

Managing Risk

Interviews with

Daniel W. Riordan, CEO of Zurich Global Corporate in North America,

David Dietz, CEO of Zurich Global Life in North America, and Bryan Salvatore, President of Specialty Products, Zurich North America



Daniel W. Riordan

EDITORS' NOTE *Dan Riordan is Chief Executive Officer for Zurich Global Corporate in North America. He has been with Zurich since 1997. Previously, he was President of Zurich North America's Specialty Products. Riordan joined Zurich to establish and manage the Political Risk and Trade Credit business. Under his lead-*

ership, that business grew into a world-class organization. He then managed an integrated Surety, Trade Credit and Political Risk business. Earlier in his career, he was a senior executive and vice president for insurance with the Overseas Private Investment Corporation (OPIC), managing a \$13-billion portfolio of long-term investment risks in 75 developing countries. Riordan is president of the Berne Union, the London-based international association of export credit agencies and investment insurers. He is also a member of the Board of Advisors for the School of Risk Management at St. John's University and a member of the Institute for International Finance. Riordan is a graduate of the State University of New York at Oswego, and earned a master's degree in international development from the School of International Service at American University, Washington, D.C.

COMPANY BRIEF *Zurich Insurance is a global leader in managing risk. With more than a century of experience in North America, Zurich helps businesses understand and protect themselves from risk in a rapidly changing, interconnected world. Zurich in North America (zurichna.com) is the fourth-largest commercial property-casualty insurance company, serving the global corporate, large corporate, middle market, specialties, and programs sectors in more than 170 countries. Zurich employs approximately 9,000 people in offices throughout North America with major centers of employment in the metropolitan areas of Chicago, New York City, Kansas City, Omaha, Baltimore, Orlando, and Toronto. Zurich is very proud of its more than 100-year history in the U.S. They have helped shape the America known today by insuring iconic infrastructure projects in New York like Madison Square Garden, and throughout the U.S., like the Hoover Dam.*

Where do you see the market today? Has substantial recovery taken place and, if so, is it sustainable?

We are seeing an improvement in the economic environment. Globalization is supporting growth beyond national and regional borders and technological development is opening up new business opportunities that we are looking to take advantage of.

There are a lot of exciting things happening in Texas and Canada, particularly in the energy sector that will permeate throughout North America. So I'm pretty bullish on economic conditions in North America. The companies we work with tend to be larger international companies and are seeking growth. While there is risk, there's also a lot of opportunity.

Zurich helps its customers better manage their risk. All you have to do is see the excitement surrounding the U.S. with regard to the next 15 years, when we will be a net exporter of energy products. Overall, the economy in North America is becoming more robust, and over time, will continue to develop well in a global environment that has taken a while to come back.

How broad is Zurich's Global Corporate business?

We have one of the world's largest global networks. The Global Corporate business in North America spans a broad range of industries. Energy, manufacturing, technology, and hospitality are just a few of the sectors we reach. We're seeing a lot of activity in energy and we're working closely with our customers in the energy sector – both in the middle market and larger corporate space.

Manufacturing and technology are also really important as well as hospitality, which is booming.

Another area is international business. Many companies recognize that if they're going to continue to grow and show value, they need to look at international markets.

We're well-positioned to help with that at Zurich because we're a significant player in the international sphere with an international network of Zurich staff to service policies around the globe.

We insure companies that have operations in well over 100 countries. They come to us because we can make a determination on what is compliant in various international locales for issuing policies and for tax purposes, and we share that with our customers.

New York is an important market for Zurich. Our Global Corporate and Global Energy North America businesses, as well as our Specialty

Products business, are headquartered in New York. Many of our larger customers and key brokers are based in the New York region. It is a vibrant city with a good competitive spirit and a venue for international meetings. I'm also the President of the Berne Union, an international organization of nearly 80 members from export credit agencies and political risk and credit insurers in over 60 countries. Zurich has been very supportive in this industry and in trade. It's a fitting addition to my role at Zurich, as I'm working with customers who are also exporting and investing around the globe.

Is your role to be more of an advisor?

What we do goes beyond providing an insurance policy; it reaches into thought leadership. We focus on areas where we know our customers are looking for new ideas and concepts on how to better protect themselves from risk. For instance, there is a big effort on flood resilience that Zurich is a big proponent of, which is more focused on preparation as opposed to disaster recovery.

Zurich launched a global flood resilience program in 2013. We are committed to this major flood resilience program because floods affect more people globally than any other type of natural disaster and are responsible for some of the largest economic, social, humanitarian, and insured losses. The program aims to advance knowledge, develop robust expertise, and design strategies that can be implemented to help communities in developed and developing countries strengthen their resilience to flood risk. To achieve these objectives, we are bringing our experts together with humanitarian organizations, NGOs, and academic institutions to improve communities' understanding of and resilience to flood risks.

How much of a focus has cyber-security been for you?

We've worked with a lot of different groups, including the Atlantic Council, to look at cyber. We have our own cyber products to help our customers protect themselves from risk.

When I'm talking with CEOs, it's probably number one or two in terms of what keeps them up at night. Our efforts are to provide them with more information by aligning with various industry experts and engaging with various government firms to pool information.

It's evolving on the product side where cyber risks are changing and becoming more broad-based. We focus on the typical intrusion into a company's information, and how companies need to react and prepare.

There is also concern from some customers about international cyber, which touches on political risks for companies as well.

How critical is preparedness for clients and companies as opposed to disaster recovery?

We're good at handling situations that have occurred in terms of claims servicing and helping customers rebuild. But most customers would rather try to avoid a risk in the first place, so preparation is key.

There is a tremendous body of data available on the impact of storms and flood zones. We saw some flood-zone mapping changes after Sandy. The question there is, "What do we do with that information to better prepare for the next catastrophe?"

We use a risk analysis methodology called Total Risk Profiling®. This is the structured approach to identifying, assessing, and monitoring holistic risks and improvement actions that Zurich takes to manage its own strategic risk as a global corporation. We look at vulnerabilities and sensitivities, and how to better prepare for disasters and share that knowledge with our customers.

Has managing and evaluating risk become more complex? How have the tools evolved?

The tools are sound but we are always looking at how to advance them and develop new ones as risks are changing all the time.

We have three innovative tools that are receiving great traction with our customers. They are called: My Zurich Portal, The Multinational Insurance Application (MIA), and Zurich Risk Room.

My Zurich Portal is a secure risk management online portal that supports customers to manage their international programs, claims, and risk engineering information. It draws together real-time overviews of a risk manager's whole portfolio, including all policies, claims, and risk improvement actions. Zurich customers can drill down from a high-level graphical overview to details such as a single policy document.

At a time when local country insurance regulation is becoming more complex and challenging for multinational customers and brokers, we developed a tool to help risk managers proactively address local country regulatory requirements and variations affecting non-admitted insurance coverages. Zurich's MIA promotes transparency and drives clarity around requirements, from deal structuring to claims payment, to sustainably address compliance concerns.

The third tool helps risk managers make risk-aware decisions. It's called the Zurich Risk Room. Its purpose is to achieve a holistic view of country risks, allowing focus on specific countries targeted for strategic investment decisions, showing the relative position of each country with respect to the economic and business risks chosen. A "light" version of the app is available at the Apple Store.

Predictive analytics is of keen interest to me and our global corporate business because we have a wide body of data on risk. We leverage our data with insights and information from many other sources to help our customers gain a better understanding of their risks going forward in this volatile, interconnected world. ●



David Dietz

EDITORS' NOTE *David Dietz is Chief Executive Officer of Zurich Global Life in North America, based in New York. He joined Zurich in September 2009. Before joining Zurich, Dietz was President at AIG Life Wealth Management Group, responsible for AIG's Global Affluent and high net worth life insurance markets segments. Prior to that, Dietz was Chairman and CEO*

of the Affluent and Corporate Markets profit center of American General, AIG's U.S. life operation. Dietz joined American General in 1997 as President and CEO of United States Life Insurance Company, then a subsidiary of American General. Earlier, Dietz was President and Chief Executive Officer of Prudential Select Life Insurance Company. He began his career as an advanced underwriting attorney at Mutual of New York, and subsequently held senior positions at a number of insurance and distributions businesses. Dietz is a member of the New York State Bar, the American Bar Association and the Association for Advanced Life Underwriting. He served on the Board of Directors of the General Agents and Managers Association of New York. He received his Bachelor of Arts degree from Queens College and his Juris Doctorate from Brooklyn Law School.

DIVISION BRIEF *Zurich announced its plans to grow in the U.S. life insurance market in 2010 and established Zurich Global Life North America. The division is headquartered in New York and serves select market segments where it can add value to the market and leverage the company brand. Zurich also offers Farmers branded life insurance through the Farmers' network of exclusive agents, including term life, whole life and simple, and current assumption universal life. The policies are issued by Farmers New World Life Insurance Company, which has more than 100 years in the life insurance business.*

Why is Zurich expanding in the U.S. life insurance market and how are you achieving this?

The U.S. is the world's largest life and health insurance market, therefore growing the U.S. life insurance business is strategically important to Zurich. Our team is utilizing our strong company brand and capital support to expand in the market segments in which we compete. We are meticulous on our expansion strategy and have established a structure that allows us to reach our customers via channels where there is a touch point. We are continuously expanding these customer touch points through new distribution relationships, new propositions and by making it easier for our customers to do business with us. We are very proud of the progress to date and are very excited about the plans underway to serve this powerful market.

Our key to success is to work closely with our distributors and to consult with them on new propositions and distribution plans. For example, we are focusing on expanding our private placement propositions through fostered relationships with private banks and dedicated private placement brokers. Private Placement products

are individually designed for ultra high-net-worth individuals. These customers require very large life insurance benefit amounts and sophisticated investment contracts for their estate tax and income tax planning. We have hired senior professionals in the market who have the relationships and the knowledge to deliver to this segment. This is at a time when many of our competitors have pulled out of this market.

In addition, we are offering to the affluent customer contracts with benefits as high as \$20 million, retaining all the risk in house. Normally, our competitors do not retain risk of this magnitude.

How does the Zurich distribution approach serve the market?

Our focus is to provide our customers with life insurance products designed to meet specific needs; whether it is an individual life policy for a young family or a high net worth individual or a group employee benefits solution for U.S. multinational corporations. We help clients manage their financial risk during their various life-stage events such as expanding a family, purchasing a home, or getting married. And we also help companies and business owners manage their employee liabilities or financial exposure through carefully crafted life insurance solutions. In order to reach our customers and fulfill their needs, we have to cater to the way they shop and acquire information about life insurance products. For example, individual shopping trends are evolving online and a lot of information is absorbed through social media. We are working closely with our distribution channel to evolve in the same direction as our customers. Our Farmers Life company distributes to the middle market through the Farmers Group multiple-line exclusive agency system. The multiple-line agents sell personal lines, property/casualty, and life products through their agency offices all around the country. Their customers know and trust their local agent for their insurance needs. However, we are aware that these same customers have other options to purchase life insurance and they choose how to contact us and how to do business with us. At Farmers Life, we support the agent network with social media campaigns, training and technology solutions that make transactions even easier to complete.

Where do you see opportunities for your division?

There are opportunities everywhere there is an unmet financial need. We have an advantage in the market because Zurich is a market leader in many respects.

We are one of the few remaining multiline and multinational insurance companies. This is an enormous opportunity for us as we look into expanding our employee group business. For example, we are working closely with our colleagues in Global Corporate who serve large corporations to leverage their history and relationships and introduce their corporate customers to new risk solutions. With today's globally mobile workforce, U.S.-based multinational corporations need to provide cost effective and comprehensive benefit solutions for both U.S. domestic and globally mobile employees. We have a truly global organization and can access our global professional network to serve our customers anywhere and any time. Another major initiative within our employee

group business is to offer disability management services to Global Corporate customers who currently have workers' compensation insurance with us. Zurich protects hundreds of thousands of U.S. employees and their employers, as the fifth largest workers compensation insurer.

Geographically speaking, New York presents an opportunity for us as well. Historically, Farmers Group has focused West of the Mississippi, and over the past few years has begun to expand eastward – most recently, they have gone into New Jersey and New York. The life business is also expanding to New York through our Farmers Life company. We have established a life entity to serve the New York market with the Farmers brand and our agents will soon be able to offer life insurance products here.

Our other distribution channels that focus on the affluent customer and the employee groups have plans to continue building up in New York where we have established many broker and benefit consultants relationships to better understand and penetrate this important market. As previously mentioned, we are also talking to private banks to serve their sophisticated customer life insurance needs.

We see another distinct opportunity in the fact that we do not have unprofitable legacy business that drains up our capital. We invest and grow in line with our company strategy and we have the capital support to advance our aspirations. ●



Bryan Salvatore

EDITORS' NOTE Bryan Salvatore joined Zurich in 1997 in their Employment Practices Liability area and quickly moved over to lead Zurich North America's Specialty Products Field Operations and Marketing group in 1998. In 2007, he turned his focus to Accident & Health, where he continued to expand Zurich's book of business. In 2012, he was named

President of the Specialty Products business unit. Salvatore began his career in the insurance industry at Frank Crystal & Co. in New York, where he was Director in the programs area. He is a graduate of Fairfield University and earned an M.B.A. from Fordham University.

DIVISION BRIEF The Specialty Products business unit at Zurich provides protection for emerging, volatile, and potentially catastrophic risks with approximately 60 products. With their global footprint, distinctive products, unique risk insights, and financial strength, Zurich Specialty Products works closely with its customers and brokers. Their growth areas include Accident & Health, Environmental (Site), Healthcare Professional Liability, Management Solutions, Political Risk, Short-Term Multi-buyer Trade Credit, and Surety.

How have the areas for specialty products evolved over the years?

Specialty Products is the area within Zurich that focuses on the potentially volatile and catastrophic risks of customers, which includes 20 separate areas ranging from surety and credit and

political risk to environmental to directors and officers liability. We also focus on security and privacy, professional liability, excess casualty, and medical stop loss.

Zurich places a big focus on the customer. It's about understanding the needs of each of our customers and helping them solve for these needs. In an area like specialty products, we can effectively solve some of the unique needs that vary by customer.

I don't view us solely as a specialty company; I view us as a specialty unit within a global insurer that is very focused on the customer.

How close is the coordination among segments in Zurich?

To achieve our mission, we work together.

Our mission is to help customers understand and protect themselves from risk. To do that well, we have to understand the various issues and needs of our customers and work through their issues with them, and to do that effectively, we need to be well-coordinated.

Where is the innovation taking place within the space?

One of the big areas for us is security and privacy – there is a continuous need to understand what is going on there from a risk perspective.

We continue to work on how we're helping customers understand their needs to properly obtain coverage on a global basis.

We also continue to expand our investment and tools in our global customer capability. One such tool is our Multinational Insurance Application. It's an internet-based tool that helps customers centrally manage their international insurance programs. Its database contains regulatory and tax information for approximately 200 countries, and brings clarity and simplicity to the complex regulatory world. We continue to invest in that tool and make it available to customers and their brokers.

How broad is the customer market for specialty products?

We are particularly effective with the middle market and corporate customer to whom we often deliver a range of coverage solutions.

There are also a number of industry verticals we focus on, industries like construction, healthcare – in particular hospitals – and financial institutions.

Are you working within different layers of an organization?

Large organizations typically employ risk managers who are responsible for managing threats posed to the business. When a customer has a risk manager, we develop a relationship with that person. It's built through coordination with their broker.

When you're providing Surety, or Credit and Political Risk or D&O insurance, these coverages get the attention of the risk manager, and at times the CFO, the treasurer, and the general counsel.

How challenging is the regulatory environment in terms of managing risk today?

We see a lot of attention being paid to what each country requires from a global, compliant coverage solution. It's constantly changing so we work to stay on top of that.

We're seeing a lot of attention to what's going on in cyberspace. It's evolving and, beyond

the regulatory involvement, the risks are evolving quickly.

Insurers, customers, and organizations of all types are seeing that the risks that come out of the cyber space are not just direct attacks on an individual company – there are risks that come from relationships with vendors and partners. This is a significant challenge at this point, and we're helping our customers think through those challenges.

Is technology playing a major role when you look at how your business is handled?

There are the tools we deliver to customers and brokers in terms of portals to improve access and the efficiency of their engagement with us, and to help them understand and manage their risks.

We're also investing in technology to make us much more effective and efficient – this helps us provide better service to our brokers and our customers. We have an aspiration to be the best insurance company in the world as measured by our customers, shareholders, and employees. We strive to deliver optimal protection and service to our customers. We're focused on this and technology is a big part of it.

Do you anticipate growth throughout the different areas in your segment?

We have a strong position towards profitable growth over the next several years, but it will not hit every area.

Our customer focus makes us stand out and is an important foundation for growth.

Certain areas are poised to grow: security and privacy is one example and the growth is based on the significant increased demand for that protection. I expect it will grow very meaningfully.

We are effectively growing in a number of areas like excess casualty and surety because of the quality of the work we're doing there. But when I think about growth, it has to be driven by real demand from our customers.

I don't want to drive growth for growth's sake – I want to see it because we understand our customers' needs and we're responding to them.

How critical is diversity within Zurich?

We are focused on ensuring employees are empowered to be successful and to help them perform at their full potential. Zurich's Women's Innovation Network (WIN) is an example of how we foster diversity and inclusion. WIN is an initiative aimed at creating insights into women's issues and providing networking opportunities with colleagues and industry experts who have been successful in their careers. While women are the main audience, men are also welcome to get involved, as many issues affect both. It's also important that we facilitate the relationships our employees have with their communities. We are focused on finding the best people so it's easier to build diversity in this regard.

How significant is Zurich's involvement in New York from a business point of view?

We employ 850 people in New York. It's the home office of our Specialty Products operation. It's also the location of many of our customers and brokers, so New York is a driving force in our relationships and our production. With our global footprint, distinctive products, unique risk insights and financial strength, Zurich is on its way to be the best in the markets we serve. ●