

The Resilience Business

An Interview with Francis Bouchard, Group Head of Public Affairs and Sustainability, Zurich Insurance Group

EDITORS' NOTE Francis Bouchard oversees Zurich Insurance Group's government affairs, corporate citizenship and sustainability initiatives. He first joined the insurance sector in 1989, and since has held a series of industry-focused lobbying, communications, sales and public affairs roles as well as serving as managing director at Hamilton Place Strategies. Bouchard attended Syracuse University and the George Mason University School of Law.



Francis Bouchard

COMPANY BRIEF Zurich Insurance Group (zurich.com) is a leading multi-line insurer that serves its customers in global and local markets. With about 55,000 employees, it provides a wide range of property and casualty, and life insurance products and services, in more than 215 countries and territories. Zurich's customers include individuals, small businesses, and mid-sized and large companies, as well as multinational corporations. The Group is headquartered in Zurich, Switzerland, where it was founded in 1872. The holding company, Zurich Insurance Group Ltd. (ZURN), is listed on the SIX Swiss Exchange and has a level I American Depositary Receipt (ZURVY) program which is traded over-the-counter on OTCQX.

What have been the keys to Zurich Insurance's industry leadership and how has its focus on resilience been a differentiator for the company?

The key to any meaningful form of leadership is authenticity, so it's important to recognize that Zurich's leadership on resilience topics is a direct extension of our mission and how we view our role in society. Remember, insurance companies are, quite literally, in the resilience business. Extending that role into managing and anticipating risks, and delivery of our capabilities in new ways, is the journey we're on.

How do you define your role and key areas of focus?

We have three clear pillars for our sustainability focus: climate change, work sustainability and confidence in a digital world. In each of these areas, we take our knowledge, capabilities, networks and influence and apply them in ways that help mitigate the risks posed by these massive societal transitions - for our people, our customers and society more broadly. In short, we're applying a risk lens to what we see as some of the most disruptive challenges facing society.

Will you highlight Zurich's commitment to sustainability?

Our boldest commitment is probably to ensure that we help limit future global warming to 1.5 degrees. This demands a fundamental redefinition of our role in climate-related issues, both in terms of taking ownership of the need to act, as well as broadening the playing field where we think we can have an impact. We've done the same in our commitment to guide all our people through the changing world of work, as well as in our promise not to share our customers' data.

How do you define resilience and what are the key characteristics of a resilient company?

On a technical level, we define resilience as the ability to achieve one's desired goals and objectives despite suffering a shock. What's more revealing, though, is understanding the interconnectivity and interdependence of the system, or systems, in which that shock happens. In other words, resilience is rarely a solo act - it's more a team sport that requires multiple stakeholders to balance likelihood and impact against immediate expectations and competing priorities. Companies, or even countries, that see those connections and consciously balance those factors are the ones that are most likely to continue to progress even if they suffer a shock.

How does Zurich's deep understanding of risks help inform resilience?

With risk and resilience central to what we do, it's hard to disentangle cause and effect. However, there are at least three primary ways we use our deep understanding of risks to help enhance resilience. The first is through our core products and services, keeping in mind that one of the fundamental roles we play in society is to send risk signals through insurance rates. As risks increase, the price of insurance increases. This, in turn, drives incentives to reduce risk and improve resilience. To reinforce this virtuous cycle, the industry has established groups like Underwriters Laboratory, the Insurance Institute for Highway Safety, and the Institute for Business and Home Safety, all of which aim to reduce risk and improve societal resilience.

In those geographies or economies where insurance is not as prevalent, we deliver that knowledge in other ways to encourage resilient behaviors. For example, our Flood Resilience Alliance. We have partnered with NGOs and academic institutions to develop an engineering-based framework for vulnerable communities to assess their exposure to floods and the options available to address it. We've now applied this framework to over 200

communities and have helped to improve countless lives - not through insurance, but through the rigor of thought that underpins the insurance mechanism.

A final "delivery" mechanism we deploy is our people. Over and over, we are advising governments, speaking at conferences and working with nonprofits to expose, assess or address resilience issues. In each case, our people are standing on the shoulders of 50,000 risk experts and 150 years of risk management to share our knowledge and advance the cause of resilience. We share an ethos of wanting to create better futures together with our various partners and it shows in the many causes and communities we've supported.

What do you see as the role of the insurance industry in addressing large-scale societal risks like the global pandemic?

Unfortunately, the pandemic has been a reminder that insurance cannot be the only answer to some catastrophic risks. In this case, insurers played a limited role due to the lack of credible frequency or severity data available and the inability to diversify risks. We're also seeing a limited industry role after large-scale weather events where increasing numbers of people are uninsured or unprepared. It's what we call the "protection gap", and it's become a major focus of industry leaders who recognize their role in society not as selling insurance, but as preparing society to be resilient against risks.

With the fast-approaching effects of climate change, the growing specter of large-scale cyberattacks and, now, the very imaginable impact of global pandemics, it has become critical that governments, insurers and other stakeholders reassess their respective roles in managing catastrophic exposures. This includes recognizing the critical role that adaptation and other resilience measures must play.

Do you feel that resilience is something a person is born with or can it be taught?

In some ways, it's as innate as our fight or flight instinct, or our knee-jerk rebalancing act when we trip over a rug. There's a core human yearning to protect one's health or well-being, and it's absolutely amazing what the human spirit can endure. However, instincts can only take us so far. When the source of risk, and the steps needed to protect oneself from that risk, are complex, people lose the will to take personal responsibility. We only react to the risks we can manage - the rest we leave to providence or politics. That's where the complexity of resilience needs to be taught since both the risk and our response to it are fundamentally dependent on unseen, yet changeable, forces. In the end, it's about strengthening our understanding of the factors underpinning resilience so that we realize we can manage more and leave less to fate. ●