

Zurich Basics

An Interview with James J. Schiro, Chief Executive Officer, Zurich Financial Services Group, Zurich

EDITORS' NOTE James Schiro joined Zurich Financial Services as Chief Operating Officer of Finance in March 2002 and simultaneously became a member of the Group Executive Committee. He was subsequently appointed Chief Executive Officer in May 2002. Prior to joining Zurich, Schiro worked for PricewaterhouseCoopers, where he started after graduating from St. John's University in 1967. In 1995, he was elected Chairman and Chief Executive Officer of Price



James J. Schiro

Waterhouse and led the 1998 merger of Price Waterhouse and Coopers & Lybrand to form PricewaterhouseCoopers, subsequently serving as the firm's Chief Executive Officer. Schiro is active in a number of professional, international, and civic organizations in Switzerland and the United States. He is a member of the board of directors of PepsiCo, a member of the supervisory board of Royal Philips Electronics, the Chairman of the Swiss-American Chamber of Commerce, a member of the board of The Geneva Association—the International Association for the Study of Insurance Economics, a member of the European Financial Services Round Table, and a member of the Business Council of the World Economic Forum. He serves as Vice Chairman of the American Friends of the Lucerne Festival, and he is a member of the board of trustees of the Lucerne Festival. Furthermore, he is a member of the boards of trustees of St. John's University and the Institute for Advanced Study in Princeton, New Jersey. In addition to his bachelor's degree from St. John's University, Schiro earned a degree from the Amos Tuck School Executive Program at Dartmouth College, and is a Certified Public Accountant. In 1995, he received an honorary doctorate in commercial sciences from St. John's University.

COMPANY BRIEF With operations in more than 50 countries worldwide, Zurich Financial Services Group (www.zurich.com) is an insurance-based financial services provider with a global network of subsidiaries and offices in North America and Europe, as well as Asia Pacific, Latin America, and other markets. The second-largest provider of general corporate insurance, the core of Zurich's business is general and life insurance, with service offerings including property/casualty and specialty insurance,



life insurance, annuities, and other investment policies. Headquartered in Zurich and founded in 1872, the company (SWX: ZURN) employs 55,000 people.

Zurich has gone through a restructuring over the past few years and is now poised for growth. Even throughout this time, corporate social responsibility and community involvement has been a key focus for you. Why is this such an important part of the culture of Zurich?

Yes, we have been busy. A big part of the restructuring was a renewed focus on people. And when you spend as much time as I have talking to employees at all levels of the organization, you begin to understand that they want to belong to something greater than themselves. Whether it is at work or in their personal lives, a deep motivator is to know that not only are they doing well, but they are also doing good – and this applies across the many cultures that make Zurich the global company it is. So, as we implemented the global change-management, operational-improvement, and internal-branding efforts that fueled our turnaround, a constant theme was our role as leaders in our markets and society, more generally.

This focus is reflected in Zurich Basics, our group's core principles and values, which rest upon the four cornerstones of corporate citizenship, corporate governance, compliance, and ethically sound decision making. It serves as a guide for our company's journey toward success in a changing marketplace by promoting consistency of behavior in treating all stakeholders fairly. It also encourages us to reach beyond where we have gone before.

For example, Zurich served as a catalyst for creating a corporate leaders program for the International Committee of the Red Cross, and, together with six other Swiss-based companies, has committed to raising over 20 million Swiss francs for this critically important cause. We now leverage that relationship to share knowledge and skills with this global humanitarian organization, and as a result we have gained

insights into procurement, human resources, and communications issues in emerging markets and war-torn regions. Again, we are doing well by doing "good."

So, for Zurich, being a responsible corporate citizen and giving back to the communities in which we live and work is not about glossy reports or investor-relations strategies. It is about ensuring that our employees and other stakeholders know that we take our role in society seriously.

How do you define the key focus areas for social responsibility and community involvement for Zurich? How do these efforts align with your business strategy?

Like so many other things we do, the group as a whole sets the general framework; but local leaders are accountable for results in their respective markets. Particularly when it comes to community involvement, an intimate knowledge of local needs and priorities will always be a critical component of knowing what's right for each of our local markets. So, while the U.K. may organize Zurich Cares community involvement days, our Farmers unit may sponsor massive March of Dimes marches, and other businesses might fund children's hospitals, schools, or other worthy causes. We are really only beginning to facilitate truly global efforts, focusing on disaster relief and other critical areas.

That said, insurance is the business of risk; segments of our population face so many risks that we are uniquely positioned to help manage. Take emerging markets, for example, many of which are in the worst catastrophe-prone regions on the planet. Most people are uninsured, and yet, it is often those who are making the transition from poverty to economic prosperity that have the most to lose.

This is why Zurich teamed up with the Swiss Agency for Development and Cooperation and the International Labor Organization to develop a global campaign on micro-insurance for developing countries. These are markets where micro-finance is beginning to create economic

The Fore!Kids Foundation raises money through golf events, such as the Zurich Classic, to benefit kids like those pictured here with Nick Watney, the 2007 victor.



Houses of potential micro-insurance customers in the Royal Bafokeng Nation in South Africa (above). Customers who fill out micro-credit forms are automatically informed about Zurich's micro-insurance offering (inset).

opportunities, but where the risks associated with ownership have been virtually ignored. By teaming up with proven development organizations, we have already made great progress in identifying risk management approaches that work for these communities, and once they are developed into best practices, Zurich will be well-positioned to export these solutions to communities around the world. So we are using micro-insurance as a platform from which to learn about how communities view risk, and the management of risk, in emerging markets. We hope to use that knowledge to create viable insurance solutions for underserved populations globally.

Zurich has made a major commitment to the PGA with the Zurich Classic, which takes place in New Orleans. How important has this event been to bringing growth back to New Orleans?

One of the reasons we made the decision to become the title sponsor of the Zurich Classic of New Orleans was the Fore!Kids Foundation's and the PGA TOUR's commitment to aiding charities that support the children in this region. But since the devastation caused by Katrina in

2005, this tournament has become about much more than golf or charitable activity. It signals to the world that the Gulf Coast continues to heal, is on its way back, and is ready to do business. In that regard, the tournament has been an important catalyst in the rebuilding effort, bringing in more than \$25 million of direct and indirect income to the New Orleans area this year. We are proud of our affiliation with this great city, and we're looking forward to another successful tournament in 2008.

Can you highlight some of the key organizations that you support with the Zurich Classic?

For Zurich, the most important aspect of sponsoring the Zurich Classic of New Orleans is that it raises over \$1 million for the Fore!Kids Foundation, which gives to more than 40 charities that help more than 200,000 children in need throughout southeastern Louisiana. That is the major reason we are there. It's something in which Zurich takes great pride. Since the inception of the Fore!Kids Foundation, its volunteers have helped raise more than \$15 million to help children in need.

As part of those efforts, we are proud of

the fact that St. Michael's Special School in New Orleans – which Zurich supports through Fore!Kids – was selected last year as the PGA TOUR's Charity of the Year. We have visited St. Michael's many times, and cannot think of a more deserving entity to receive that honor.

This year, we also teamed up with First Lady Laura Bush and announced the Birdies for Books program, which committed to contributing \$100 to the Laura Bush Foundation for America's Libraries' Gulf Coast School Library Recovery Initiative for every birdie made at the tournament. We had hoped to raise \$250,000, but because the conditions on the course were good, and because local businesses and individuals joined in the fun, we were able to raise almost \$400,000, which should go a long way toward buying books for the schools affected by Katrina.

Zurich is a global business, and your corporate social responsibility efforts seem to follow that global reach. Are you focused on building your programs worldwide?

Yes, we are building a global approach, since so many of the core issues are global in nature. The forces behind climate change, mi-



Farmers employees and agents participating in the Los Angeles WalkAmerica, a fundraiser for March of Dimes (above); Farmers employees at the finish line of WalkAmerica, including Farmers Louisiana Executive Director Bill Matlock with his sons (left)

cro-insurance, and other global issues do not end at a border. So we need to take a group-wide approach to ensure consistency. However, different cultures view all of these issues from a slightly different perspective. So we also need to balance our approach to these broader issues with a local sensitivity.

As it relates to charitable giving, we are in the process of establishing a more global approach to our various programs. Zurich currently has foundations in a number of different markets, all operating independently. Our goal is create a global overlay to these successful efforts, and hopefully create closer alignment throughout our charitable activities.

As a business leader, you are focused on measuring results and success. Is it challenging to evaluate the success of your corporate social responsibility efforts?

In some ways, yes, particularly since we achieved our recent successes based on the mantra, "What gets measured gets done." However, in other ways, like when you look into the eyes of the children at St. Michael's School, or you listen to an employee describe the sheer joy and fulfillment he experienced working at a local soup kitchen or rebuilding a mangrove plantation in Sri Lanka, it's pretty easy to know that something you are doing is right.

Every CEO, though, needs to balance the interests of his or her company's stakeholders. That is why it is gratifying to us that we continue

to be recognized for our efforts by inclusion in the Dow Jones World and STOXX Sustainability Indexes, as well as for the FTSE4Good. To us, these are solid indications that we understand and manage the social and environmental impacts of our business operations and take into account the evolving demands of our stakeholders.

How do you engage employees in Zurich's social responsibility and corporate citizenship efforts?

Naturally, we use our corporate intranet to highlight the accomplishments of employees who personify our spirit of community involvement. But engagement is a very personal and intimate process, so the most effective efforts are typically at the local level.

In North America, our businesses sponsor an assortment of efforts, ranging from tutoring programs in local schools and Habitat for Humanity days, to charity walks and annual giving campaigns. Employees also get to select key charities, and attend educational forums on the good work local charities are doing. Our North America commercial unit has even incorporated the spirit of community-giving into the annual employee recognition awards it presents to commemorate the colleagues we lost in the September 11 attacks.

In the U.K., employees contribute to the community through Zurich Cares, a fun and ex-

citing program that blends direct contributions and volunteer challenges with skill sharing and professional development. It maintains partnerships with 17 local, national, and overseas charities, and in 2006, employees donated more than 46,000 hours of their time and over £1 million of their money to more than 600 charities. Now that's employee engagement.

There are some global efforts too, though. In response to the lingering effects of 2004's devastating tsunami in the Indian Ocean, two teams of Zurich employees volunteered to work with the Earthwatch Institute on a project to help restore mangrove forests in coastal regions in Sri Lanka, and to find ways of maintaining them in the future. We identified the teams through a global contest, and the competition was intense.

How do you define the role of leadership in communicating Zurich's efforts and programs to employees?

The keys in my mind are consistency and sincerity. When we embarked on our turnaround, we needed to create a whole new mindset about operational, financial, and underwriting discipline. We did it, but it took a rigorous focus and constant messaging. The same holds true for cultural issues such as corporate responsibility and community involvement. You need to be sincere about why you are doing it, and then you need to maintain a relentless focus. It cannot be a one-time or sporadic event.

You are in a people business, and much of your success has to do with your human capital. Do you find that your leadership in corporate social responsibility and community involvement is an important enabler to attracting and retaining top people?

As I said at the outset, people want to know that they are working for a company that cares about their community as much as they do. So yes, it is critical. In fact, we recently hired a highly skilled and experienced young leader who approached us based on our work on micro-insurance.

Now we also see, and this is supported by third-party research, that the significance of corporate-responsibility activity differs based on historical cultural attitudes and geographies. That said, we are committed globally, so no matter where Zurich is hiring, we are highlighting our commitment to communities.

Many who know you well refer to the joy and fulfillment that you receive personally in giving back to the community and investing in society. Has this always been a part of your nature, and where did this come from?

Yes. The spirit of giving back to one's community is something my entire family believes strongly in. We were taught the value of such investments early in our lives, and I am proud to be able to keep that tradition alive. ●



Some U.K. employees working on one of the 200 tasks that make up the Zurich Cares Challenge each year. "Challenge" is Zurich UK's biggest annual team-volunteer event, where Zurich matches the skills and creativity of its people to provide real benefit in the community.