

Financial Results First half 1994

Following is the overview of our financial performance through six months of 1994:

Operating ratio* results.

\$Millions	<u>6 Months 1994</u>	<u>6 Months 1993</u>
Net written premium	\$462.6	\$479
Underwriting loss	(83.3)	(88.5)
Net investment income	37.9	53.7
Net realized capital gains	(40.1)	17.3
Pre-tax income	(85.4)	(17.4)
Income tax	.2	3.6
Net income	\$*(85.7)	\$(21.1)

*During the first quarter we took a \$41.5 million write-off on 400 University to complete the purchase of the property, as well as a net loss of \$35.9M, for a total 1st quarter loss of \$77.4 million. Taking this into account, the 2nd quarter loss is a substantial improvement at \$8.3 million (\$85.7M - \$77.4M).

The following compares our operating ratio for the second quarter of 1994 to the first quarter of 1994.

	<u>2nd Quarter</u>	<u>1st Quarter</u>
Personal Insurance	111.1%	121.4%
Commercial Insurance	103.3%	120.2%

The following compares our operating ratio for six months 1994 to six months 1993.

	<u>6 Months 1994</u>	<u>6 Months 1993</u>
Personal Insurance	116.0%	109.9%
Commercial Insurance	111.7%	114.2%

* The operating ratio is calculated as the result of the following equation:

$$\frac{\text{incurred losses}}{\text{earned premiums}} + \frac{\text{commissions}}{\text{written premiums}} + \frac{\text{expenses}}{\text{written premiums}}$$

SBU

SBU Executives provide their comments on the key performance trends and their effect on the first-half 1994 financial results.

Personal Insurance

By Ted Spencer, Vice President Underwriting, Personal Insurance SBU

Customer focus, an understanding of the customer's needs and preferences, as well as their willingness and ability to pay for the products and services that result from that understanding, is the ultimate key to improved market competitiveness. A fundamental reassessment of our products, services and selection is essential if we are to become customer-focused. As a first step, we have revised our Ontario rate filing to reflect a greater "profitable customer" emphasis.

Zurich Assist continues to see increased usage and continues to be positively received. It currently allows us to provide value-added advice and will provide us with a window into customer needs, and their perceptions of us, our services and our products.

Brokers and their management will play a critical role in improving our market competitiveness. A first pass review of brokers with consistently poor loss ratios has resulted in a number of broker cancellations. This review process is ongoing.

Developing a true partnership with our brokers to achieve our profitability goals is an important and achievable goal for the immediate future. Providing a new SBU-specific contract is an important first step in that process.

Performance for Personal Insurance for the second quarter and first six months of 1994 is poor in comparison to Plan and the equivalent periods for 1993.

The personal Auto 1994 second quarter operating ratio was 114.7% compared to Plan of 98.5%. The six month operating ratio was 116.2% compared to Plan of 102.6%.

Written premiums were \$229.3 million resulting in a 2.9% increase while policy count decreased 5.1%. Average premium per policy increased by 8.4%. Both claims count and claims frequency were at lower levels compared to six months 1993. These are all favourable trends. Unfortunately, our reduction in exposure

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