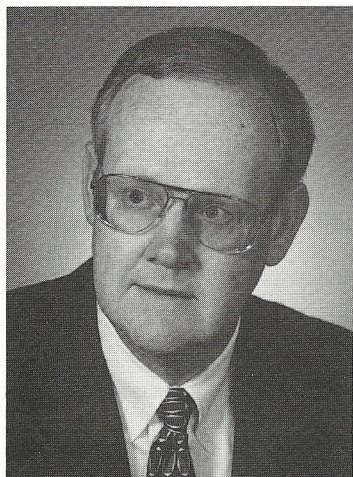


# Interim Report

October, 1994

Special report on operations for all Zurich Canada employees

## Significant progress with *New Vision*



Stephen R. Smith, President & CEO

**I**t has now been five months since we introduced *The New Vision* and outlined the strategic direction for becoming a profitable, customer-focused, high performance organization.

The potential for great gains for Zurich and every Zurich employee that the New Vision and becoming a customer focused service provider holds will not be realized easily. In the short term we will all have to work harder to be able to carry on with our day to day business while at the same time taking personal responsibility for changing the direction in which the company is moving.

At times we may find this tougher than we expected, but there are also times when I am sure many of you will share in the excitement of creating a new and stronger company. Your efforts will truly thrust Zurich light years ahead of the competition.

Since May of this year, we have taken a number of actions designed to restructure the Company in support of this customer focus and to reduce our expense ratios to an acceptable level.

With the appointment of Judy Maddocks as President, Personal Insurance, all senior management for the Strategic Business Units (SBUs) is now in place. This customer-focused structure will allow each SBU to operate as a separate and distinct business with complete responsibility for strategic and operational strategy and, most importantly, for bottom-line profit accountability.

The major efforts of the past few months have been directed to the total realignment of our field operations. This has meant a concerted program of transforming our former "branch" structure into a network of "regions".

As a part of this realignment, we have flattened the structure of the regional operations, in part by eliminating the former Branch Manager layer of management, and providing for a direct reporting relationship between the regions and their respective SBUs.

This realignment will also allow us to contain the related expenses and to more directly support the individual businesses. Aligning the field operations in this fashion will make them an integral part of the SBU and they will achieve a more focused approach to their respective customers.

While this realignment will contribute significantly to achieving our customer focus goals, it has also been the source of some very difficult decisions. While there is tremendous satisfaction to be felt in forging new paths and building towards long term gains, there are sacrifices to be made along the way. We have already had to face some difficulties head on. Tough decisions were necessary to contribute to some immediate financial requirements.

The impact of reorganization and staff reductions as well as an adjustment to

some benefits will represent a direct contribution to the bottom line by the end of the year of nearly \$20 million. It is an unavoidable part of the actions needed to make us financially healthy. We could not achieve our goals without these cost reductions.

As important as these aspects of the rebuilding are, we cannot afford to dwell on the sacrifices nor can we cost cut our way to healthy financial results. Our real strength and hope for the future lies in the positive steps we are taking to become that high performance company that, not only customers seek out, but that is also sought out by employees.

Right now we are making real progress towards a vision of a Zurich Canada that will set the standard for customer service in both the Commercial and Personal target areas we will serve.

We share a resolve to be the kind of company our competitors aspire to become. Our strength lies in our ability to get there first. That is what we are doing today, day by day, every time each one of us does something that makes us more focused, customer driven and efficient.

In the past months, extensive reorganization has also taken place within the Strategic Support Units (SSUs) in response to the new corporate strategic direction. Of particular note is the fact that the Claims SSU has rationalized its operations from some 20 locations previously into seven regional offices.

In addition, a specialized Accident Benefit (AB) Claims Centre has been created at our Head Office location. In those locations where we will no longer have a Claims office, we will continue with an adjuster presence to maintain service levels for our customers.

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