. It means products with a much more digital claims and underwriting experience, and I'll give an example of that later in support of the growth in retail and commercial. And on the process side, we want to roll out intelligent automation at scale.

Now one of the reasons that we're doing that is because we think there's still an efficiency gain to be had. I mean we've made really good progress there over the last couple of years. I mean, we brought the OUE ratio down by 2.4 points, but there is more to be had on the efficiency side. We think we can drive that down by a further point in your OUE ratio.

But let me give you some examples, first on the product side and then on the process side with regards to intelligent automation. Now, this is an example on the product side of our Japanese retail business, where we started to write parametric earthquake insurance. Now, if you think about a traditional earthquake product and the underwriting process and claims process that goes with it, I mean we would assess the structure of a building, then based on historical data and our rating and pricing factors, I mean quarter [ph] price, issuer policy. If an event and would happen, the customer would start the claims process, we probably send an adjuster at the end of all of that. We then pay out an indemnity or we help the customer to get up and running.

Now, when you write product like parametric earthquake insurance, the underwriting process is vastly different, because basically we develop a pricing model to get a bit our global cap modeling team purely based on historical data and geography. So purely on location where a customer lives, we provide a coverage, which in this case is relatively small it's JPY30,000, but the claims process then is fully automated as well.

And so when a earthquake triggers of an intensity of 6 on some Japanese scale, I think it's a shindo scale. If that happens and the community in which the policyholder lives has issued an evacuation order, there's an automatic payment. So the customer receives an SMS and then they have two choices, we are to wire the money into their account. Or if there's somewhere abroad and they need, we can actually just send them a pin that they can go to an ATM and withdrawal the cash immediately. So vastly different customer experience, underwriting process is basically gone, because it is pre underwritten claims process as it is fully automated as well.

We've signed up 175 customers so far through an affinity deal, 10% of those customers actually elected to have higher coverage, and we planning to roll another 1 million customers into this program over the next two years.

Now, let me then move on to automation and I give you two examples. Now, the first one around intelligent automation is from our commercial property business. And this is from the European commercial property business. So when you think about underwriting a large property program, it is typically a very labor intensive process. I mean you receive all location data, multiple structures, multiple locations, I mean, through the broker. If you're lucky, it's in different formats, but it's at least structured. If you're unlucky, there's some unstructured data in there as well.

In the past, we would ship all of that off to (inaudible), we had the BPO provider who then put it all in a somewhat consistent structure and underwriting assistant with (inaudible), with complemented data, with accurate geocoding, and then finally the rating and pricing process could start. Now, what we've developed here is a natural processing capability are base the ingest of those files, put them into a consistent structure and then uses machine learning to actually put right geocoding into missing address data.

Now, massive improvements in the process, massive improvement in the adequacy of the data as well, helps us again with risk selection pricing, helps us as well with the accumulation management. So it's examples like that, I mean this one will roll out across different geographies. We have other examples in other lines of business. I mean, but we think that through intelligent automation at scale in the underwriting expense base, we can take up to 15% out of that.

And then my last example is a claims example. So here, this is an example of our MedMal business or hospital liability business and our commercial business in Switzerland. Now, here we developed a self-learning algorithm that is homegrown. I mean we traded on 10 years of MedMal data and what it actually does is when a claims file comes in, it looks at the elements of the claim, it maps it against medical practice, it also maps it against the coverage data in the file and then comes up with a recommendation on both the indemnity -- the final indemnity and the initial case reserved for the claims adjuster.

Now again, massive improvement in terms of efficiency in the claims handling process, but also a very rich and consistent set of data that then helps us with fraud prevention, we're looking for patterns. It's just one example, we're rolling similar things out across different lines of business in aggregates here as well on our claims expense base, we think we can take up to 15% out over the next three years through similar efforts.

Which then brings me to my wrap up slide. If you think about the strategy over the next three years, we're really trying to do two things. One is driving intelligent automation at scale across all of our core processes. So underwriting claims, but also sales support, that will drive efficiency. Now at the same time, we want to enhance our propositions, make them much more digital, have a much better customer experience. And when I add the two up and for those of you who have done the math, yes, it is about $4 million and $5 million in efficiency if you take the expense base and take that 15% out of it, some of that we will reinvest. After those reinvestments, we're still committing to a point in OUE ratio.

So that then brings me to the key messages. Look, we've worked really hard over the last couple of years. I think we've turned the corner on the back end, I mean we have simplified our back end the operations. It's what has driven this savings. It also gives us the basis now going forward. We're radically shifting to the front end to really do two things. One is drive that superior customer experience, the second one is to continue on that efficiency journey. And with that, we commit to taking a point out of the OUE ratio.

Now, I'm confident we can get this done. We have the team in place, we have the track record. If I look at what we delivered over the last few years, we will deliver on these targets as well. Thank you for your attention.

And then with that, I think we have a break and, Richard, how long of a break do we get?

Richard Burden {BIO 1809244 <GO>}

We will now take a coffee break in the room across the way. But can I ask you to please be back in here punctually 11 o'clock, so we can continue on. Thank you.

(Audio-Video Presentation)

Please settle down, so we can carry on with the morning and not lose too much time. I'll pass it over to Conny to start the second part of the presentation.

Conny Kalcher {BIO 21089028 <GO>}

Everyone, my name is Conny Kalcher, and I joined Zurich on July 1 as Chief Customer Officer. To be very honest with you, I wasn't really that interested at first when I heard about this opportunity. I thought insurance customer focus, I'm not sure. But actually getting to know Zurich a bit more through the process, I got really, really inspired by the vision and the ambition for driving customer focus.

And I have spent most of my career with one of the world's leading brands driving customers focus, and that brand is LEGO. So customer focus is really key to our business at Zurich. And it's something we're going to focus even more on with the establishment of the customer office. So already in 2016, we defined our ambition to become customer focused and the changes already well underway through the NPS program as you already heard. We actually get feedback for more than 1 million customers around the world. We understand what drives their loyalty and we keep on acting on what they tell us.

So keep customer loyalty is very key to our business and it's also a key to driving progress going forward. We have a huge millennial -- huge opportunity in the millennials segment. Today, you will hear more from the Zurich millennials. It's a fantastic group of people and they will tell you how the needs behaviors and lifestyles of millennials are changing. And they actually help us future-proof the company.

Today, the main part of our business is more towards this Gen X and the baby boomers, unless so towards the millennials. But actually, we only see that as a huge opportunity to grow as we move forward. So we're now ready to step up pace, drive this transformation and focus more on customers. And to measure our success, we are establishing two new customer KPIs. So we will understand how well we are doing on this journey.

So with this ambition in mind, what are we actually going to do differently? Well, we're going to look less inside on ourselves and focus much more about being customer that. That sounds pretty easy, doesn't it? It is something that's very easy to say, but quite difficult to do, especially if you are in an industry that's very standardized, policy-driven, complex and highly technical. But what we need to move to is becoming much more customer led, that starts with focusing on the customer needs, and servicing up things to them that they fit find relevant in a personalized and seamless way, but that's not enough really to become truly customer led.

So what else do we need to do? We need to change ourselves from being a product brand to an experience brand. What does that mean? Well, allow me to tell you a little LEGO story. So LEGO used to be a product-focused brand, we were selling construction toys. However, our industry -- the toy industry was disruptive, the kids life was changing. They have computer game suddenly, they have access to the internet to play unlimited, they also had TV on demand, so always there, not appointment TV as what we were used to, and huge blockbuster movies what changing their wealth and their interests.

So LEGO actually had a choice to make, we could either adapt and stay relevant with these kids, or we could remain a little player in the toy business. So guess what? We actually did change, and we decided to become an experienced company. And an experience company, means that we no longer competed with other toy manufacturers. We now competed with children's time, which is a whole different ball game. So what we did is we started creating characters, stories, universes around the toy experience to create a much deeper engagement with kids.

But LEGO, of course, is not the only experience brand in the world. There are other very strong ones, Disney, Nike, Apple, just to mention a few. And what they focus on to be really experienced brands is what you see on the slide up here. They focus on understanding their customers deeply their needs, their behaviors, who they are, then they create distinct and seamless experience for their customers.

So that they can move with them from online to offline and across channels, make it easy for their customers. They also focus much less on pushing advertising up, information up instead they create moments of dialogue. They really engage with their customers. And most importantly of all, they continuously improve the customer experience. What does that look like? Well, if you just think of the Apple stores for example. And if you think of the LEGO store in Leicester Square here, both stores are battling, they are alive. When you go in there you get excited, you think wow this is an exciting brand.

And that's when you look at that, you think retail crisis, what retail crises? People are shopping, they're walking out of the stores with bags, but they're also lining up in front of the stores to get in. So what can we learn from that? Well, to take a step back, we're not going to be a Disney, we're not going to be a LEGO, but we're going to be something different. We're going to transform who we are and be much more focused on customers.

Where does that start? It starts with looking at who we are, why we are here, and what's our value proposition to customers going forward, what are the promises we give to our stakeholders? And stakeholders are lots of different groups. It's our customers, it's our employees, it's our partners, including the agents, including the brokers and it's the planet, our promise to the planet and to our shareholders. Through that, we study and get a deep understanding of customer behaviors. And through that, we become customer focused and we start creating signature of experiences for our customers. Giovanni will tell you some examples about what those signature experiences are.

But what's important in this context is that they are unique to Zurich. Not what everybody else is doing. So we will focus much more on that going forward. And if I was to tell you an example of a signature experience, I'm sure you can think of many yourself, it would be, for example, the genius buying an Apple store. So what Apple did was really, really brave. They took part of their shop store plan and about retail that's actually selling space. They turned it into engagement space instead and that way they did gave their customers a reason to come into the stores to be engaged with their products, to be engage with their brand. So all of these are actions, we also need to take and find our ways of doing in a straight content -- context, because it drives loyalty.

So part of it is understanding the customers and listening to them and we have already done a lot of listening. We listen to more than 1 million customers a year. And on top of that, we also call them back if their detracted. If they weren't really happy with the service that we gave them or the product we sold to them, we call them back across the organization, across layers of leaders and non-leaders and we get that one-to-one dialogue with our customers. It's hugely important and, through that, we learn to understand what the drivers of loyalty are. And when we understand that we can of course be very targeted in how to improve it. And our efforts are paying off as Mario already showed you.

You can see how we are changing the pictures across the landscape here. For example, in Latin America, we have grown the score with 5%, that growth of loyalty comes mainly out of Brazil, where they've done a lot to digitalize the process in order to make it easier for customers to be in contact with us.

If you look at the North American score, you might think, how can that be a positive result minus one? But it actually is the positive result, because what they have done in America and their NPS score is very high already actually world class I would say. They have really focused on the pain points of their customers, they realized and, this is Kathleen's team, they realized that the claims process wasn't working. They needed to measure it across more touch point to really deeply understand what they could do better.

So instead of thinking about the score, because NPS is not about the score, it's the impact we can have with customers. They thought about how can we learn more, so that we can improve more. And they did, so they measured more touch points that cost them a little bit on the score, but they did the right thing. They actually achieved a lot as well.

EMEA is a little bit of a mixed picture, some countries were really good and some were suffering a little bit for example in the UK, but suffering in the positive sense. They launched a new product that was highly, highly successful, so their service team had a problem catching up. That whole problem has now been fixed. So again, the actual focusing on the customer drive the right decisions, it drive -- it drove the right action.

Then look at Asia-Pacific, that's a fantastic growth. They of course come from a lower base in the NPS score, but they roughly comes out of Japan. If you notice, Japanese service culture, you also know that they are very critical and they are really expecting top service. So we had some issues in Japan in our customer contact centers. The service was a bit uneven, but to team fix that. They introduced more training and more coaching for the staff and they even trained the back office staff, so they could go on the phones as well at peak periods, and it all paid off as you can see.

And then we have farmers there less -- last which also has improved their RNPS score, but it's already also at a very, very high level. But we don't feel loyalty just for the sake of building loyalty. We have been loyal, because it makes economic sense. So if you look at the numbers, here, you can see promoters buy more. They actually by 1.3 more insurance policies than detractors do. They are also more loyal, they stay with us longer and if they are multi insurance policyholders, they stay 2 times as long. So it's really meaningful, not to focus on the score, but focusing on driving loyalty.

And then of course to no surprise for any of you, retaining customers is very cost efficient, because you save the cost of attracting new. So we did -- we keep on acting on this customer feedback. And I'm actually very proud to stand here after only four months and having red pages and pages on activities taking around the world on this customer feedback.

I think there is already a very strong movement in the organization to focus on removing these pain points from customers and delighting them instead. So here three examples, the pain points we saw. We have already talked a little bit about this situation in Japan, but just to mention one in Spain, we learned from customers that they felt that the offer we had in auto insurance was very kind of restrictive. They didn't have enough choice. So the team in Spain actually launched a modular office -- offer where insurers could at their own choices, so they could choose do I want windscreen insurance or do I want excessive parking coverage, et cetera, depending on their needs. And you can see in all of these cases, the score is going up.

But not only the score is going up, we're satisfying the customers, we're delighting more customers. And that's what we need to do. So the NPS program already works pretty hard for us, but it needs to work harder. So we need to roll it out in more countries, listen to more customers and also drive the response rate up, because the more information we get, the more we can act.

But more importantly, what we also going to do is add sentiment analysis, because it's not just the question about whether they would recommend us. It is especially about what they say, what their sentiments, what their comments are? And you can mine that data, so we add sentiment analysis and also social listening. So it's about being where the customers are, not necessarily where we are. So by listening there as well, we can take action in a much higher way.

So as I said, millennials are a very attractive segment for us. And even though, they are more than 50% of the population. They actually only today 20% of our business. So we need to change that. But what's interesting about millennials is, I'm sure, you know if you have millennials at home or around you, I have so I know quite a lot about this, they have a radically different lifestyle.

Let's look at the traditional lifestyle first. That's in the white up here. The traditional lifestyle for previous generation is very linear. So you live at home, you get an education, then you get a job, you start a career, you settle down, you get a family, you buy a house, you buy a car, that linear flow is super for insurance, because we can offer a product at each stage that is really, really relevant to these consumers.

However, if we look at the millennial lifestyle, it's quite different from that. It's not linear. It's fluid. It goes back and forth. They settled down, get family and kids must later in life and they have might have two careers, they might even move back home with you after the education, so -- which is not always a good thing I know that, but also we need to understand that way of life. And we need to be able to meet them where they are and offer the products and services that are relevant to them.

So what are we doing to address that challenge? Well, we are launching four strategic initiatives. The first one is to re-look at our customer value proposition as I already said. Why are we here, what are we delivering to our customers and what essence [ph] of purpose? Customers today, they search for bigger purposes and companies and we think we're quite well placed to deliver on that.

Then we will look at our corporate brand framework and define the promises to our stakeholders as I have already mentioned, dialing up tremendously in behavioral science and data analytics. Because as you saw that's really a key prerequisite to be successful in this space.

And lastly, we need to innovate our customer experience. All of that to deepen our relationship with our existing customers and attract new customers. So to measure our progress, we are introducing 2 new KPIs, brand consideration as the first one, and net new customers as the second.

Brand consideration really talks about the strength of the brand. And we know from research that customers only really can recall 3 to 4 names -- brand names when they are looking for insurance or any other product. So is imperative for us to be in that consideration set and, thus, we are looking at to work with our local markets on how we can drive ourselves up into that set. If we look at where we are today, we are amongst the 1 to 5 quite well represented there, but half of our markets are really outside that. So we need to be more relevant to them and work on that.

The next KPI is net new customers. So this is of course all about securing that we don't lose our existing customers that we treat them well, we're relevant to them. So they want to work with us and stay with us for longer, and that is combined with how good are we at attracting new customers like, for example, with Gen Z and the millennials. They are key to our growth. So that's why we have these two measurements.

So to summarize, we have already delivered on part of the transformation. We understand what -- we understand what drives customer loyalty and we know how to service customers better. We want to be relevant to new generations and to serve them in a proper way, because it gives us an opportunity to drive further growth.

We have a clear plan for how we're going to get there and we want to transform together with our customers, and we want to measure success. So I'm really looking forward to come back here next year and the year after and the year after, and share our progress. Thank you.

Giovanni Giuliani {BIO 20678339 <GO>}

Good morning, everybody. My name is Giovanni Giuliani. I joined Zurich in 2016, and I look after our strategy as well as our innovation and business development agenda.

I'm very excited today to speak with you about retail, which is such an important contributor to our group performance and also complements very well our commercial business strength. You heard from Conny, our continuous focus on customer experience. You will now see from the business retail point of view, how it looks like today and how it could look like in the future.

But let me start with some key messages that I want to leave with you. First of all, we like retail. Retail is large and it's growing and we operate in retail with a very solid franchise, which we have also further strengthened in the last few years. Not only we like retail. We also like the way that retail is evolving.

Mario mentioned this morning about the disruption that is happening, this create an opportunity for us. It is driven by technology and by customer shifts. But the opportunity for us is big, because we have an open architecture in distribution and we are also benefiting -- starting to benefiting a lot from our recent simplification efforts.

In the past years, not only we worked on simplifying the organization, not only we worked on strengthening commercial, we also made significant investment and tested solution in retail, which we are now ready to roll out furthering the group, which are creating the opportunity to go much deeper in the relationship with our customers. I will also share with you our plans to grow in customer segments, which are largely unserved in the industry, SME and millennials.

And last but not least a transformation of the size and with such an important focus on the customer, it requires speed and requires scale. And I will show you how our program, which is employee led, make the difference is unlocking the energy of entire group across organization [ph].

So let me start with the first message, which is we like retail, why we like retail? Retail is large, 70%, 80% of the entire industry premiums. And not only large, but is also growing. It is forecasted to grow by 5% in the next -- in future. This is probably the largest contribution to the industry growth. We define retail as individuals and SME and, as such, it also offer a variety of risk, which stabilizes our earnings. Being also short-term in nature, it's very profitable. And compared to commercial, which is our other strength in the group, it's also less capital intensive and, therefore, it produce very attractive return on equities.

Not only we like as it is, we also like the evolution that we see. Let me explain you how we see the evolution. What in the past was almost a one model fits all scenario and which basically we were pushing -- entire industry was doing this, we were pushing products through 1 or 2 channels, specifically agents and direct more in most of the cases. We were outsourcing the customer relationship completely -- almost completely to this channels.

We are moving now in a situation, where the customer have much more power. The power to compare, the power to choose. They are also much more easy to buy from a variety of distribution alternatives, like they do for any other products besides insurance already. To compete in this scenario, you need two strength -- two characteristic one. The first one, you need to be as easy with the multiple distribution channels, you need to be much more open, you need to be where the customer is.

Second, you need to change the approach on customer focus, customer simplicity. This is a largely was what [ph] in the industry, but what is meant so far, it was meant like a captive relationship with customers. This is not anymore we -- we cannot captive -- keep the customer captive. What you need to do, you need to be close to the customer. You need to have a customer intimacy, which is based on superior understanding of the customer and also the ability to meet their needs.

This is even more true if you think about the next generations. You see here on the map how relevant we are, how sizable we are, and Conny mentioned, how distinctive we are in their needs? If you like a tsunami honestly and it's coming very, very soon and very strongly.

So against this backdrop, how are we performing? What is our franchise today? I have only one word to summarize in this [ph], very solid. First of all, it's large. We have 20 billion of -- more than 20 billion of premiums P&C. We've more than 3 billion of APE in life, we have another 20 billion in farmers. This is a massive operation that we have in retail. And it's not only large, it's also profitable. Every single business contributes to our profits in an almost equal part. Not only profitable, but is also growing. So it's a very solid starting point.

With profit that we generate from retail, it is also very healthy. Think about our life business for example, we were among the first to focus on capital efficient products already years ago. And at the end of last year already, 80% of our new business mix is made up of protection and unit link, which are very, very capital efficient products.

If you think about P&C, it's a similar picture that you see. Our combined ratio, which was already very good as further improved over the last year's to below the 94% threshold. And if you think about the efficiency and the result of the simplification that Kristof has mention before, we have further benefited also from that angle. So it's a very healthy business that we have.

We also enjoy the fact that we have 6 markets which together represent 70%, 80% of our business. That's a very good also from a managerial point of view. But differently from our -- some of our peers, these 6 markets are not concentrated in one continent only. We actually have a much more diversified -- geographical diversified franchise, which is very good for the stability of the earnings. Moreover, we have further invested in them.

So we acquired through bolt-on acquisitions, specific capabilities and we have also solidified specific market situations. Specifically in travel, we acquired Cover-More and also a few other companies after. We're now number two in travel. We also acquired the in life, the businesses of OnePath making us the number two in the life business in Australia. In Latin America, it is a very fast growing market. We are now number three altogether. Thanks also to acquisition of QBE and EuroAmerica. And in the Indonesia, we have acquired Adira, again giving us a very prominent position in this very large and growing markets.

What we also like a lot as I mentioned before, it's our heterogeneity in the distribution. We don't depend on one single channel. We don't have a massive legacy situation defend or to worry about. We're actually very, very well diversified. We are strong in agents, of course in farmers in America, but not only, we have similar number of agents also across the business in different parts of our geographies.

We're also strong in direct, where we serve a more than 3 million customers and we very often have a leading position in the market. We are among -- we're the number two or three in this different markets. For example, in Japan, we are in this situation, we are also in this situation in Argentina and also in Germany.

In the other market, we nevertheless grew more than the market, so direct is also very strong. But we also have a very strong elements in Bancassurance, because the biggest of our partners namely Santander, Sabadell, Deutsche Bank and now AnZ, but we're actually enjoying more than 70 of these relationships, which give us access to almost 100 million of customers.

And last but not least, particularly in the scenario which I mentioned you before, affinity and partnership. These are becoming very strong. We already benefit from the heritage with some of our traditional large partners like in Brazil, we have (inaudible), which was historically very successful for us. But we are also growing and growing in this channel continuously, and I will show you some example in a minute.

But this is not enough, having a solid franchise that is large, profitable, growing, well diversified, well diversified also from a point of view distribution is not enough. What we have done in the last years? Besides as I mentioned before taking care of the operations and commercials, we've also invested.

To the start from the center of this light, there are few examples that I wanted to mention to you. First of all is our continuous effort on driving customer satisfaction and resolving their pain points and Conny alluded to this already before. The second is our ability to extract and to understand customer insights. We have stated the specific unity in the group that does exactly this, it is called Zurich Customer Active Management, Mario mentioned it before, I will illustrate it to you in a second.

The third example is our new propositions. We have tested and launched several propositions in four domains, which are very important for us in mobility, in wellcare and property and in travel. I will show you how these propositions help us to retain and advance more customers.

And the last two example that you see on this slide are related to enhanced distribution, both in terms of depth and in terms of breadth. Depth that we achieved to another technology, which we provide to our distributors, specifically in the agents apart, and breadth is the continuous expansion of our network of affinity and partners.

Why with these slide is important? For several reasons. First reason, all that you see here is based on proprietary know-now. So we have developed this internally. So it represents our competitive advantage. Second reason, this is -- all these initiatives are already active in the group. We have tested them and refined them. You don't see here what didn't work, you only see here what's worked, and you will see how we are ready to deploy this at scale in the group.

Third, these initiatives each of them in isolation and in conjunction impact directly before driver of our business performance. So they allow us to retain more customer, which means customers spend more time with us longer and you see the impact, you see how fast it's to achieving back to previous year [ph]. You will -- they also tend to buy more and you see here, just by selling one more product that we serve to customers produce a very significant result. Not only that when you have customer let's say longer that you know better and they are also more invested into the company by owning more products like tend to have a better risk profile, which is also of course very helpful for our performance. And by expanding our distribution, we are getting two more of them.

Let me go through some of these examples. The first one is the program that we already mentioned. I'm going quicker here, but I just wanted to highlight, we already had a program for NPS in place several years ago. What we did in the last two years we brought it to the next level. We expanded the number of countries we participate 25 up to now. We expanded the number of touch points that we monitor. Many, many more such point that we use be to have before, which was mainly focus on claims in the past.

We also consistently apply the same methodology. Everybody in the group now use the same methodology, same provider. And if anybody of us wants to see what is the result of the latest customers recession or even the latest complain of customers, we all have it on our mobile. I can access from here every single market, every single sub segments and not only myself, everybody of expert colleagues can do the same.

When you do this, you understand you can start to act on findings. The example that I have here is the same that Conny mentioned, so I'm going to go quick on that, but it was based on a specific channel that we had in Spain, a car distribution channel of dealers. They were bundling -- as many are doing in the industry, they were bundling the possibility to buy a new car with a new policy, but this bundle was considered as very, very limiting for the customer.

So what we did -- what did happen is that after one or two renewal, some of our customers are well journeys [ph]. We learned this, we changed the proposition, we introduced the modularity and flexibility that Conny mentioned, not only that we also inserted this channel into our renewal program, but we already did for the other channel and now it's fully integrated and is end-to-end. And now, you can see the impact on the customer satisfaction.

Similarly, we achieved very good retention impact in Italy. We achieved the 1.3 times in product density. In Germany, we also reducing significantly the cost of acquisition, because it's intuitive. If you don't need to require a customer, the cost of use [ph] much less to retain it. So this is the first example. Let me go through the second example, which is the ability to generate insights. This was very important for us, while we were advancing on the NPS program.

In order to generate customer intimacy, you need to understand the customer in a superior way. We were not able to do that, so we went out. We look for the capabilities, we found the best capabilities and we acquire them. And once we acquire them, we voted [ph] in the group, we represented them at Zurich Customer Active Management and we gave them a mission. And the mission that they are executing against is very clear of three things.

The first one is give us the 360 degree of the customer review. This is something that's in the industry is very often mentioned like the holy grail. It's only we could know everything about the customer. And the issue is that very often, this exist, but they are expressed in numbers -- multiplicity of IoT silos, databases and things like that.

Now this technology, we actually summarize them in one place. We now know the customer has a car policy good. We also know that the customer lives in a certain part of the city, which other products they have, which channel they use, what is the profitability, what has been the claims history and so on and so forth, all in one go. But that is only the first.

The second things that this technology does they look for partners. They look for partners into the business, in the results, in the data. So for example, they found out that the vast majority of customers drive a sport utility vehicle, also happen to buy life insurance for children to protect our children. Once you find it, it sounds very intuitive and it's obvious, but it was not before we found it. But now that we know it, we can actually pass this information to assess distribution, and that is the third things that was companying [ph] us.

It seamlessly integrates with any of our distributors. So the agent, for example, receive a pop-up directly on their CRM system, whatever they use and whatever tool they use, and this information is passed very timely to them. The system doesn't stop there, the system is also looking the portfolio and see whether the recommendation was successful or not based on the actual sales, and before the artificial intelligence continues to learn.

The results that we have achieved are quite impressive both in terms of increase in share of wallet and product density, but also in terms of how many times customers now buy from us a product in the P&C side and in the life side. And this is not a surprise that many other countries are already embarking on this journey.

Why this is important? It is important because first of all, we have made the investment. So now we can scale up at the marginal cost. It's also fast, because the algorithm has already been tuned. So it needs to be fine-tuned in the next countries, but not starting from scratch like the first time.

Second, it's important because it allows us to do what Mario mentioned this morning, which is to try to transform our current customer from what they are today, which very often they are transactional buyers, because they don't have varying type portfolio with one carrier, they don't have the entire product with us. They actually spread across different carriers, because for them, we are all the same.

So they both over time in their life, just because it happens that at the specific moment, someone propose them one product of they were looking for one specific solution. Our results indicates that the, on average households, our households clients have 6 products. But with us, they have only 30%, so there is a huge opportunity here if we know exactly what they need.

The second reason why this is important is because the intuitive relationship between the tenure and the number of products you have is now proven. We have documented it in our business and it's more than proportional. And when you achieved the situation where they buy not only P&C but also life, it's even exponential, and so we are going to benefit from this largely and we expect that this would be a big driver of our growth going forward.

Let me tell you that when you propose a new product to customer as you are much more successful if you propose something that is more than the traditional product that everybody else can offer. The industry like Conny said, is very standardized and we tend to all offer similar products. That's why we also started to invest in new propositions. And we did it in four domains which are poor for us, because after all, what we do is to protect our customers when they use the automotive when they move, when they are at home or in their office, when they travel, and we also look about how their lifestyle and their wellness.

So in these four domains, we will remain active. We'll do it in a different way, which is much more modern using technology, using digitalization, providing convenience, but also putting together an ecosystems of insurance solution, but also services. And this will create a different relationship with a customer and, ultimately, also improve a risk profile. Let me bring this for domain alive for you by showing you a video, which is synthesized (inaudible) proposition that we already have launched in the market on each of them. Please.

(Audio-Video Presentation)

So we said so far at your customer, but stay longer. Better understanding of customer needs, which allows us to propose and to serve their various needs. How to improve the propositions? So what do we need now? We need more customers. Therefore, we also worked on the distribution both in depth and in breadth, so let me go through this.

Depth is made up with the our agents using an enhanced technology. So the situation that we were facing here is that all our agents have already CRM solutions. They can buy from the market, multiple vendors available. There is only one issue, it's a same proposition with same vendors that sell to all of our competitors. So there is no real competitive advantage here.

So what we did here, we have to go beyond it. And we asked our agents, why don't you develop yourself with tool that you need? Why don't we do this in a way that is distinctive, it's different. We even went to (inaudible) do this. We involved all or many of our agents, we designed the solution directly with them and the tool that they come up with is a tool that is extremely easy to use, but apparently for them it is very, very effective and there is a one reason why is this the case.

When you approach a customer, it reminds you for a five things that you should know about this customer. When a customer calls you, automatically the phone is connected with iPad or tablet and immediately you see the customer profile on that. You can investigate everything about the customer, you know exactly how many product they have, the claims history, profitability and so on, exactly like I mentioned before in ZCAM, because they two are also connected with each other.

You can then visit the customer, you don't need to have the customer coming to your office. Forget about the black screen that Kristof mentioned to you or showed you before, and this is a completely different experience, you can look at the tool together with the customer. So also the intimacy is much better. If you want the quotation, you press a button, you get a quotation. If you want the contract, it also getting you the contact directly. The customers can sign directly with the pen and then it gets the contract in the email immediately.

So already from these, you understand the potential of this tool, it saves a lot of time. It's also much more effective in the sales pitch. It's a very good tool that we have developed first in one country to test it and now even our mother company is adopting it at scale and more we will do in the future.

And last but not least is the extension of our reach in distribution. This is the core to us, as Mario mentioned this morning. We are convinced that we need to open up ourself much more. We need to be where the customer is when they need for insurance arise. Today, the vast majority of insurance, they are all fighting and competing here, which is for a limited -- very limited share of customers time, which is when they want to buy insurance with an agents or with direct. But the customers don't spend the entire day of life to think about insurance. They actually have something more to do. They go to work, they go to bank, they interact with utilities, they use the telephone, they travel. In each of these industries, this -- where our services that are provided to them and needs that arise that would benefit from an insurance coverage. Problem is, insurer are not there, we're have never there when it's needed.

So we know of the other hand how important is to have this relationship with these industries. We know it, because we did it in bank. It's called Bank Insurance. It's a very successful channel is growing very effectively. So we think that the same is going to happen with all other industries. There will be companies, champions in each of these industries that are already looking for the best partner in insurance out there. And we want to be that partner and we think we can be very good partners for several reasons.

First of all, we are present in many geographies, in retail and in commercial it is even more, because we are present everywhere. But in retail, in all the four continents, whatever markets, we are there. For champions in other industries, particularly those that are not only focus on one country, this is very attractive as a potential partner.

Second, we offer -- we cover all the possible type of risks and you also saw before, we are very open to also innovate in new coverage and new propositions. The brand -- the Swiss brand speaks by itself, it's very solid, it brings value-added to their customers. We have a very flexible distribution channel, so we are not afraid of any legacy conflict with one particular dependency. So we can embark in this relationship much more openly and with a good intention then others can do.

We now also know, how to understand the customer much better, we have a stronger customer data analytics franchise and we can deploy these and we can also partner with them to leverage on them and our track record is very strong. I mean, the heritage of Zurich has always been to be very close to big corporations. From our commercial focus, we inherited this. So we understand the B2B, we understand it very well. We know how the corporation thinks and work.

26% of our business you can see already comes from this channel 50% even in life. And it's interesting to know that in the last 12 months only, we've been able to secure more and more of this partnerships. These partnerships, each of them in one go give us access to a large amount of potential customers. I'll give you one example, not to mention always banks, to mention utilities. We did one partnership recently with Eni in Italy. It's a utility, energy and gas utility provider.

In one go, we reach -- we can reach 9 million customers. Imagine how many agents or how many other type of channels we would need to deploy to reach such a polarity [ph]. What we offer in this case? Well, we started from the simplest idea, which is we're going to ensure the electrical appliances that they bring it to your house, but that's an asset and you need to protect it. Then, we went on, and we said, what about the income protection of being able to pay the bills in the future, that's also important and you need to cover it. And then we went on and on, and we eventually reach the full spectrum of risks, third party liabilities in your condominium. All the pipes, and glasses, and the building is covered and so on and so forth. So these are very, very promising distribution opportunities that we have in front of us.

So to summarize this part, we have a large customer base. We are going to go deeper in the relationship with them. We're going to make them stay longer with us by more because we better understand their needs and also increase their profitability through two new propositions and reach more of them through an asset distribution. But that is not it's not enough, because as I mentioned to you before, we also have plans to grow in SME and in millennials. So let's see how?

We have invested also in these areas and we know how to do it. So first of all, SME. SME is a large and very attractive market. In many of the markets where we operate, there is a strong SME market potential growing and profitable. But I think, we can go beyond this. And why we are confident in this is because we have laid out a set of initiatives, which we are now going to deploy at scale. First of all is the simplification. So Kristof mentioned the simplification that we did in many parts of our business and Mario as well, so millennials [ph] and SME.

So the example in UK that was mentioned before, from 108 different propositions, which as you can imagine generate some confusion in the distributors and customers, where some overlapped, not to mention the complexity of running them and making sure that there are no errors will import [ph] and things like it. We consolidated to eight very well structure propositions. It's now much, much easier for us to quote and to serve our distributors. It's much easier for the customer to be served. 20% -- 20 point of increase in satisfaction, that's impressive and we enjoy now the wider access to distribution and the pipeline that we have ahead. This is now moving further from the UK to other countries where it matters.

Similarly to what we did? What I showed you before in individuals, we are also working to enhance our distribution for a SME. Couple of examples here. The first one is a new tool that we are providing to agents. So what is it? It is a mapping of all the SME that are present in your area of responsibility. For each of these SME, you will know how many of them you already serve because they are your clients, but also how many you don't serve. And further later, you will know which industry they belongs to, what is most likely the needs that they have and, therefore, you can prepare much better for going and meeting them and be much more effective in the meetings.

Another example is in for brokers. We know that when application request or quotation come to us from brokers, they come from a variety of different platforms. We need to respond to all these platforms of course individually. It's requires a lot of manual work and it's a very lengthy process, and also exposes us to possible errors or inconsistencies. So we changed all these. We simplified dramatically. We go -- we went to one platform. One platform on our site, very easy to connect with this platform from a distributor side. We have now entire catalog of products only in one place. It's also one underwriting engine and, therefore, consistent in speed of execution, faster throughputs, it's all improved dramatically.

And the third example that I want to give you in distribution is how to serve or how to reach the SME that prefer to shop online or to at least the research online and then maybe shop online or shop in physical presence. These SME are typically smaller in size and they are also a younger leadership. So what we do to reach them, we are working with our wallet. We have done an exclusive partnership offer with CoverWallet in Europe. They are very strong in digital marketing as you can see from these impressive conversion rates from leads to buy and from post to buy. And therefore, it's not the surprise vectors we have started one country, we have already rolled out in a second county and more country will adopt it going forward. So SME is an opportunity that we are very committed to capture to these innovative solutions.

The next one is that is millennials. And millennials as I mentioned before and Conny mentioned as well, it's very large and it's very different. And so for millennials, all that I said before of course can apply but after a certain extend. We need something that is even more specific and that's why we developed solution that are specifically designed for them and we are continuously learning here. We launch, we learn, we launch, we learn and it's continuous process.

The first one that we launched is Klinc is gadget insurance as it called or smart phone insurer. You can take your PC, your mobile, your electrical bike. And from the mobile, you can insure it with one click. You can also day insure it if you want. There is a switch on, switch off features. This is a very convenient and they love it. The second one is Toggle. Toggle was launched by Farmers, it's already active in 23 countries, more than 16 states, more than 20 -- 16,000 policies in forced already, it's targeting specifically renters.

HomeFlix, it's a similar proposition developed by Zurich. I mean if you like Netflix, you will love HomeFlix. It's same content [ph]. It's subscription based insurance. Not only you have the convenience of the digital home insurance in your iPhone, but you also -- or your smart phone, but you also have the possibility to have 24/7 home assistance always available. And you also have a network of provider that has been selected for you like plumbers, electricians and so on, all embedded in the same proposition.

And the last one is Doppo. Doppo is a very innovative way to completely invest the relationship between the insurer and the client. So we are not going to ask you many, many questions and then provide you with the pricing that we think it's better. But actually, we do the opposite. We ask you how much value of your car you want to insure, we are going to tell you exactly how it's going to be done and we will commit to that. And if you change idea, if you want more value insured in the future, of course you can adjust dynamically whenever you want.

So with this, we are acquiring more and more expertise, very promising, but it's only the tip of the iceberg. You should expect that this will evolve over time as we continue to invest in this segment as we continue to progress on our understanding.

So let me summarize, my key messages today for you. First of all, we like retail, not only because it's attractive but also because we have a very solid franchise that it's growing across world that we have further solidified and it's very well prepared for the next evolution that we see in retail, which is much more open architecture and based on customer intimacy. We have invested in retail in the last year. We know what works, why works and we are ready to deploy these at scale. We are ready and we are very clear plans to target SME and millennials.

Only one point I didn't cover so far in my presentation, which is my closing. In order to do all these, you have to understand this is a revolution also for us internally. It is a massive, massive change. So we cannot simply dictate it or send a memo around and make it happen. We have to unlock the energy of our colleagues. That's why, we launched this program already at the beginning of '18. The program initially was focus on simplification as Mario summarized, but then eventually moved to business innovation customers.

More than 1,200 people are already touched by the program, actively touched. They worked on more than 700 crowdsourcing idea from all of the organization, more than 60 specific projects already accomplished and more to come. The program is unstoppable is like revolution that is happening as we speak. So we cannot dominate that anymore.

Some examples I give you of what we were able to achieve. The steering committee was mentioned this morning. I mean you understand the importance of things like these, right? They may sound very small when you hear the first time and you think through to it, it means not only that we save all the costs associated with steering committee, which is the preparation, dependence, (inaudible) making, the dissemination, not to mention the fact that very often we use in committee to procrastinate decision ideally.

So -- but we also empowered organization. Now the message that is going around the organization is don't ask for permission, ask for business. You know already what's the right things to do, you don't need to ask. Particularly do the right things for the customers, you are always right. So this is a massive also from changed mindset point of view. But also other example, they simplified our policies, they also worked on the language of our products, so to present them in a much more understandable way. They worked on commercial insurance, they accelerated dramatically the renewal process.

You must know that in the past, some of our business took longer to be renewed than a new risk, because we went through all the process again and again. But there is nothing has changed since last -- you can actually speed up this. So now the process is 15% faster. And the same is happening now for Versailles [ph], our youngest more junior underwriters use referral very much to ask advice of their senior colleagues. This was taking very long in the past. Now, in two days maximum they get what they are looking for.

So, it's my pleasure to have a representation of Make The Difference here. There are several ways of makes the differences as Mario mentioned. So this representation today represents the variety of many of them. Before I pass it to Cecilia, I would like to leave you with one video that give you a sense of how we recruit these people and also how we create the energy into them that then is unlocking the potential of the group. So let's play the video and then Cecilia up to you.

(Audio-Video Presentation)

Cecilia Reyes {BIO 3934728 <GO>}

Thank you, Giovanni. And we're so excited and so proud to have the opportunity to share the Make The Difference story with you today. Living our best lives is important to all of us and our homes are a huge part of this. So a couple of months ago when I moved to Chicago, I found the perfect apartment in the heart of the city, but I didn't choose my apartment because its location or its amenities, I chose my apartment because it was designed for someone like me, a millennial, by someone just like me.

The developers for my apartment really thought about creating an experience, not building an apartment building. They've developed an app that provided me with the things that I needed the most at my fingertips. So literally right now on my phone, I could order my coffee, I can get maintenance requested in my unit, and I can even get my laundry delivered to my door. This was a game changer for me. Everything that I need on my phone, just like I like it.

I used to think of as a lease as a contract and now I view it as an experience, a living experience. This is what insurance needs to do, because the next generation is changing the world. And our team of 7, represents that generation but it's not only us. We represent thousands of employees all across the world who not only believe in the work that they do. They truly believed that things can be done differently, not next year, not next month, but now. And this will coupled with Zurich support is empowering our frontline employees. This is on locking Zurich's potential.

But let's be clear, the insurance industry does not address my generation's expectations, and we need to change to remain relevant. Because if we don't, who will? But the good news is that Zurich is already in that journey. Zurich is empowering its employees and we're here today to show you how we are making the difference. I'm so excited to introduce to you our global team and they will tell you who they are and where they are making the difference.

Unidentified Speaker

Good afternoon. I am Velentina [ph] from (inaudible)

Hi. My name is Philip and I am from (inaudible) business unit.

I am Tom from USA.

(inaudible)

(inaudible) It's Alex from Japan.

(inaudible) from Spain.

Cecilia Reyes {BIO 3934728 <GO>}

And I'm Cecilia from the US. And as Mario shared, our strategy is not changing. And this difference is grounded on our three strategic pillars; simplification, innovation and customer focus. And Giovanni already shared with you some of the work in simplification that we've accomplished. So today, we're going to be talking to you about innovation and customer focus, because it's time that we rethink how we address customer experience. Because if because if we don't, somebody else will.

Verity [ph] will come up and talk to you a little bit more about that.

Unidentified Speaker

Thank you, Cecilia. So as Cecilia said, we need to start addressing our customer experiences. But first of all, we need to speak their language. At the moment, I would understand -- see the customer experiences like that. But our customers can't relate to us, they don't understand that. So we need to start speaking their language. Our customers do not speak about renewal, they talk about loyalty.

When I started with Zurich three years ago, age 17, my school friend asked me, are you mad? Why would you want to work for an insurance company? It's too complicated and we don't understand it. But I soon learned that there is nothing complicated about it. We protect people's life, we protect the things that people really cherish and we gave people peace of mind. But we need to start using next lens, our customer lens to attract people like my friends. Because at the moment, we case [ph] for older generations, but it's time to look at the future.

The next generation is a huge part of our population, totaling 4.8 billion. They're almost the majority of the workforce and that is only going to increase, and they are already taking up leadership positions, in fact, an earlier age than previous generation.

My generation are already inflowing this interesting decisions for the group. But millennials, they're disruptive. They changed the way we do things around here, but that is the drive to mass market. And for those of you in the audience who may be feeling a little less, don't worry, because it's not about a date of birth, it's about a mindset. Look at the way most of us watch television, gone are the days of going to a store and renting a

DVD, because we have Netflix driven by millennials. We don't go and buy CDs anymore, we have Spotify driven by millennials. Look at WhatsApp, created for millennials by people with millennial mindset, and I don't fit by people like my grand, third generation away from me.

The millennial mindset is infectious, and it is a key to growth. But as Mario says earlier, there's no doubt that technology is making the world smaller, but not stopping the next generation global opportunities. And you can see that just in our lifestyle as Conny highlighted from our side. Previous generations, they doesn't have this (inaudible). So they are more locally anchored. So the next generation, they're huge. Over half of our population, they are influential, already making decisions for the globe, and we are global, connected by mindset technology and social networking.

You can also see that previous generation have more of a traditional and predictable lifestyle. Yet, millennials, they have a higher need to reinvent themselves. Giovanni showed you in his video how these differences in lifestyles have impacted our industry and our products, but let me give you some examples.

Starting with car ownership. The next generation own fewer cars. So we need to start considering mobility concept. We also own fewer homes, so we need to address rental needs, just like we have started with Toggle in US. And to my father's disappointment, millennials are getting married much older. So we need to start considering this in our life insurance policies, and we love to travel. I've traveled to 8 countries this year. But all of this represents change and that represents opportunity. By engaging the people you have within Zurich, we have that opportunity to become a trusted partner for the next generation.

The evidence is standing in front of you. Zurich's capability is right here. I'm 20, I have just finished my modern apprenticeship and I'm already engaged to Make The Difference. But it doesn't stop here, there are thousands more already wanting to make that change. But Philip will now show you what millennials really need.

Thank you. So as Verity [ph] told you, our generation is based, it's influential and it is global. And if we want to design products and services that cater to their needs, we have to address them. We identify the following; community, individuality and convenience. So let me go into a bit more detail from millennials perspective. When I talk about community, I talk about interacting, about sharing with my family, with my friends, with my Make The Difference colleagues, and I stay [ph] in touch via WhatsApp, via Facebook, I follow their lives on Instagram. We're not just online, I'm also very active member in my local rowing club, my offline community.

This brings me into my point of individuality. As an active grower, nutrition is key. So when I get up in the morning for my 6:00 a.m. Session, I don't want to eat just about anything and the right fuel to power for intense session. So I got ails [ph] of cereals, but what I really want is the one product where I can order online, pick the ingredients and nutrition that I need to get me started into my day.

When we talk about convenience, we millennials we grew up with a completely different expectation towards convenience. I grew up with the internet, I grew up with my smartphone on which have the roll out my fingertips. First time, I went to a bank and went to pay with pay slip, that was the last time, too cumbersome. I don't want to do that, now, I only use e-banking.

And let's be clear, the insurance industry today does not cater to my needs. So we have made the difference. We set out to change this, we set out to reshape the industry. I will now give you some examples of what we do on community and then Tom will take over and give you some examples of what Make The Difference is to change individuality and convenience.

Community is arguably the hardest from insurance point of view, because we lack the trust of this new generation. As Verity [ph] told us, her friends, they don't see us as a partner, but we do share one important value of them. We at Zurich, we can care about our planet, we care about sustainable and resilient future. I'm very proud to work for a company that actually cares. So we've made the difference, we started several initiatives. Internally, we started to ban single-use plastic for several of our offices, for example, in Japan where Alex works. We also pushed strongly to reduce the usage of printer. Thank you, Richard, for helping us here.

And as Giovanni told you, we also give our agents the means to go to the clients with a digital process, so they don't have to carry the portable printers that they didn't use that they used not so long ago when they go. But we have made difference, we're also very into [ph] innovation, we want to change. We can't all do it all alone internally, so we also partnered externally. For example, at the HackZurich, Europe's largest hackathon with 400,000 coders, who spent 48 hours together to work on their projects and present the final solution on (inaudible). We partnered with the City of Zurich to offer a challenge on making new things in Zurich more environmentally friendly.

I'm also very proud to talk to you today about the Zurich Innovation Championship. The Zurich Innovation Championship is our unique way to approach innovation with partners from all across the globe. We took together world-class entrepreneurs, established startups and we launched it to US last year, and it was a huge success. We've more than 450 startups participating and 11 best, who managed to make it through the country, the regional and the global stage are now partnering with us, implementing their solutions.

We don't stop here. Next year's Zurich Innovation Championship will be all about protecting the next generation. It's been a huge success so far. This slide is very recent, but we already passed the 700 mark, we passed the 800 mark already. So we go more than 800 startups who wants to make a change with us. And if you know somebody, who wants to create a more sustainable future together with us, who wants to help protect the next generation, tell them about the Zurich Innovation Championship. We are still taking applications until the 17 of December.

With this, I would like to hand over to Tom, who'll give you some insight in what we, Make The Difference, did in individuality and convenience.

Thank you. As you heard from Verity and Philip, individuality and convenience are of the utmost importance to the millennial customer. Now, let's be real, no one uses the phone to call anymore, and insurance is one of the last industries that forces us to pick up the phone and call in if we want to get something done. On top of this, they make us refer to ourselves as a policy number rather than with our own name. As a 29 year old millennial, I find this to be outrageous.

You see, we millennials like to take the power of technology and the internet to search around and find the right fit for us. Zurich has developed among many two platforms that I would like to showcase to you that demonstrate our ability to walk the talk. And while these platforms have been designed specifically with the future generation in mind, rest assured that they can be used by all of our customers.

Now, I think I can pretty safely say that all of us like when something is personalized to us and it doesn't feel like it just fell off of an assembly line or is copied from a template. And that's why, right now in the Swiss market, we have customers like you. Customers like you reduces the entire life insurance coding process down to just three simple questions. Now, when I heard this, I paused, and I thought what would happen to my wife and my one-year old son if something unfortunate happened to me?

So naturally, I loaded the website, I entered those three questions and in less than one minute, seriously in less than just one minute, I was able to see three policy choices, a good, better and best. That detail for just the cost of one ice-cream per week, my family would be covered for CHF200,000.

Now what I didn't see and what our customers don't see is the magic in the background, the powerful algorithm scanning thousands of customer profiles to customize this content just to me in detail how my family will be protected if I'm not around to protect them. And when it comes to convenience, the ultimate goal is self-service.

As a risk engineer here at Zurich, it is extremely important to me that customer is not only understand the exposures that face their business, but happen mitigate or protect against them. Our face-to-face consulting is wonderful. We love getting out in the field and meeting with our customers, seeing their businesses. But let's face it, we can't be everywhere at once. And that's why Zurich is harness the power of technology to create an application that can be downloaded anywhere in the world, the Zurich Risk Advisor.

Now when the Zurich Risk Advisor was first launched, it was created for multinationals. But this left our local business champions and our entrepreneurs under served. As Verity mentioned, we millennials are already here making up a major part of the workforce and we're the ones risking it all to start businesses and build brands, so we set out to change this. And the spirit of being customer lead, we came together, we sat down and we listened, we truly listened to the experiences, the stirrings and the stories of these business champions and the entrepreneurs.

One of the most insightful conversations I had was with Ronda. Ronda is the owner of a cookie store on the main street of my hometown in Missouri, USA. And speaking with

Ronda, it was very apparent that she's wearing multiple hats every single day. She's the CEO, the CFO, she's marketing, she's working the frontline and, surprisingly, she's more worried about making payroll this month, then she is worried about a fire or cyber-attack that would shut her business down. I was startled when I found this out, because more than 40% of small businesses never reopen after a major event. Furthermore, out of those ones that are lucky enough to reopen, another 20% to 25% fail within just one year of that same event.

So when our global team of risk engineers came together, we broke down the technical information and we simplified the expertise of 1,000 risk engineers and safety professionals, so that it could be disseminated to millions of people around the world, allowing all customers and specifically the future generation to protect themselves at their convenience.

If you've not already downloaded the Risk Advisor, I hope you take a moment to do, because it is truly a unique and powerful tool. And once you have it downloaded, be sure to share this with any millennial minded friends, colleagues and co-workers you have. And as Giovanni mentioned, this is just the tip of the iceberg. We have so much more that we've already completed and is in development right now, that I hope you stay tuned to our next strategic cycle.

Cecilia Reyes {BIO 3934728 <GO>}

So today, we've really shared with you how Make The Difference is really laid foundation for the future at Zurich, but this is just the beginning. Like we shared with you today, the next generation is changing the world. This is happening right now. So we need to continue to unlock Zurich's potential, because we need to change to remain relevant.

But the great news is that the Zurich is already in that journey. And in our journey, we learned a few things. So we've learned that it is not about processes and it's not about systems or IT and it's definitely not about hierarchy. So you're probably wondering, what's it about? Well, it's about people and we are empowered. Zurich is investing in us, the future and we are invested in Zurich. So the question today is, are you?

(Question And Answer)

Richard Burden {BIO 1809244 <GO>}

Thanks Cecilia. We'll now come to the first of our Q&A session. So if I could ask Mario, Kristof, Conny, and Giovanni to join us on stage. We'll take your questions. I know we're running a little bit over, so we'll run a little bit into the lunch break, but not too long to leave everything getting cold.

So who would like to start off with the first question?

Operator

(Operator Instructions)

Nick Holmes {BIO 3387435 <GO>}

Nick Holmes of Societe Generale. A couple of questions. The first in retail, I wondered what's your approach to jewel pricing? I mean, this is very much a customer issue. Do you see an opportunity to reverse an industry practice by rewarding loyal customers, which -- who are normally rewarded? And secondly, a strategic question. Wondered, where you see the life business going? Is 25% of earnings the right level or do you want to take it above that or below that? Thank you.

Mario Greco {BIO 1754408 <GO>}

Can I start with the life question and maybe Giovanni then I pass it to you for pricing and you can help me on life Kristof. Look, I mean of course we want to grow life. And of course, we think that there are opportunities with the partnerships in our positioning on product to grow life. However, that's not the way we think. We don't have the perfect mix in mind, we just want to chase that the customer needs and deliver to the customers what they want.

We don't reverse this engineer thing. We want life to be this much and property and casualty this much, but we want to achieve the above 50% coverage of the customer needs and we want to remain as profitable and as relevant as we are today in commercial. But yes, I mean -- and Kristof has been leading life some years ago and, now, he's working on the life technical excellence. And so, we're taking lots of initiatives, but not with a precise target in mind honestly.

Kristof Terryn {BIO 17664174 <GO>}

So, we've had very good historical growth in life business. And if you think about how our book is positions, we're one of the largest protection players globally, I mean which is the space in the life insurance industry where there's still tremendous growth. I mean this industry is still where we have a massive protection gap. I think what we're doing on the protection side is some of the innovation with bringing wellcare as well, I see that as a major driver of growth.

Giovanni Giuliani {BIO 20678339 <GO>}

On pricing, if I can answer. First of all, we are very aware that if you go after growth, you could sacrifice profit, that is not our intention at all. And therefore, we are investing a lot in pricing, pricing sophistication, dynamic pricing. But your question was very specific about, are you ready to reward loyalty?

And yes, we are studying also this. There is an opportunity that we are already exploring with wellcare, for example, where we are providing rewards -- physical and practical rewards to our customers is a exhibit that (inaudible) if I stay longer, but if you think about the economics underlining what I showed before, there is also a possibility to share more with the customers if I stay longer. So that's an area that we are exploring. It's too early to say, exactly how it's going to be working, because it's not new in the industry, but is clearly direction that we like.

Richard Burden {BIO 1809244 <GO>}

Andrew Ritchie on the left hand side. Andrew, can you keep your hand up.

Andrew Ritchie {BIO 18731996 <GO>}

Hello. It's Andrew Ritchie from Autonomous. A couple of questions first for Kristof. Kristof, remember meeting you at the beginning of this journey end of the '15, early '16, and there were a couple of couple of things. You were very keen on improving -- understanding of aggregation exposures or accumulation exposures that was part of your project. Could you just update us on where you think you are on that with respect to both cap [ph] or let's call man-made or casualty aggregations?

And also you were very keen on improving the data flow. As you had a catalogue lot of information from risk engineers, but it wasn't always ending up with the right people at the right time, is that -- where are we on that process now as well?

The other question. I think with this retail initiative, does this mean you're going to start to try and target markets where you're very strong in commercial lines, but not so strong in retail? Take the UK, I appreciate, I'm a bit old and probably not the target customer, but if I have a term life insurance policy from Zurich, I think my employer has an employer's liability policy from Zurich. It's very hard for me to buy a home insurance policy from Zurich or a motor insurance policy, but that be an example of a market, where you can sort of put it together and say actually there's an opportunity here, or is it simply on the existing market where you have existing retail strengths?

Kristof Terryn {BIO 17664174 <GO>}

Okay. So on the commercial management and, you're right, back in '15, there was one of the things that do buyers surprised, the famous challenging event. We've made massive progress since then. And year-on-year, we see us progressing from accumulation management perspective and we actually get it externally validated as well. I mean we score very well against the rest of the industry. And that's not just property, but that's also all the adjacent lines. I mean that goes for casualty as well. So by enlarge, I'm very comfortable with where we're at with our accumulation management capabilities.

On the piece around data, you'll see in the presentation from Jim this afternoon, what we've done on Insight 360. And what that is really taking that content and starting from the pricing tools and this is why it's important to link it to the example I gave on simplification of pricing tools. Pricing is typically where we take some of the first information around exposures and risk rates, et cetera, having consolidated that has been a massive win for us.

Now, Insight 360 goes a level further and it actually links at the underwriters' front desk, that pricing data together with exposure data, together with claims data as well together with risk engineering data, and someone with whole [ph] things that it now allows us to do. If I'm -- for instance, I'm marine underwriter sitting in Belgium, I can actually see the entire portfolio of exposures, and then what important is understanding the marine routes, because those are typically the ones that drive the profitability of those lines and I get access to the entire global portfolio. I get [ph] my portfolio against that, and so I have massive insights I mean from different sources.

So, it's not just about the risks engineering data, it's really bringing claims, exposure, pricing data together at the line of business, at a global level. That's what we've done over the last couple of years.

Giovanni Giuliani {BIO 20678339 <GO>}

On your second question, this is clearly an attractive opportunity. One -- two things we like a lot about the millennials segment is, A, you don't need to rely on a large installed capacity, physical distribution capacity in order to reach them, because they actually go and use different medium. And second they seems to have global needs, so they are very similar from one country to another in what they are looking for. So if it is true and it seems to be true, then we can definitely take advantage of both situations to go deeper in addressing them also in market where, we are not so strong in retail at the moment.

Whether this will be a specific opportunity for UK. I think it's too early to comment, because entering or pushing in a market depends also many other consideration like our strength in terms of brand, the positioning, the competitors presence, the dynamics of the market. So it would be a much more articulated decision, but clearly, it is an opportunity.

Mario Greco {BIO 1754408 <GO>}

And Andrew, we some other examples in the room of people, who really wanted to insure their homes with us, and we disagree on the quality of their home. So they couldn't. So I don't take any promise on UK today.

Richard Burden {BIO 1809244 <GO>}

We'll go well on right here.

Johnny Vo {BIO 5509843 <GO>}

It's Johnny Vo from Goldman Sachs. Just three questions I guess. I mean there is a big focus on customer growth. I guess one of the questions is, as a percentage, what customers growth is coming through the existing channels and how much do you expect to come through new affinity or partnerships? That's the first questions.

The second question is just in relation to growth in partnerships, clearly that's a big area particularly for retail customers. But how do you reconcile this with getting closer to the customer? Doesn't it mean that if you have a relationship with a platform that actually the platform owns to customer rather than yourself, and the product becomes very commoditized?

And the last question just in regards to commercial lines as well. Does this mean the environment is quite positive, does this mean that we should see a resumption in growth on top-line for the business? Thanks.

Mario Greco {BIO 1754408 <GO>}

All right. I'll try to address the question on commercial. Jim will talk this afternoon. But definitely, the business is growing. It's growing because of the rates and it's also growing because this gives us opportunities to contact customers who in a soft market were not interested to shop around.

On the other questions, I mean first of all, between distribution channels, I can't give you a precise number, but we're relying on partnerships in direct channels, much more than we rely on agents and brokers by the nature of our business and by the nature of our configuration. We have markets where we have strong agency business. But broadly speaking, we believe and we have developed very successfully the partnership concept around the world.

Now, in terms of who wants the customers? Now, if you ask the people there in the second row, they would tell you that no customer wants to be owned by anyone, they're own by themselves. And this is the main challenge that the millennials are bringing us. I mean no one is controlling them. They're free to move, they are free to get information and to make their choices. And that's why, Conny said was so important. You hold them together with you through customer experience, nothing else works because they move, they are free.

I mean what happens over the last years is that technology gave them the freedom to move and make choices. And you don't put -- there is no way in which you can put them back in the cage, whatever you do. The only think is the customer experience. You give them the customer experience they're looking for and then you have the stability of their relationship, nothing else can work.

Giovanni Giuliani {BIO 20678339 <GO>}

Farooq?

Farooq Hanif {BIO 4780978 <GO>}

Thank you very much. It's Farooq Hanif from Credit Suisse. SME has been kind of a bit of a holy grail in the way, where everybody wants to do SME insurance as possible. So could you tell me kind of which markets you see the greatest opportunity for growth through penetration into that? What investment you have to make on the proposition products platform? And how much of a mix shift we're going to see in this channel? Thanks.

Mario Greco {BIO 1754408 <GO>}

So Farooq. The market where we started early on working an SME is Switzerland. Switzerland is a natural consideration for SME. Switzerland either has SME, so has global corporate. Finding up, there are few mid-market companies in Switzerland. So Switzerland started in '18 focusing on SMEs. They started this year with a entire new offer for SMEs on and with the digital offer and with an agency offer. And this is one of the driver of the growth of Switzerland this year in the market is exactly SMEs.

Germany then is following up with the same principle. Broadly speaking, we think that there is a big opportunity for this in Europe. And that is where today we're focusing. Investment is not really a lot of investments needed. It is more about simplification more than investments. You have to go to the SMEs with the simple clear focused offer. And so it's more what you take away than what you need to add. And so it's frankly not relevant to talk about investments.

On the business mix in the results, well I mean let's keep something for next year's Investor Day, right? We will have that.

Richard Burden {BIO 1809244 <GO>}

Jonny Urwin on left hand side.

Jonny Urwin {BIO 17445508 <GO>}

Thank you. Jonny Urwin, UBS. Two questions on retail, please. All the existing markets, which do you think are most accommodating for you to growing, right now? And then, in terms of the overall sort of footprint, where do you feel underweight and where might inorganic growth help? Thanks.

Mario Greco {BIO 1754408 <GO>}

Underway, I think Giovanni showed that seven markets make 73% -- 75% of the of all our retail business, and of course farmers. So you have is a very important component of this size. Where we underweighted? Can I flip the question? I mean, are there markets where we would have an aspiration for being stronger than retail? Yes, maybe in some European markets, so we definitely will look at UK and we've been trying in UK different ways to grow in the UK market. And frankly, in life, we're quite strong, but not that strong in property and casualty and retail.

I wouldn't really consider, so what next we have to expand, because we've enough opportunities following organic growth and organic opportunities in the markets where we are. These seven markets are big, big markets. And as we try to argue before even with existing customers, we have immense opportunities to grow our business that we shouldn't be looking out of it.

Richard Burden {BIO 1809244 <GO>}

I think come down to the third row, Jon Hocking in the middle.

Jon Hocking {BIO 2163183 <GO>}

Thank you very much. John Hocking from Morgan Stanley. Just one question please. Conny, in your presentation, you're talking about brand consideration and how important it is to be in the top three or four companies. How does that map onto an increasingly complex distribution environment, where you're distributing through partners, where presumably your brand may not be visible in the same way that it was traditionally?

Conny Kalcher {BIO 21089028 <GO>}

It comes back to the relationship that Mario talked about and being -- having the awareness out there. We think brand consideration has a lot to do with the brand strength. And the way we work with partners and also with agents that the Giovanni was telling about is that we are providing tools to help them on that journey that brings back to us. So we can drive that brand considerations with the agents.

Richard Burden {BIO 1809244 <GO>}

Can you just pass it to Vinit [ph].

Vinit Malhotra {BIO 16184491 <GO>}

Thanks. This is Vinit from Mediobanca. So three quick one, if I may. The first one is, so Mario, you talked about retail and SME, which from the external view are one reported segment. And always struggling in my head, which are the numbers I'm looking at for which segment in which kind of customer base. So today's presentation is massively overweight on retail. In fact I would pinch myself at if am I actually [ph] -- yes, so far, so but even the whole conversations you're having on retail. So how do you distinguish between retail and the SME, because retail is still smaller part of even that retail segment, am I right? So that's the first question if I may.

Second question is just happy customers come from probably to element service and money. So if they get their money, they probably are happy. They don't, then I don't know what will make them happy. But what's the -- what's your experience of the data? Is it that -- is there some check internally done that, hey, we paid you guys a lot of money and now there are [ph] happy sort of customers or something else happening?

And last question is just for Kristof. So you mentioned MedMal in Swiss and it triggered some different memories in my head. Has -- just almost a decade ago the same day today, we had this problem in Germany MedMal. (inaudible) software is learning from or trying to learn at least within the group, the experience, because you're giving the kind of MedMal to an engine. And, of course, I'm old as well, but it feels a bit like, wow, we've had one problem in another market. And so this is one area, whether the loss and the cost saved, where do we go. So just some thoughts.

Kristof Terryn {BIO 17664174 <GO>}

I'll start with that one. Okay. So the way we are using, and then it also goes back to the ethical use of data. I mean we don't use any black boxes that we do not understand. So even when we run some of the new technology ultimately has to go back to a deterministic model that actually allows us to understand, I mean, what variables drive it. And then in most cases this is decision support. The ultimate decision is still made by claims handler.

Now, there's a difference between making an individual claims decision, and then looking at the overall shape of a portfolio on long-term trends. I mean, we look at our portfolios on a global basis. I mean we call it the virtual circle at the global level, where we put underwriting, claims, finance and my organization together to look at some trends. And we have learned from trends on the MedMal side, because we have seen few books where we had issues. I mean we've learned from that, restructured our portfolios in such a way that coverage and wording allow us to be profitable within those segments, but that is more important portfolio piece of work than at the individual case.

Mario Greco {BIO 1754408 <GO>}

Look, on retail versus SMEs. Yes, I understand your question it's always blurred, where one finishes and the other start. I mean SME start -- retail is individuals, right? SMEs start companies, which are made of a few individuals. And this is really the characteristic of SMEs, 3-4 people make a company could be grocery or it could be a travel agency or it could be any kind of food shop. And yes, it's blurred and this is why we gather all together them into one sector, which for us is retail and SMEs.

The other thing which for us is unified is that we then used self-products, use self-solutions. These are not customers who can spend their time with risk advisory, with the complicated risk management tools, they don't have time, and maybe, they don't even have the interest to do that. So you got to be very, very simple. The more you move up, the more tailor made is the solution. And some of the Jim's customers are fairly complex in their needs and in their capacity also to discuss with us.

Then your second question of service and money. Look, I think the money is the same for everyone. I mean I don't think, you can make a proposition and, definitely, we don't want to be the cheapest company. So we don't really want to compete on money, but we need to be fair on the cost that we have. Services what really matters.

Again, what you heard many, many times today is that customer experience is the differentiating factor. This is the service. And the people can stay with you just for money. That's not what this industry is. It is about the service. This is where the competition will be and where you need to have a competitive advantage. With a premium service, you keep the customers. Without it, you won't be able to sustain the customer relationship.

Richard Burden {BIO 1809244 <GO>}

Peter Eliot here in the room [ph], third row.

Peter Eliot {BIO 7556214 <GO>}

Maybe just to carry -- Peter Eliot from Kepler Cheuvreux. Maybe just to carry on that last point and we've heard some examples, where there's big a protection gap, like there are big need for insurance. But I think (inaudible) earlier on in the presentation, 30% of needs are being met. And I'm just thinking that involves going quite a long way, it's far down. And we heard a lot about you're making sort of people aware or make it easier for people to buy insurance by making them aware, but is there a risk that some of those products they may be actually don't need? I mean insurance is about protecting yourself from the losses that you can't afford not to make. Is there a risk that? How do you manage that risk, I should say, that people might be presented with things down the line that actually are beyond their need if you're talking about sort of very small purchases? That's one question.

Mario Greco {BIO 1754408 <GO>}

You're talking about, is there a risk that sales would now be compliance with the principle? So we would sale bad stuff to customers to make it simple.

Giovanni Giuliani {BIO 20678339 <GO>}

Not bad stuff potentially, but--

Mario Greco {BIO 1754408 <GO>}

A necessary stuff.

Peter Eliot {BIO 7556214 <GO>}

What might be necessary ones (Technical Difficulty)

Operator

Ladies and gentlemen, please hold the line, we lost connection with the speaker. (Operator Instructions) Please hold the line. You will hear some music until the speakers are connected back. Thank you.

(Audio-Video Presentation)

Richard Burden {BIO 1809244 <GO>}

Thank you very much everybody for coming back promptly. Obviously, we now turn to the afternoon session. We've got two presentations. First from Jim Shea, Head of Commercial Insurance, and obviously, George will follow-up with the commercial -- with the financial performance. After which, we'll have our second Q&A session. And appreciate this morning's Q&A session was a little bit cut short. So if there are additional questions that you didn't get answered over lunch, we can run a little bit longer the Q&A session (inaudible).

So with that, I will hand it over to Jim.

James Shea {BIO 1701530 <GO>}

Thank you, Richard. George and I were talking over lunch that we've saved the most exciting presentations for after lunch. So good afternoon, and welcome to our session on the commercial insurance Business. My name is James Shea and I've been the Head of Commercial Insurance for the past three years.

I'm excited about the opportunity to tell you more about our business, how we have delivered on our commitments made three years ago, and how we will continue to deliver to help the group meet its targets over the next cycle? We solidified our position as a top three global carrier in the commercial market. We accomplished this by investing in strong underwriting culture focused on long-term sustainable profitability. We've invested in data and technology to support our underwriters to make better underwriting decisions.

We've shifted our portfolio mix through focus risk selection, improved terms and of course, pricing. We've delivered s level of consistency as demanded by our customers and our distribution partners. We will continue to invest in people and tools to keep underwriting at the forefront of what we do. Recently, Mario and I had a meeting with the CEO and management team one of our largest distribution partners. And his comment to us was he believed that Zurich was one of two markets that are stable, while he sees the remainder of the peer group struggling with the inconsistencies and changing in this marketplace.

To reiterate the message we want to leave you with today. We've had a clear plan on where we want to take Zurich in the commercial market. We are already a top three global commercial player with the potential to improve. Our history, our brand, and our global footprint serve as the foundation upon which we've built. Our profitability has improved significantly since 2016. This occurred despite the headwinds of a soft market and is the execution -- is the result of an execution of a clear underwriting and portfolio strategy.

Consistency of underwriting discipline, risk appetite, portfolio and customer focus have all played pivotal roles in the results that we've seen over the past three years. We continue to bring additional services to our customers as they increasingly look for insights and risk mitigation services in addition to the transfer of their risk. We have the agility to drive further change in the market and opportunity to change opportunistic markets as permitted as the cycle continues.

So just briefly. I'm originally from Canada, I have two children, who are dual citizens of Canada and the United States and my 16 year old daughter loves to send me texts of Canadian jokes. She lives in the United States. And the most recent one was how do you identify the Canadian in a crowded room? You step on everyone's toes until someone says sorry. So apparently I'm more comfortable apologizing than promoting the achievement, so let me try, because I do think the results do speak for themselves.

I just want to remind everyone where we came from. This is not the result of any single person or any single strategy. This is the result of over 12,000 people across the globe working towards change. This support came from all levels and all functions of this organization and it was contagious. We committed to moving our portfolio away from long tail liability towards more balanced mix. We achieved this and are well positioned to take advantage of the changing market.

We have refreshed our product offering, have consistency regardless of whether we're approached in the United States, United Kingdom, Australia, Argentina, we have become one Zurich. We are not afraid to ask customers for business and have increased our share of wallet with a focus on lines of business that we want to write.

A few years ago, I was meeting with one of our relationship customers and, for this customer, we wrote their global fleet program. And we ask that customer if we could have the opportunity to quote on some of the other lines of businesses, some of the more probably higher margin lines, and the response was, well, those lines are with our other strategic partner, who by the way doesn't write fleet programs. And so, I'm pleased that today, we still need that fleet program and captive program where we share the risk and we share the outcome with the customer, but we also lead for the lines of businesses for them, all because we asked.

Brokers now understand our appetite and know we are committed to our customers. But we will apply our own underwriting standards. They know not to approach us in different markets for the same risk looking for the weakest link, one Zurich, one response. We even developed an app for our brokers that described our risk appetite and so there was no excuse in their part to us to say they didn't understand it anymore.

Our lack of balance between process and underwriting had resulted in some adverse selection and lots of underwriting talent. This has been the biggest change over the past three years putting underwriting and underwriters first, give them the tools to facilitate the decision, but then empower them to decide. As Kristof mentioned this morning, we've simplified our tools providing real insights and data analytics and automated many of our processes.

As stated earlier, we did this during a soft market, maintained our reputation and powered our existing underwriting talent, and attracted new skills and talent to the organization. Having spent the last three years focused on these changes, we're well positioned to capitalize on the growth in this changing market.

Some key metrics, we have delivered on both our loss ratio and expense ratio targets. We achieved this through improved efficiencies across the organization to where we believe we are the most efficient carrier amongst our peer group. We invested into underwriting talent and culture, which allowed us to drive a different portfolio mix, improve our risk selection and execute a different exposure and capacity management strategy. We delivered a consistent external message to all customers and business partners.

During my first -- I think it was my first month at Zurich, I had the opportunity to meet with an existing customer with whom we wrote multiple lines of businesses, but we didn't write their property program. I asked if we could have the opportunity to quote the property and the customer responded very politely, absolutely, we're more than welcome quote our program, but you realize you wrote it for 20 years had no claims and canceled it last year, because it no longer met your risk appetite. This approach was driven by a model with a process focused KPIs as opposed to underwriting, that type of inconsistency doesn't happen anymore.

I want to show you some proof points on how and when this change began. Based upon the March index, we've tracked our rate increases compared to market performance. We started earlier than most of our peers in the marketplace. The exception to this, which people will point out will be Asia-Pacific and that's driven by Australia where the markets saw significant increases in financial line and other lines of businesses that we didn't have a significant percentage of that market. This demonstrates our early execution of rate and risk selection initiatives. It clearly had an impact on our top-line, but has positioned us better. And is a key contributing factor to our improved performance over the past three years.

Everyone talks about rate and while it is critical, our equal concern over the past several years has in the broadening of the terms and conditions. We have focus not only on rates, but also risk selection, terms, conditions, and program structure. While rate is easiest to measure, we do track other metrics. Capacity has been managed down, deductible increases on larger risks and programs restructured. In US property, we've reduced our exposure to hazard grade 4, 5, which is the highest risk categories by 37% in 2018 and a further 17% this year. A continued focus on US Cap [ph], wind, California quake also managed down over the past three years.

In addition to policy changes, we shifted our portfolio mix. In terms of portfolio mix, we focused on what we set out to do three years ago. We reduced our dependency on long tail liability. Especially, in the United States with 31% reduction in the liability portfolio and we've reduced our motor fleet portfolio globally by 18%, including exiting several markets.

Our shift to specialties didn't go as far as we had hoped to in 2016. The reason for that is the specialties market has changed. In financial lines, we focused on either reducing or exiting some loss performing lines of businesses, architects and engineers, professional indemnity for large IT companies. We didn't feel that the D&O market was poised to grow, particularly risks that had exposure in the United States and Australia.

Credit and surety, we have a significant portfolio in credit and credit and surety and it's been one of our most profitable lines of businesses over the past decade. However, we've taken a more conservative outlook on the credit markets and it held exposure flat and even a downward trajectory in several markets.

A&H investments for commercial customers began over the past 18 months and will continue to show profitable growth through the next cycle. We will continue to remain agile to take advantage of opportunities as they arise, create opportunities for ourselves, but be prepared to take conservative positions and actions when needed.

Taking a look at where Zurich sits amongst our global commercial competitors. We are a top three global player regardless of how you measure commercial insurance. The gross written premium split by region is reflective of the overall global commercial marketplace. We are, for example, well captured to capture growth in the emerging markets. Our acquisition of QBE in Latin America has given us scale and capabilities in that region. Our focus in Singapore on the hub for Southeast Asian business are two good examples of our investments and focus on geographical balance of our business.

Our investment focus goes beyond building a stronger underwriting community and improve data to make better decisions. We've invested in our international platform to service our largest global customers. We have the industry's largest network with over 160 partners supporting our customers across 217 countries and jurisdictions. We have won the European Captive Insurance Provider Award three years in a row. Our captive strategy allows us to focus on risk sharing with our customers, driving improved loyalty, and increased partnership as we share in the same outcome with our customers. The captive strategy has also proven to be an excellent source of fee income.

We have one of the largest risk engineering teams in the industry with 1,250 risk engineers globally focused on support on both our underwriting community and our customers in terms of the risk management, risk mitigation and risk servicing of their business. I'm now going to show you a short video on how we continue to incorporate technology and data into our risk engineering services supporting both our underwriters and providing risk management to our customers.

(Audio-Video Presentation)

Let's look externally now. The market is changing significantly not just in rate and capacity environment, and we're now prepared for this. We're positive about the change. Our focus and investments have given us the agility to adapt to these changes. I'd like to discuss a few of them right now. Firstly, distribution landscape is changing. We're all aware of some of the consolidation that's taking place in the brokerage communities and brokerage market. We are well positioned for this change.

Our portfolio is just under 50% of this portfolio is with the global top five brokers. The rest is with regional, middle market and the broker -- and the global broker networks. We are investing in our infrastructure and management information to become a market of choice for the regional brokers with dedicated resources and commitment of time to their management. We've also invested over the years in strong direct customer relationships, which have enabled us to have direct conversations and planning directly between ourselves and these customers.

Now, I competed with Zurich for a little over 22 years. And I can tell you that, the competitors do view Zurich's customer relationship model as best-in-class. And when you were trying to take an account from Zurich and it was a house account, it was very-very difficult. And I believe that Zurich still maintains that number one position in terms of how we manage customers and our proximity to those customers.

Another good example of our focus on the customers is what we've done internally is we've taken our global leadership team, which is approximately 100 people and we've each -- we've assigned to each of the executive team three customers to be an executive sponsor. I think it's very important for all parts of management, whether your market facing or not to interact with the customers, and understand how all parts of our organization do influence the experience a customer has when dealing with us.

The second point is customers now want more from their insurance partners. The level of sophistication of buyers and their approach to risk management has changed. While risk transfer remains important, risk management and mitigation have equal importance. Our experience in data on risk, losses and loss prevention positions us well to service this need.

Clients like to work with insurance carriers with these capabilities. Many of the smaller markets have not invested to the extent that Zurich has, we're invested at all and, therefore, have become dependent on the rest of the market and they become a follow-up market. As mentioned earlier, we have the second largest risk engineering capability in the industry with over 1,250 risk engineers located globally.

The role of the risk engineer has also changed over the past 20 years. Previously, the focus was on fire prevention and now many customers has sophisticated and risk management solutions for these traditional risks. We have one customer, who tells us that, I'm okay with the fire risk, I have my own fire prevention services that rivals the fire department of most cities. So what he looks to us and our risk engineering community is to help identify future risks and additional risks.

New services include supply chain exposure monitoring, employee benefits benchmarking, cyber risk mitigation, and post lost support, workers' compensation medical support and as we recently announced launching a climate risk service capability next year. The sales of such service to customers has been more challenging. It's sold via underwriters during the underwriting process. We're building a holistic global service model to bring a sales culture approach to customers and services to complement our underwriting and risk transfer capabilities. Our approach to risk management is more closely aligned to the customers. Zurich and customers have a vested interest in improving the risk.

Thirdly to changing market, we're all hesitant to call it a hard market, but it's certainly something that is improving and changing, and the years of declining rates and broadening terms seems to have come to an end. This has been a challenge for the entire industry, which has generations of underwriters, brokers and risk managers, who built careers, lowering price, broadening terms and conditions and delivering great news to their CFO every year that the price of the insurance purchase has come down.

We began early to focus on the training, attracting, and retaining underwriting talent in anticipation of this challenge. We have also ensured support across the organization for all countries regardless of the level of the local experience. Compared to 10 to 15 years ago, risks are increasingly mobile. It's not just local versus the London market anymore. Recently, we've seen Australian D&O risks presented to us in Belgium and in California, nothing wrong with Belgium, Kristof.

In LATAM, we see the risk that are presented to us in the local market, they're presented to us in Miami, they're presented to us in Madrid and they're presented to us in London. We have a connected -- our connected network with expert -- expertise, which drives the consistency and we've invested in this structure accordingly. Customers and brokers need to receive a consistent appetite and expertise for all risks presented to Zurich regardless of the country. Our global network established with hubs and centers of excellence to support underwriting ensures one Zurich experience.

Over the past three years, we focused on products on a consistent global offering to support multinational and a growing middle market customer segment. The market has driven broader and the spoke wordings around the world. 10 years ago, when a claim came in regardless of the line of business or the jurisdiction, we knew what the coverage was. Today, we have to ask because the market has driven such broad terms and conditions adapted to local markets. This is changed and we've been investing in the consistency and carriers are now driving terms and conditions, not the brokers and customers.

We're not trying to be all things to all markets. Investing -- and to say we're going to invest in the middle market sounds easy, but it is difficult. We're selecting the markets we want to invest and grow. We're changing our model to address this. In terms of service, combining risk transfer and risk mitigation services, we know what customers want. They want us to bring our knowledge, our products, our services, but also the relationships, which we've developed with third-party vendors. We've partnered invested in third-party vendors to bring expertise and support to our customer service proposition, cyber, telematics, and supply chain are just some of the examples.

We are foremost an underwriting organization with a strong customer focus. We value underwriters to make decisions and invest in data and technology to help them make better decisions. The models don't decide on their own. Talent is developed and retained with our voluntary turnover dropping significantly over the past three years. We also attracted new underwriting talent at all levels of the organization. I'm now going to show you another video, which I believe demonstrates some of the investments we have made to improve the life of the underwriter and help them make better decisions.

(Audio Video Presentation)

Moving to front lines of business and segment comments. Not all lines are viewed the same. We have a broad geographical diverse portfolio with significant scale. The key message is we see we're stabilizing or increasing across all markets. Where we see rate increases we anticipate lower retentions as past -- as a possible outcome. We focus on risk selection resulting in either flat to growing top-line with a better underwriting performance.

I've briefly discussed our view on the credit lines. These have been some of the most successful lines of business delivering a consistent profit. The credit market has been good for several years, but our going forward view is less optimistic. So if we look forward we don't believe this market will continue to be as positive and have decided to manage our overall exposure flat and potentially down in the credit space.

We're not trying to time the cycle. We would be more stringent with our credit requirements and agility to bring down our overall exposure is our plan. This is our view today of the lines of businesses. We have the agility to change and grow where we see the opportunity, but also the agility to shrink exposures and top-line as needed.

We've talked about the middle market and I wanted to give you some further insights into our decisions. We're defining middle market as companies with turnover between $25 million and $500 million. Anything above that, we refer to as a large corporate. I believe these definitions are fairly consistent within the industry. The complexity of underwriting and exposure can vary between lines of businesses, but this market is expected to see continued growth over the coming years. Our brand has been built largely on the corporate sector and something that remains our key focus.

The global mix between these two segments mirrors closely our own portfolio splits. Middle market business is historically less volatile with lower lost ratio, so we're investing in key areas to adapt our infrastructure to compete on a larger scale, but our DNA still remains in the large corporate space. This is a good example of our middle market strategy in the United States. We've made some mistakes in the middle market in the US. We've identified it and we're fixing it.

We are re -- we are rebuilding our underwriting expertise and bringing a balance of underwriting models and automation to the process. We need all of them to be successful. In this retooling process, we're hiring the right type of underwriters. We're not trying to apply large corporate models and skill sets to these customers and distribution partners.

We're going to the customers and not relying on them to come to us in the major centers. Centralization doesn't work in a market dependent on relationships. We're opening 20 to 30 new locations across the United States, three new officers alone in the past few months. Managing the distribution partners in a different way, closer relationships and performance metrics we have to treat them differently than we do with the large five brokers.

Improving our service standards. Giovanni discussed this morning the opportunities, investments in the retail space and how we intend to service those customers. While we are investing in (inaudible) technology to prove our underwriting outcome and facilitate the process, we cannot lose sight on the services we need to provide to all customers.

For the middle market customer, bringing insights from our global experience and scale and making it relevant to them and their industry is critical. The risk engineering tool I showed a video on and what we saw earlier this morning is an example of how we've adapted this experience and expertise and brought it to the middle market customer. The service standards in our industry have to improve. Getting the basics right in this space is a differentiator. Fast response, industry specific products, fast and fair claim settlement, get it right the first time, this is where we are investing.

I've mentioned accident and health. There are a select number of lines of businesses that we don't have scale or exposure. Aviation is one example. We prefer to remain on the sidelines, but we will look for signs of sustained improvement before considering to enter. Accident and health is different. We already have a strong portfolio across life and retail, but opportunity to grow in the corporate space with a greater focus on the accident side, focus on products such as business travel accident.

We already have an existing strong customer relationship and distribution platform for this business. There's limited competition with such global capabilities as this truly global program covering employees as they travel around the world. Coverage includes sickness, accident or any loss while traveling on business or leisure, benefits can include emergency medical expense assistance, personal accident [ph], and travel inconvenience benefits. Our acquisition of Cover-More, as discussed earlier this morning only complements this initiative further.

I've talked about the need to complement risk transfer with risk mitigation and services. We're going to take this one step further and bring our risk management services offerings under a more holistic proposition. Underwriters do not always make the best salespeople, I know. Our service platform will provide support to both our underwriting community and with our risk selection to our customers. By consolidating this into a focused offering with a sales culture, it will allow us to consolidate and add to our existing service platforms.

Volatility and improved margins remain our key measurement of success. We continue to focus on multiple levels to achieve our results and contribute to the group's performance. Rate is obvious, but continued focus on risk selection, terms and conditions is imperative. We believe we started early and we will continue. The top-line has not been our focus, but we are taking advantage of the current market and have the agility to be opportunistic when needed. Volatility is stabilized since the fourth quarter of 2015 driven by many of the actions that have been described to you today. We believe we are the most efficient amongst our peer groups, but we're not relaxing our focus.

In conclusion, I provided you with insights into the progress we have made and where we are going in the commercial space. We do have a leading market position. We're building on our brand, global footprint and financial strength. We have delivered to our customers and distribution partners the consistency of underwriting and risks appetite they require along with claims and risk management services.

Our profitability has improved over the past three years and our portfolio mixed strategy has taken us from overweight and long tail liability and limited focus and specialty to a better mix of business, a platform to continue optimizing our segments, our products and our geographical footprint. All of this will continue to support our growth across all geographies as one Zurich.

We are well positioned to compete globally. We've invested in the right level of underwriting talent and understand what our customers want and need. Customers depend on our knowledge and network to navigate and grow in this ever-changing market place. We have a clear ambition to be the leading global provider of risk solutions to our customers and we know what it takes to achieve this, consistent underwriting and risk appetite, a clear focus on the customer along with their current and future needs.

We have the focus on the future and opportunities that exist or yet to be created. We will focus on where we can be successful and not try to be all solutions to all customers. Entering new products and segments where we can lead as well as take decisions to reduce exposures as and when needed is critical. We have delivered on what we set out to do three years ago, and we are well-positioned to take our commercial insurance business to the next level.

Thank you. And I look forward to questions later today.

George Quinn {BIO 15159240 <GO>}

As I walked up, there Kristof said, break a leg. So maybe just before I get started and go through a large sea of numbers. I want to make a couple of comments on Make the Difference. So together with my colleagues on the Esco [ph], I've had the privilege of engaging with Make The Difference through [ph] six different generation. May be touching on 25 to 30 different topics. I've really enjoyed again listening to the team today.

Verity story about leaving school three years ago, I'd say reminded me of something, I can't remember leaving school anymore. But I do remember, leaving Glasgow to start my first proper job in London and I was working for a relatively well-known financial services company, workers claims is the same was one of the clients with the Queen. So I really prayed. So I moved to London, start work. I guess as employees, they give you something that they think would be useful. In those days, it wasn't a mobile phone, it wasn't a laptop, but it was a bag. So I had a bag with the name of the company on the side of its initials. And I started the job and then holidays of Christmas comes around, so I stuff bag full of my stuff for the holidays, head back home and spent Christmas and New Year with my friends (inaudible). I still have at least one friend in Glasgow, who thinks my first job was for the sports bag manufacturer.

Anyway, good afternoon, everyone. I'm all the way [ph] stands between you and Q&A and an eventual freedom from the today [ph]. It really doesn't seem like three years, since we last did this a wonderful next year requires fast [ph]. This morning you heard from Mario on the plans that we have the priorities for the next three years. You heard from Kristof on the efforts that we're undertaking to improve the efficiency of the group and a particular operations. And that you heard from Conny, Giovanni and Make the Difference team is only the that we see -- I think would have sounded [ph] quite different. You just heard from Jim. As Jim pointed out [ph] me in the break, my fellow mother tongue English speaker. He talked about commercial and the ways that we can improve performance in commercial and by commercial -- I mean, commercial performance (inaudible).

My job is to tie all of this into some numbers. And if you've seen these presentations before, you're not going to be surprised by what about follow [ph]. I'm delighted to stand here today and confirm something that you already know. We've exceeded the targets that we set back in 2016 each and every time we presented them. And that's not going to change in February of next year. But that's not the main reason why are we here. We've got new targets for the next three-year period. And they all represent the pretty significant level of increase in the ambition that we have for the entire organization.

We left the ROE target, the construction is the same, so the number has changed 14% and increasing over the next three years. And something new for us, our compound organic EPS growth target and the earnings growth target of 5%. I think many of already that we've been working on this for most of the year. The difficult part is not the financial targets. The difficult part is where you want to be, in particular how we're going to get there.

On productivity, you heard earlier for Mario that we believe we've delivered on an industry-leading simplification program, but we're not announcing a new cost savings target today. Cost discipline now does remain a key focus area for the group whether it's driven by customer expectations of value or just by simple need to be competitive in the markets that we operate. None of these forces have changed and none of them are allowed to change in the near future either.

But what has changed is I think we've demonstrated that you can achieve cost reduction and simplify the organization at the same time. This is going to continue, we expect to combination growth in the business together with further simplification efforts as outlined by Kristof and by some other things that I'll mention in a second, will lead to a further improvement in the OUE ratio of about 1 to 2 points.

Capital allocation. Over the past three years, we've announced the range of transactions in the extracting capital from non-core or other businesses. I think such as Morocco, Taiwan, South Africa disposals of non-core portfolios, such as their legacy UK employers liability booked [ph] earlier this year. The first of these, we announced back in June of 2016, the most recent of these we closed last month. This is a process that we run internally that is absolutely going to continue. We also take routine capital allocations decisions every day in the business and deciding which are to grow, which are not to grow contract even and again that will continue over the coming years and that will further support improvements in the group's returns.

Cash generation. Financially, Zurich's USD [ph], that mean there's no one who can match this at the scale. The business model is highly cash generative by design and we expect further improvement in the earnings to feed through and to increase levels of cash generation, which will also contain support the investments that we need to make some of the things you heard about today as well as the attractive dividend policy.

On dividends, we know why you own the shares. There's no change to the definite policy that we said three years ago. Dividends will be based on sustainable growth. Our approximate payout ratio is 75%. As a dividend rises, the higher dividend becomes the floor for the following year. You already saw at the first half that we're on track to achieve all the goals. I mean we said -- and I reconfirm today that we expect to exceed all the commitments that we made back in 2016. Today, it is not really about the past and all of our effort is really directed at the future. And there are few highlights that I'd like to mention.

On ROE, again you saw the results and I don't expect it to quite replicate that in second half. I do expect the second half to confirm that we're not very far away from our targets for the next three years. The most significant fact behind this, we have been reluctant to combined ratio 8 points since 2015. But it's more than a profit and improvement story. I mean you seen -- I mean truly excellent growth from the life business, you seen growth from farmers and, of course, a lot of what we've done over the course of the last three years has been supported by reductions in our direct expense base.

Capital. Our capital position is very strong, but above all the relevant cash thresholds, whether it's our own internal Z-ECM metric, external measures such as SST or S&P. In fact, latter -- the Latta [ph] recently affirmed double AA minus rating that moved the outlook from stable to positive.

Cash. I mentioned earlier, our business generate very kind, very high cash payout ratios by design. We were just a shade beneath the three-year target at the 30-month point. We're clearly the above by the end of the year. And keep in mind that this is after the impact of the restructuring course we brought over the course of the last three years.

Expenses. In my experience, there are several possible responses to an expense reduction program. Number one, suggest savings that someone else can make. Number two, offer reductions and expenses in your more profitable business with an even greater reduction in operating profit. Or three who wanted the imminent return of the four horsemen of the (inaudible). Or alternatively actually save money cut across. Three years ago, we committed to reduce the cost base by about 15%. If you zoom in closely, you look at 15 as -- you look at the cost cut -- proportionally, a addressable cost base is much higher than 15%.

On the chart. Richard and I had an interest discussion with ahead of planning performance management (inaudible), but quite how far it extends that slightly, wiggly line at the end of the course par into next year this was the compromise position that we adopted in the end [ph]. I mean, this something that was simple in concept, but it's really difficult to do. It's really fair to say back in November 2016 that we didn't know where this is going to come from. But I'm really grateful to my colleagues for working with me on frequently unreasonable requests and looking for the ways that we can actually achieve this goal rather than to offer me one of the first three alternatives that I ideally have in my governance.

Every single part of the Zurich group has contributed, country, region, center group. Richard and rest of the IR team who did such a fantastic job at getting us ready for these event suggested to me that I could say I am thrilled to talk to you about new targets. Despite suggestions to the contrary, I do speak English. I do understand what thrilled means. But thrilled has never describe my state of mind ever. If you're following this on the transcript, that is available after the event my apologies in advance. However, today it is easy part to more (inaudible) delivery. And the only thing that comes to my mind is the responsibility of living up to the commitments that we make today for the next three years just as we have for the last three. Anyway, I'm thrilled to talking through you on our ambition for the next cycle.

Firstly, we target an ROE as I mentioned earlier, and it sets to 14% and rising over that three-year period. In the past three years, we want to take in a range of measures to improve the quality of their earnings and we're confident we can further grow profitable business, justifying 2% target increase, which is you all know based on current performance is not really 3% increase.

Secondly, we will target cash remittances in excess of $11.5 billion over the course of the next three years. $2 billion increase, roughly half comes from the absence of the more exceptional level of destruction you've seen from us over the course of the last three years and the other half from the plan that we've been describing today.

Certainly, introducing this EPS growth target I mentioned earlier, 5% per annum. It's an organic target it doesn't include the impact of capital deployment. We certainly hope over that course of the next three years opportunities will arise, but we can't guarantee them and, therefore, we have not yet included them. And lastly, I think as you'd expect will continue to manage the balance sheet in a cautious and conservative manner and continue to target a group capital position between this 100%, 120% of Z-ECM, 100% being roughly equivalent to AA on the rating scales.

I didn't invent ROE walk, but I don't remember the last time I gave a presentation, I didn't have one [ph]. In the first half, we shared with you a result for the first year with equivalent of 15%. So I mean that you understand this, but I can imagine other people might think or doesn't seem in the most ambitious target. But I mean there always a number of factors that you have to consider when you look at the 15%, may not least of which are relatively in the first half for natural catastrophes and for whatever, we had strong performance and actually market to hedge funds and we pay all the dividend at the end of Q1. But I think we take all of those, probably the ROE benefits by 1.5 points. So it gives you a sense of what we see as the real scale of improvement required.

So turning to the future. Consistent with what you saw from us last time, we anticipate with the roll-up of capital due to retained earnings is a drag on the ROE. It gives us flexibility, it gives us options for future, but for the time being mathematically, it's negative in this picture. It's not a statement of intent, it's just how it has to begin with. We've also accounted for the negative yield environment. When we set the starting point for the three-year period last day [ph] and by luck judgment by doing or what combination of the two, we picked the low points and the yield cycle.

I don't know that, that would be true today. It is a highly uncertain part of the model, but I think as you know to some degree that the businesses self-racing. If we do see a further fall again in interest rates, the issue is we can't guarantee that this happens with sufficient speed that works in every single reporting period, but the most important thing I can see is that we're not geared to this risk. And if you like this risk, you're in the wrong meeting.

Fortunately, there are a number of levers that we have a disposal to the (inaudible) profitable business growth. A combination of some of the things you've heard from Giovanni, Conny and James through the course of today also includes the benefit of two of the more recent acquisitions where you haven't really seen the impact yet, so OnePath and Adira. What seen as a growth is not some fantasy will grow at higher levels than the market at the same level of profitability, this is really looking at businesses and asking them to grow at current market rate. So it's very differentiated, depending on where the business is. It's not risk-free, but it's been a long time since we've been in a better position to deliver this.

Productivity. We expect we'll deliver about 1 to 1.5 point of ROE compared to the OUE commentary as earlier from Kristof, which covers part of the cost base and the things that -- and the rest of it we will do on the remainder. I mean it is mainly driven by expense efficiency some targeted cost reduction, but really fixed cost leverage as the business grows.

We'll continue to focus on underrating the portfolio quality and particular improvements from the recent price increases can be expected to at about 1 to 1.5 points, while we've further focus on capital allocation, so as moving or reflecting our preference internally, can I get another point five points for the ROE? It is possible that in this view that pricing outlook is a bit conservative. But we still got to deliver it. So I it's appropriate to be cautious. There's nothing in here in terms and conditions and well our view into 2020 is more optimistic than it would have been earlier in year. We have been extrapolated beyond 2020. So combining all of these factors brings us towards an overall ROE of around 15% by 2022.

Over the past few years if you've been at these events, you certainly have heard us talk about what we're doing around reallocating capital usually in the context of acquisitions and disposals. You've also heard how we've reshaped the P&C portfolio, particularly in regards longer tail lines of business. I'm going to spend a little bit time on some of these topics, in particular (inaudible) ROE for us. Commercial lines business consumes just over twice as much capital per unit of premium or risk as a retail business driven by the fact it is more volatile, has high levels of investment risk because of the longer duration typically, but it's a fact. Since 2016 as we managed and tally the capital allocation, we've released about $1.7 billion of capital from commercial, while we've added about $0.5 billion of capital to retail support group [ph] there.

Over the next three years, I still expect higher levels of draws from retail and commercial. And in fact, as you've heard from Jim, the continuing focus on profitability means that the growth in commercial is more likely to comes from improved rate and from gross and underlying exposure. The combination of gross retail and further improvements in profitability and commercial will obviously support further improvements in the ROE.

We place a high value in having as much access as possible to the risks that offer better risk-adjusted returns. And at this stage, financially, the other retail is probably still the choice area. It's worth point area. There were not capital constraint that we can take advantage of both as and when the opportunities arise.

I like our life business and I'd love to claim that the part of the decision a decade ago, that set the group on the path to what it achieves here. But I will say our decision is no [ph], because the person who took the decision is in the room. We've been successfully growing protection business in all regions and this remains a key priority for the group. The right hand chart shows the IRR for protection unit link. Traditionally you see the things, how these compares different products.

If I take the scale off the x-axis or the y-axis rather, I don't think there's anything surprising about the relative positioning play roughly where you expect it to be. Maybe all the [ph] quantum, maybe the quantum is a bit higher than you may have seen elsewhere. I think the (inaudible) the x-axis. And nobody claim that this is unique, but if I may look at this, especially if you're truly market consistent about the capital elements at this IRR calculation.

I think if you measure our business, our life business as the entire, life market is far from the largest. If you measure it against the market that we choose to focus on, the picture is entirely different. I won't say much about traditional other than it's not a preferred risk for us. The Swiss capital requirements are punitive, I'm not complaining. But a local teams have worked very well, very hard with distribution partners to offer what we see a more sustainable alternatives to others [ph] and their clients here. There'll be no change. So overall the average IRR is above 15%. And it's one of the reasons why we're very happy to grow it organically and organically.

I mentioned the cost savings plans earlier. I think when you look at our financial statements, it helps to remember -- the numbers in the financial statements moving a broadly similar way. But here, we're talking about direct expenses, so it's the real hard cash expense and it can differ a bit from what you end up with in the P&L, because of things like capitalization and amortization. But the differences are so small with it. When you compare, when you get in the financials, what you see here there is no material difference.

Within our definition, we include the expenses that set within the loss reserve line, so just be aware of that. And the further influence by M&A, which of course is added as you can see here substantially to the expense base. As we've acquired businesses that we think generally attractive returns for investors. I think after the efforts of the last three years, it's really tempting to sit back and admire the program. The only problem is at the end of this current three year period happens to coincide with the start of the next three year period, there's no weekend in between.

In preparation of today, we've been through planning and no one [ph] ask of the business as follows for a few, it's a relatively small group, but further targeted expense reduction that they're just not yet whether it need to be for most marginal cost growth only as always [ph] to see the benefits of operational leverage and gain efficiency. For some additional investment in support of some of the key strategic priorities and you've seen those things in these presentations already today. And for me and for the rest of the corporate center, you work with what you have. There's no new money and we expect over the course of the next three years, the corporate center relative to investor group [ph] will both shrink further.

This is industry that offers tons of scope for efficiency. The need for cost reduction is not going away. And even if the expense discipline doesn't take care of itself, I think it's far more ingrained in organization than it was at the start of this journey. I'm confident we can deliver further efficiencies and allowing us to free up additional capacity to invest in other new propositions and that includes doing things that will emerge over the next three years that we haven't even planned for today. Kristof's presentation not only outline the progress that here the ops team have delivered, but it also shows there are lots of opportunities to further improve efficiency.

Looking forward, the pricing condition, the restored profitability in commercial make me confident will seen (inaudible) in premiums grow and that means that in combination with the efficiency savings allows those to be comfortable reduction in the OUE ratio. And we're looking for about 1% to 2% reduction to bring it down to the 12% to 13% range.

I've spoken too much about future returns, the productivity gains. It's really important we don't forget about core technical skills you've heard. I mean lots of that from all the presentations that you've heard already today, I mean we could save as much money as we like, but if we can't get this range, you know what happens. I'm going to say we -- I'm not sure if it's okay, Jim, if I say we, but we have worked really hard over the past three years. I want to give credit to Jim, Sierra, everyone in commercial and all of the country commercial leadership teams, who have worked tirelessly to deliver a large part of what you see here in this performance. And it's not as if the team have been receiving bookies along the way. It's not done yet, but at least, they can continue with better tailwinds and the confidence that comes and seeing your hard work start to pay off. That tailwind combined with the changes that we know we need to make and create very positive outlook for business.

Having said that, though it's not all days of wine and roses. And this year just as it has been in each of the last three years, we need to address risks in the current portfolio. In recent years, it's been commercial auto, it's been construction liability, it's been financial lines, it's been liability generally. This year, as Jim mentioned, it's on a credit. I can't promise that we'll always get these things, right? And it would probably suspicious we tend to always get it right, but we're investing heavily underwriting to make sure that we stay on the front foot on this topic.

For those of you who were at last year's Investor Day, you remember -- you might remember in my closing remarks on capital allocation, an improving capital allocation in our core businesses is amongst the highest priorities. We pay very close attention to how we use the capital. And whenever, we can, we look to release capital from businesses that we're doing the things that we said to do.

We have specialist teams and their only job is to take over problems and fix them. The decision to exit remains with business leadership. But once the decision is made, we were team that comes in, they take over day-to-day management and they deliver the exit and insulates the ongoing business from the performance miss challenges and other distractions that comes from this. I was going to make an analogy here at an old dog story. I'm always surprised by how many animal lovers come out and tell an old doll story. So I'm going to skip that.

Over the past three years, we've released $2 billion of capital on from divestments between 2016 and 2018. Reassurance has also played an important role. It allows us to raise and retain profitable business while optimizing capital efficiency. It's one of these where Zurich of 2019 is and the Zurich of 2022 will be completely changed from Zurich of 2015. Almost all that capital has been reinvested to strengthen our business.

Over the course of the last three years, this aspect of capital reallocation is added basis 17% [ph] points to the ROE. If you break it apart perhaps the impact of disposals is not quite as significant as the impact of acquisitions. But without one, we would not have had the other. It's not only about capital and its generation, it's also about being able to convert this stuff into cash and we've got particularly strong track record in this regard.

We've already met -- just want to repeat we have already met our 2017 and 2019 targets. If you look back over the course of the last three years after tax earnings, capital generation, cash remittance is pretty much the same number. Something in the mid-$3 billion range. We did get used to a slightly higher number in future, but it reflects the simple short tail cash generative nature of our business.

The P&C business benefits from a global and diversified footprints, where both was the shorter tailwinds. Life remittances is supported by that shorter payback period. And I don't need to tell you how farmers works, you all know how farmers works. Key message here is that you can expect to see continued strong underlying conversion of earnings into cash well in excess of the dividend, which brings me to the next slide.

I know that this slide is as important to you as is to me and, for me, this leads never gets old. As Mario showed in his presentation, we provided shareholders you with an attractive level of return with a significant part that coming through derivatives. Over the three years 2017, 2018, 2019, we paid about $9 billion of dividends and other capital returns, which is about 19% of our average market cap over the period. Dividend has grown steadily about 6%, and line dividend policy expand [ph] as we have in the past. We will in the future continue to look through one-off items both positive and negative to grow the dividend in line with overview of sustainable earnings and deliver a payout ratio of about 75% of net income to our shareholders.

There's a couple of things I want to reiterate at the very end. You've heard me saying this before and I'll say again, improving capital allocation is one of the most -- is one of the highest priorities for the Zurich's finance function. We will do everything we can to support Mario and all the CEOs in the group to flexibly deploy capital to meet the solutions that our customers need and to deliver the returns that our shareholders explained.

Just as our last financial plan, it was really important to living the foundation for this one. There are many areas here where we're investing for the future. So the sustainability topics, the customer experience, millennials and Gen Z, relevant offerings in mid-market, accident and health, and commercial, these areas share two things in common. Strategic, it is a very important but I don't expect them to contribute anything other than expenses for the next three years. The entire team has worked on preparation for today for the best part of the last 10.5 months, Mario has set the direction and maintained the temple.

My team together with Giovanni's and Kristof's have developed targets. Our colleagues including Kathleen and Alison have taking the outline and turning it into a plan that we can actually execute. We've delivered more I think in the last three years than I think almost any of us anticipated. But that was then, this is now. We've raised the bar over the last three years, and we intend to do exactly the same thing for the next three years. Richard?

Richard Burden {BIO 1809244 <GO>}

Thank you George. If I could ask you to stay on stage, and if I can ask Mario and Jim to join you. We will come to the last Q&A session of the day.

Operator

(Operator Instructions)

Richard Burden {BIO 1809244 <GO>}

Who would like the first question? Farooq on right.

Farooq Hanif {BIO 4780978 <GO>}

Hi. Thanks. Farooq Hanif from Credit Suisse. Just two questions. I remember in Kathleen Savio's presentation last time we met, there was this quite ambitious target for -- what you define as commercial efficacy [ph] combined ratio in the US and US commercial. Just wondered what the progress was? I think you said it, it hasn't been great so far, because of investments, but just what you're allowing for in terms of those shift to middle market in the US in your numbers? And secondly, could you just clarify again, what you meant by the inclusion of the pricing assumptions that you've put into that ROE walk? So I think you suggested it was up to 2020, that wasn't quite clear what you've assumed for pricing to the 15% indicative number? Thank you.

George Quinn {BIO 15159240 <GO>}

Okay. So on the first question. So go back to the investor update that we had last December where Kathleen presented I mean her ambition for commercial in the US, I mean we've integrated that into what you see here today. There's no inconsistency between that and in fact we already talked and I think Kathleen mentioned last year that mid-market was a key priority for us. I think the challenge we know we have on mid-market is it will take some time to bode the foundation required to serve that market really well. And that's why I made the comment that we won't have huge expectations if that's been a substantial contributor. But Kathleen's three point improvement on the combined ratio in the US is in that walk we're today.

On the pricing expectation, I mean we struck the basis for this -- so we typically do the planning August, September, so you can assume that the underlying more or less reflects the environment that we saw then. I made the comment and the remarks that from pricing perspective, we've assumed a rate environment that is maybe slightly more conservative in the one that you see today, because prices are still moved up again in October, November.

We've assumed it steps down on a written basis next year, a really significant step down. And then we assume at the end of 2020 that, we will more than neutral environment versus most [ph] cost. So there is a significant benefit baked in here, so that margin improvement that we think comes probably a bit more conservative than the market currently delivers and we stepped it down for 2020.

Richard Burden {BIO 1809244 <GO>}

(inaudible)

Analyst

Thanks a lot. You've actually done remarkably in achieving all of your key targets and it's very, very hard to find (inaudible) didn't score absolutely full marks. But if I look back three years ago, I guess one of things you're looking at was reducing the volatility of crop insurance and maybe we've had -- not this year isn't looking the best for it. Is that bad luck, is there anything more you can do there?

And I guess another area you're focusing on this life in force and you haven't (inaudible) for earnings, but I'm wondering whether those few words you can say on -- sort of update on that.

And If I'm allowed, the second question. Last week, we also touched sort of briefly on the sort of the capital framework. Probably it probably wasn't right forum to discuss that, I mean this is a slightly better forum. But I'm just wondering if there's any sort of hints you can give in terms of if you were to make any reviews of the framework. What you might like to see that might help you better manage the business. Is there anything that you would like to say on that? I'm maybe pushing my luck, but (inaudible)

George Quinn {BIO 15159240 <GO>}

Okay. So I think it would be really greedy to complaint about the farmers have crops for the last several years. I mean you're absolutely right, this is going to be one of the years we pay some back. I mean the net-net, the performance of crops has been a significant positive contributor to the group. And Kathleen and the team -- I mean Kathleen was responsible to the transaction. And a large part of what gave us the confidence to do that was the view of the team that they could take the technology, they knew they could apply and rather than give the benefits of that 75% of other people, we could have the whole thing.

This year, just to make sure everyone gets the same knowledge base, I mean it will be a tough a year where we have prevented planting cost as a results. We don't yet know the outcome for the yield in revenue. I mean that no sayings that something particularly significantly happening that we just don't know at this stage. But for us, I mean rather than see a combined ratio, we normally expect to see in the mid-90s. We're going to be in the lowest three digits. So something like 7 or 8 point turnaround from where we have been before. I don't think -- just not to correct you, but I don't think we ever said, it was crop volatility goal. We did say it was volatility goal overall. And crop or no crop this year, we will deliver on that too.

On the life side of things, I made a few comments in the introduction to the earnings -- one of the earnings call, but the update in last week and really that was just to make the point that, I think from where we start today, it get more interest rates up and I expect P&C to do more the run rate for the next three years. And life has a bit more headwind. I don't think it's specific to us, we're not troubled. I think we're happy with where we are, but just look at dynamics that's a view around life. So we haven't set far more targets, or any of the subsets of the business to be honest.

And in the capital thing at the end, I mean one of the choice and one of the impositions of working in insurance is that everyone can find the capital model that they like, because they're all there somewhere. And the problem is we update -- we operate on demand in the same time. So you need to be really careful that you change one with really careful consideration of what the unintended consequences will be. So we have a new Chief Risk Officer, he have been in place now for to six weeks give or take, though it'll take a bit more time to look at this more carefully. And the one of the benefits of our rest model is that that's help to determine that life portfolio I showed you earlier. You need to be really careful that you don't disturb that as you look at how the business response to the rest model, but we are looking at in that.

Richard Burden {BIO 1809244 <GO>}

Jim Shuck on the right hand side.

James Shuck {BIO 3680082 <GO>}

James Shuck from Citi. Three from my side, please. George just going back to ROE walk. If I grow the EPS at 5% after 2022, I don't get 15% ROE. I guess something that's less than that. Obviously, if you allows the growth in the equity base there. So just help me, either my math is wrong or I'm missing something, kind of link to that? I can see the productivity gains in the business growth from portfolio and quality.

Obviously, when you look at your businesses on a country-by-country basis, there are some countries that are making good returns, and some making bad returns and I think we spoke about the past the difficulties in allocating capital and equities and seeing whether that ROE countries are. But where the actual improvement in some of those under-performing businesses as opposed to productivity gains and business growth is our actual businesses that can be turn around? That's the first question.

Secondly, just clarify restructuring costs, you given guidance for the current year. Are there any restructuring costs to be included out to 2022 and hence still dragging on that EPS, CAGR?

Final question, just, Jim things you've got you hear a lot happening on the liability claims outlook. We speak about it often and did so on the recent earnings results. And I was just keen get your view on what's happening kind of large commercial, small commercial, the outlook there for the kind of claims environment over the medium term is that catastrophe that's going to get worse. Do you think you'll get better and (inaudible) book is better positioned, what does that mean for your mix of business relative to the target you had? You had the property and casualty and the specialty book and your ability to re-balance that, at what stage you'll start to go back into liability when the pricing is adequate? Thank you.

George Quinn {BIO 15159240 <GO>}

So on the first one on the comparison that you've made is, you've modeled is, I mean this really hard to do it from the stage. James and my suggestion would be that we do it one-on-one. I mean the number of people allude this from our advisor side and they also have slightly different outcomes and, obviously, the starting point is extremely important. But I think, if we chat together more directly, it'll (inaudible) where we may have different views or where we have differences.

On that capital reallocation topic. I mentioned earlier that over the last three years through a combination of M&A and some of the non-core activity, we had about 7, 10 point and there are some things there that you cannot repeat, because we've done them.

Having said that, I'd love to tell you that this things just runs off and it eventually disappear for the no issues in the capital allocation, but of course that's not true. Some of the risks that we take just don't turn out the way we hope. And then, we have new things to deal with. I think one concrete example here, when you know that we have a large core share on a property risk in North America, that's really been overview of base adequacy versus the risk that we'll take on that product. And we have the ability to essentially retain more of that. It we'll requires to buy that more cap cover to maintain the cap levels that you're familiar with, but that be one obvious example if we want to take more risks, because we believe pricing is more adequate. That's an option for us. Likely, an option that over the course of the next three years. We'll pull on either in part or in whole I think.

James Shea {BIO 1701530 <GO>}

On the claims, so we definitely track the claims inflation that we see by line of business by country. But a lot of the conversations that we've heard and talked about over the break, over lunch, over the last couple of weeks, what we're talking about is primarily in the United States. And so what we've done and as I explained the lines of businesses, where we've get the most attention of the motor and the general liability, which we've reduced by 31% in the United States, we've reduced the motor portfolio globally. We're obviously watching it, we see it. But when we look at our performance in terms of rate, our performance improvement in terms of policy and policy structure, we feel that we've managing it well.

Richard Burden {BIO 1809244 <GO>}

Jonny Urwin on left hand side?

Jonny Urwin {BIO 17445508 <GO>}

Thank you. Jonny Urwin, UBS. So I think we spent most of the last two years being corrected by Richard that the 95%, 96% combined ratio was an ambition not a target. So my question is the 15% ROE an ambition or a target?

George Quinn {BIO 15159240 <GO>}

So the target, Johnny is for an ROE that is more than 14% and rising. Within that, we have ambitions.

Richard Burden {BIO 1809244 <GO>}

Will Hawkins in the middle.

William Hawkins {BIO 1822411 <GO>}

Thank you. I'm William Hawkins from KBW. Can you just remind me, we've a lot on technologies. Just to put context, what is the size of your IT budget as you currently measure it's and how do you break that down between your investments just to keep the current business taking over and where you're investing in change?

And then secondly, slightly more kind of conception again, take onboard everything you've said. But the implication for of your technology changes within the context of the groups is sort of gradual over time. You picked this into your smooth changing numbers. Are there any circumstances in which you can envisage say actually we need to make a step change here, the pace of technology in the market overall is accelerating, so we need to do something which is big either organically or inorganically? I mean to get everything you said to implies, you said is no, but I'm just wondering if there are any circumstances you can envisage?

George Quinn {BIO 15159240 <GO>}

I was going to say, let's spend all the money [ph], tell me how much you spent? (inaudible)

James Shea {BIO 1701530 <GO>}

So it's been about $2 billion on IT, about a third of that is changed. I mean that's still one of the challenges. I mean, it also what was back to how much we spend on the back ends. I mean we want to change that makes clearly going forward. Now, in terms of step changes. I mean you will see an increase in some of the areas where we will continue to invest in and up the investments, I mean security is one of them. I mean, we made a commitment to the customers that we need to standby. And then we do acquired. I mean things like ZCAM, I mean, bring new technology into our environment. So I think those are also things that you should think about, when you think about the overall investments that we make there.

Richard Burden {BIO 1809244 <GO>}

Jonny Vo in the end.

Johnny Vo {BIO 5509843 <GO>}

Johnny Vo from Goldman Sachs. I guess just a quick if I add. In case IFRS 17 gets implemented in 2021, what happens to your target? Or at the end of '21 or the start at 2022.

George Quinn {BIO 15159240 <GO>}

(inaudible)

Johnny Vo {BIO 5509843 <GO>}

Yes. Maybe. I'm not sure, you'll have a better view than I have. That's the first question. The second question is just in terms of again capital allocation. I guess in terms of remittances, if I take out all the dividends of probably north of $1 billion left over, is that what is limited to M&A and potential further capital turns and is there a preference between M&A and further capital returns? And finally, in terms of the life business. If I look at your Z-ECM ratio, obviously it's been impacted by traditional life business sitting on your books. Is that something that you would consider looking to mitigate by disposal or potentially selling part of the back book to reduce sensitivity? Thank you.

George Quinn {BIO 15159240 <GO>}

Okay. So on each of these -- I may be do in reverse order sets. I think on the last one, on the life books. I mean if something that makes sense from a strategic perspective is open to us to do one that doesn't cause issues for our partners from a distribution side. We actually solve the issues. And we're open to all of those solutions. We've done some of them already. So if you look back at, we had annuity [ph] in the UK. It is the transaction of Roche [ph] about three years ago. We've done subsequent follow-on template transaction with Roche [ph]. Just to keep removing a risk that doesn't fit our risk appetite. And from a capital perspective, it is pretty capital intends on the Swiss framework.

So if we can do that, we would. I'd say that maybe in some markets, it is a higher priority than others, but we're actually trying to grow the business, create the right foundation. And it's actually the point of more important goal that we have. Remind me what the first question again was Johnny?

Johnny Vo {BIO 5509843 <GO>}

IFRS 17.

George Quinn {BIO 15159240 <GO>}

IFRS 17, I forget that. So what happens, if IFRS 17 suddenly accelerates. So let's just say, that's a hypothetical. This seems so from the tail. I think I mean, we have the benefit just given the products we have. We are in an advanced stage of preparation. I said to someone earlier, we will start running IFRS 17 in production [ph] as of next year. So for some reason, it appears in the following year, we're ready. Maybe I mean there are some things that still need to be ironed out, but we're ready.

I think the general view of the industry is that another years delay would be beneficial to low for a properly planned adoption of all of the different aspects. I mean we've had it both in the (inaudible) in the Board already, some of the high level numbers. What I can tell you is that you can appear used to an entirely different world, when this thing arrives. And what was your second question? I forgot.

Johnny Vo {BIO 5509843 <GO>}

(inaudible) capital return--

George Quinn {BIO 15159240 <GO>}

So I mean you're right on the number. So I think I mean typically all things being equally generate about $1 billion more for year. But If you looked at the walk, that accumulation was that first drop in the walk [ph] of the headwind. So that's something that gives us the opportunity to do things that they come along. And we would obviously prefer to grow the business in a way that would support higher dividends a future for shareholders. And that would be the highest priority.

Richard Burden {BIO 1809244 <GO>}

We come down here to Nick Holmes.

Nick Holmes {BIO 3387435 <GO>}

Can I say that I know you (inaudible) I can't call the three questions.

Mario Greco {BIO 1754408 <GO>}

Don't worry. (inaudible)

Nick Holmes {BIO 3387435 <GO>}

Nick Holmes of SocGen. First question for Jim. In big picture terms, how important are lowered -- fallen bond yields this year to driving the commercial P&C pricing? And how important in 2020 will bond yields be do you think for pricing?

Second question is on the expense ratio. Just wondered what your thoughts are -- I mean the expense ratio even after the OUE reduction is still higher than peers. And I just I mean a lot of this is business mix obviously. But is the more that could potentially come in terms of expense reduction even theoretically beyond the OUE reduction that you're looking at?

James Shea {BIO 1701530 <GO>}

Well, I do the OUE things first and George will do the other topic. So on the OUE, I think I said in the comments that it's hard to imagine that at the end of the next three years, we go all done. Nothing to see move on. There's a revolution in technology taking place and our customers expect us to take advantage of it. I mean Mario talked in his presentation actually about the critical issue and trying to make look after the communities that were part of trying to make sure that people are trained. We help you develop the skills to confront some of these new challenges. But I don't think it stops here, but where it goes to I mean today this is as far as we prepare to go on predictions.

On bond yields, I mean what your -- first part of your question was about 2019. So we're no longer pricing 2019 risk for the most part probably into 2020. And so I think, when you look at how we decide on pricing. The overall strategy in terms of the consumption of capital, the long tail investment availability, the short tail business, that's factors in into the larger picture. But I really in the past -- I would say in this, if we look at the last year, it's about loss ratio and risk collection. And so it hasn't -- in terms of the pricing, it doesn't factor into the modeling yet. But it is that driving our decision in terms of pricing or risk selection or portfolio mix. No.

Mario Greco {BIO 1754408 <GO>}

But Nick also I'm not truly convinced that we have a cost disadvantage on commercial. We've been adding benchmarking for example carefully the US business against US players. And typically, there we have a cost advantage over practically all the peers. If you talk broadly about our total property and casualty, cost position that could be different story also because we have a heavy cost component in the low claims and a low loss ratio business that we drive in South America. So that is where the business mix has an impact. But I mean honestly. I was trying to think back to Kathleen's numbers in US, I mean, it's not immediate to me that we have any cost disadvantage on commercial with any of the peers.

Nick Holmes {BIO 3387435 <GO>}

I can remember a very, very long time ago. I think, it was 2004 when Zurich had the lowest expense ratio in just absolute terms not adjusted for business mix or anything, but the lowest expense ratio of all of the European peers. And now if you look, I mean even also the OUE thing, you still look a little bit high. I just wondered, but your answer is that it's business mix essentially.

George Quinn {BIO 15159240 <GO>}

Can I point out, that in 2014, we changed the way we calculate cost ratio and added two points to it just for the sake of--

Mario Greco {BIO 1754408 <GO>}

But Nick, we're not saying it's only business mix. We're saying we are committed to continue driving down the cost ratios. So we're not saying it's just a business mix. We're just saying I think we are highly effective or productive in commercial. And even there we're looking at ways and Kathleen is committed to continue on culming down cost inflation in US. So don't take it on the other opposites. I mean we want to work on cost, so we'll work on cost, we will improve our cost efficiency further. It's not immediate to me to that we're lagging behind on the commercial space to anyone else. Actually, whenever we compare ourselves to commercial, we typically conclude that we have a cost advantage to the others.

Richard Burden {BIO 1809244 <GO>}

Next we go to Andrew Ritchie.

Andrew Ritchie {BIO 18731996 <GO>}

Hi. It's Andrew Ritchie from Autonomous. I think I've got one for each of you. I think it'll make it easy. Simple one just for George to start with. I presume the capital intensity of commercial will fall as prices rise, because you referenced it to NEP, but if NEP growing just because of price model exposure, I'm guessing that falls. So it was in the 90s based on today's pricing and if pricing is about six and maybe another six, then that could fall quite materially. Just clarify that.

And for Jim, I'm still a bit confused on what your ambition is in specialty at this point. I'm not sure also what you're including in specialty. I presume you're including professional lines in specialty not in casualty. But you're happy to grow specialty now apart from credit. I think that's what you said and maybe just clarify that you've got the capability, the underwriters in place for that. But I had also a longer term picture, there's very few global commercial lines insurers with multinational global master capability, maybe 5, maybe less than 5 right now.

Traditionally, they haven't had great pricing power, despite the fact you have to maintain vast networks of claims and regulatory people and you have their pricing power, because of the power of the brokers and because of the impact of excess capacity. Is there a real pricing power now? Can global -- large global corporate multinational insurance now really make money and can it make excess returns if there's so few of you that do it?

And the final question for Mario. I guess you're going to reramp the remuneration structure because you -- I think you ramped it, at the start of the last three year plan, I'm assuming if it will be the same structure of so they'll be a cash remittance target in their BOPAT ROE will move from 12 to 14. Is it going to be fully aligned or are there any other quotes you're going to check in? Thanks.

James Shea {BIO 1701530 <GO>}

So yes. So to answer the first part of your question, what do we mean by specialty. So specialties includes financial lines, it includes marine, it includes political risk, trade credits, surety, accident and health. And so your question on professional indemnity and that professional, that's what I look at as a subsection of the financial lines business. So that would include professional indemnity for individuals, for professionals, but also for financial institutions et cetera.

And so, it's a very big mixture of lines of businesses. The credit one is the one that we -- credit lines and surety exposures, we definitely see a change in the marketplace. And so we think we're -- as George said, we might -- we're not always right, but we certainly believe as we look for that this is align to either maintain or to reduce regardless on the geographical exposure. In financial lines, we made some significant portfolio changes with respect to lines of businesses that weren't performing well and haven't performed well for many carriers in the industry.

Growing in the D&O space, which has historically been a good line of business has performed relatively -- quite poorly over the past three years, so we didn't grow it. But we do have the talent and expertise. And as the market is changing and the rate increases and improving terms that we're seeing particularly in the United States, we're seeing it in the D&O marketplace, and so we're conservative but we're ready and we're opportunistic and to capture that market.

We hear a lot about the marine portfolios and different carriers in the market and that's historically been a tough line of business. But one that helps complement many of our other lines of businesses that we have with customers. So we do believe that A&H is an area that we will grow and continue to grow. And so the collection of lines that we call specialties, they are always interlinked to each other and so it'll be opportunistic, but we absolutely feel that we are well positioned in that space. So we will continue to see how that progresses through the coming cycle.

Your point on the large multinational business. You're correct. There are four, five, six carriers that have the network and the ability to service these customers. What we've seen is they've become challenging for a number of reasons. Number one, they have a much higher level of risk management -- sophistication and risk management in terms of how they manage their risk and portfolios. They have from the intermediate -- vast majority are intermediated, and the brokers will put their best people on that to find the best terms and conditions in the market.

I believe that a lot of carriers, look at them, there's a prestige in some of the markets to write these lines of businesses. And to access the broader portfolio, you need to have about the distribution in the tougher risks. You also have these companies have the ability to retain more risk. And so the more they retain and have the premium sitting in the what would be more of the attritional layer, what's left that goes into the risk transfer of market has more volatility.

And so the question is can this, is there -- your question was going forward is this scenario that we can make money? If I were to look at and segment where we've seen the best in terms of rate increases, the best changes in program, structures, the best deductibles introduction of captives and risk-sharing, it's been in that space. And so that is where we're seeing the significant changes. It's coming through in the large middle-market multi-country jurisdictions, but I absolutely think that is the differentiator for us.

I'm often asked when you talk about middle market, you're going to grow and try and compete with in a market with 35 carriers and how are you doing it with the in the larger when you have a smaller? So that to me is the area that large multinational is now that differentiates us, when we've invested in. I think that the customers. When I talk about service and as opposed or in addition to the risk transfer, it's getting more and more difficult to operate a global organization in some of the changing geographical environments, regulatory environments, political environments and so they rely upon their insurance partners more and more to help them navigate in that space. And so I think yes, it's scenario, we will continue to invest and continue to lead in.

George Quinn {BIO 15159240 <GO>}

And I have a yes myself as an answer. All targets are aligned with this targets year-by-year, they were in the three years before and they will equally for the next three years including the target that Conny introduced and indicated on customers and brands.

Richard Burden {BIO 1809244 <GO>}

Jon Hocking here in the middle.

Jon Hocking {BIO 2163183 <GO>}

Thank you. Is the middle market completely distinct from SME or is there some overlap? That is the first question. And then secondly, looking at the capital intensity slide that George put up. Is this middle market business lower capital intensive than the rest of commercial or does it depend? And then finally, the slide that was put up showing the servicing capability that you need for middle market. As the shape of the ROE look different from middle market. You're carrying more expenses with low volatility returns, how should we think about that mix shift over the period? Thank you.

Richard Burden {BIO 1809244 <GO>}

Okay. I can do it in two straightaway. So that be yes. And maybe also three. So if you look at the broader middle market, it would have different characteristics and that's part of why you the effort on our part to deepen the footprint that we haven't said this in our [ph] group more effectively. I think for the mid-market that we've ended up with today, it's not delivering that for us. And that's why Kathleen and the team are making the changes that we talked about and Jim talked about in the presentation.

Mario Greco {BIO 1754408 <GO>}

And just in terms of where there is overlap, it's not a clear cut off point, when does a company stop being a SME and become a middle market and went from middle-market to corporate. It really often depends on lines of businesses and you look at -- I could see a risk of a scaffolding company in New York City that has a small warehouse in Queens and five vehicles. That's a pretty SME risk. But when you start looking at the liability exposure, it changes a little bit. And so it's so hard to say -- I mean we try and say a turnover just as a general guideline, but we will vary by lines of businesses. And the same is true at the upper end when does it become stop being a middle market and become a large corporate.

But it's conceptual division is meet SMEs or products. We're -- almost there is an automatic underwriting at the origin of the product. Middle markets, there is an underwriting of the risk and the policy can be written on the risk. On SMEs that should be excluded. And SME, which is outside of a product is not an SME. Now, you can get very passionate and you can spend a lot of time in these definitions. But intuitively, the concept is quite easy to grasp. And yes, I mean sometimes we become very passionate about that.

Richard Burden {BIO 1809244 <GO>}

Vinit here.

Vinit Malhotra {BIO 16184491 <GO>}

Vinit Malhotra from Mediobanca. So just two questions, can you -- so Mario, I heard you loud and clear in the media call that you're not happy to present any guidances regarding combined ratio in this plan. Now, I was very surprised, because if anything that would have been one of the strongest part of this plan, because we've seen such an amazing combined US commercial situation where claims inflation is very it is pricing is still accelerating and we can see that credit is slowing down for maybe a very low combined ratio area is slowing down. But if you could help us a bit has to why this stance was taken in this target setting or am I completely missing something in what has been communicated? So that's the first question really.

Second question is for Jim as well, I can see very clearly that the 31% general liability reduction has helped you better whether the current sort of claim severity in the US. Could actually comment that was something more to it? So in other words, the book as it was in '16, was there some sectoral differences already when you came in which would have said, hey, we anyways would have whether this better? Because, it can't -- I mean in my experience, it has been it's not just some cutting back in premiums that lets you get any in commercial carrier whether this kind of situation easily. So if you could just comment on exposures as well. Thank you.

James Shea {BIO 1701530 <GO>}

Sure. When we look at liability, what we're including is general liability, workers' comp and motor, right and generally is the three large. And so over those three years as I said, we've reduced both motor and the overall liability portfolio and those numbers were based upon net earned premium. So as we've seen some rate increases in these spaces in the accounts that we retain, we've also reduced the exposure even further. So it's -- we look at it from a customer perspective as well. And so if we're a major carrier, our major supplier of a certain line of business for a customer to leave them in a certain line. It's a lot easier to focus on a reinsurance or a reduced net position, but I think it's not -- workers' comp we've definitely taken positions and changes in that portfolio. I would say, the motor and the general liability have been the largest.

Outside of the United States, there's a lots of large multinationals that have exposures in the United States. And so we've seen significant change in that portfolio as well both on our underwriting how we structure treaties and that and so all of that has contributed to that reduction, but when you look at that 31% that we talked in the United States, that's on NEP the exposures probably come down a little bit more.

George Quinn {BIO 15159240 <GO>}

(inaudible)

James Shea {BIO 1701530 <GO>}

So that we don't have combined ratios and our plans we do, but if you followed the company's commentary, if you followed my calls over the course of last year, I asked to change tack slightly just about every single three months currently. And there is no value in that. I mean I think the team have more than happy to help you guys find the elements of the ROE walk, combined ratio relevant and allow you to work out where you think the convention will go. But our aspirations are better return on capital. That's the key driver for us.

Mario Greco {BIO 1754408 <GO>}

Give me break. But I would have given the same answer of this morning. So I thought it's better to give another answer.

Richard Burden {BIO 1809244 <GO>}

One last question from Jim Shuck.

James Shuck {BIO 3680082 <GO>}

Thank you. Jim from Citi. I'll also ask on volatility. So 13 points you showed on slide, it come down to five points. Was that in your budget? Is that what you were targeting to get to on five points and are you happy with that being at five points on the commercial book or do you want to take that down further?

Secondly, there's a little more confidence around European commercial rate outlook. The environment has been improving. Can you just comment on how sustainable you see that is and some of the drivers behind that? I hope my third question doesn't get forgotten again, but I was just keen about -- to know about the restructuring charges in 2022, please?

George Quinn {BIO 15159240 <GO>}

So I'll do one and three and Jim will two. So on the what was the aspiration? We actually added aspiration to reduce the large loss experience below the level that we currently see. As Mario mentioned earlier, we've tried to go away from -- it's not as it's a large losses. (inaudible) excuse for why things don't work, so we don't do that internally, we don't do externally, but we did have -- we had an ambition, we have an ambition to try and take large losses (inaudible) and today.

On the restructuring, apologies Jim for forgetting it last time. We gained that we think that probably given the size of the group and the activities we have. If we want to $200 million as a reasonable ongoing assumption around and restructuring, the programs that we have here I expect to be within that number. So no change to restructuring guidance.

Jon Hocking {BIO 2163183 <GO>}

Rate increases that we've seen in the marketplace really began, I would say, towards the end of the first quarter of 2019, and it's great consistency. And we saw it first we in the United States, we saw it first in the cat exposed lines of businesses, and we've slowly seen that in each from quarter-to-quarter increased in the United States, we've seen it in the London market and so the London market probably sometime in the summer started to show substantial consistent changes. Continental Europe is a different market place. And so the vast majority of the business not just our business, but the business in the market renews on January 1.

And so it was this time last year, all of those accounts were renewing and so we're in the middle of that process now. I'll talk to you in February how it all worked out. But the indications we have today are that the rates are increasing and holding in the large multinational risk certainly across most of the European countries. I would say the market probably has been was in denial in the summer that it would happen. And the challenge that we -- from the underwriting community, you talk about this market coming for years and when it comes it's really difficult, because you're dealing with customers who don't want it to change, don't see why they're being impacted by the change. They then want -- they don't believe if there are brokers been bringing them up to date and preparing them, they don't believe it. So they want to get another broker to try and look at it and it moves around markets. And so it's a very disruptive time. But the indications we're seeing are that the rate increases that we were seeing in the US and here in the UK will be seen in the first quarter in continental Europe.

James Shuck {BIO 3680082 <GO>}

I'm just keen to understand the drivers of it a little bit. I mean, people, we sort of seen a reversal of globalization and more localization of capital. So why should German or French clients see rate increases just because there's been US cap [ph] or Japanese cap [ph], for example, what's happening on the claim side that's hardening the market?

James Shea {BIO 1701530 <GO>}

I think that a lot of these companies are multinational companies, right? And so they don't live in their own market and they're not able to purchase towers within typically under local capacity. Markets around the world have benefited from a soft market. So if you are a property risk in Argentina or in Australia, you didn't -- you weren't a better risk over the last 10 years. You just benefited from the global markets coming down. And so I think, what we're seeing is that the reinsurance market. They've had certain experiences around the world across their portfolio as have carriers, and so more and more it's being looked at as a global portfolio.

What I can say is what we're seeing in many of the European markets is a consistency of approach by what you referred to earlier is the top five or six carriers who have this experience and have this history. You do see some local carriers coming in who have never written the business before in that jurisdiction are willing to take it at expiring price without the experience. So the customer in my view will win for a year or two until the same experience comes up. So that's a possibility that we'll see in some of the European market places, but generally I think it's the consist, it's the global nature of the reinsurance markets of the global treaties that people purchase and having to look at it as more of a portfolio. So we'll see in a couple months.

Richard Burden {BIO 1809244 <GO>}

Okay. Well, thank you very much, everybody. We'll leave the Q&A there. If you do have follow-up questions, our IR team available later today and obviously coming weeks. And I'll pass over to Mario if you want to make some closing remarks.

Mario Greco {BIO 1754408 <GO>}

Yes. I mean it's hard to say anything after this long day. Thank you so much for your support through the years. Thank you so much for the questions today, and please keep us awake with challenges, with questions over the next three years ago. But the rest assure that we plan to have a very similar day in two years' time with very similar messages. And we count that all of you being there as we will be there. Thank you.