

## Personal Insurance

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and pricing gains were more than offset as incurred losses grew by 14% during the first six months 1994. This was driven by a 69% increase in large losses (over \$100,00).

The personal Property operating ratio for the second quarter 1994 was 99.5% which compares favourably with 110.5% in the second quarter of 1993 and Plan of 102.9%.

The operating ratio for six months 1994 was 116.4% which compares unfavourably with 114.3% for six months 1993 and Plan of 104.8%. As you recall, our first quarter 1994 results were disastrous at 134.3% operation ratio.

Written premiums were \$66.1M resulting in a 5.6% increase while policy count decreased 3.9%.

Average premium per policy increased by 9.8%. Total claims reduced 4.9% and claim frequency reduced 5.4% compared to six months 1993. These are all favourable trends. However, the need for additional rate increases continues.

As Judy Maddocks, President, Personal Insurance, recently said, these are exciting times at Zurich and we look, with confidence, to a bright future as Canadians' first choice for their insurance needs.

## Commercial Insurance

by Ken Kelley, President, Commercial Insurance.

**T**he Key Success Factor area to which we have paid the strictest attention in the past few months has been that of "rate recovery". This program basically requires the re-underwriting of our traditional book to establish specific rates for renewals and meet premium minimums. This results in our building and charging the correct rate for the individual exposure rather than an across-the-board premium adjustment.

One of the other important actions in the past few months has been the "Regionalization" of the Commercial Insurance operations. With the new reporting relationships and regional structure, we will achieve a more direct accountability and be able to forge a closer relationship with our chosen customers.

We have a more "controlled" environment from which we will require "universal" performance standards and accountability for the conduct of our business. The elements for this are in place and we can now take specific actions to position Commercial Insurance as a customer-focused, high-performance business unit.

In this environment also, it becomes clearer that what each individual does in conducting our business has a direct influence on the bottom line.

One of the areas of concern has been the substantial increase of large losses in our Commercial Auto Fleet business and necessary adjustments to prior year reserves.

The operating ratio for fleets for the first six months of 1994 was 145.7%. This trend has been developing as fleets face an increasing frequency and claims costs for such large losses. To directly address this situation we have, for example, reduced our Fleet office locations from a previous 16 (in all the former branches) to the current four locations; in Edmonton; Central Ontario Region and City in Toronto and in Montreal.

This consolidation has allowed us to concentrate our Fleet underwriting expertise and the business volumes. We can also track our experience more closely and manage the results more effectively through new programs in underwriting and pricing. We are committed to doing whatever is necessary to turn this segment around and to make it profitable.

At the same time, this second quarter saw a marked improvement in our Property/Casualty results, from 116.6% for the first six months of 1993 to 102.1% for the same period in 1994. This was due in large part to the efforts of Commercial Insurance personnel and the application of our rate recovery program which resulted in better pricing.

The selectivity that is built into our rate recovery approach also means less exposure because we are focusing on better risks who are paying the "right" premiums for their coverage - resulting in a reduction in both claim frequency and severity.

From the Commercial Insurance perspective, the next phase of implementing *The New Vision* will mean a considerable commitment to market research. At this stage, we have identified the manufacturing and transportation sectors as areas for study; to determine whether there is a match between those customers and our strengths.

While we develop our target market strategies, the regions will focus their efforts on the profitable areas of our traditional business. Here again, rate adequacy is the key to profitability and it is an achievable goal.

What do all these recent changes mean for Commercial Insurance? Our business unit will work hard to earn customer loyalty and to retain our long-term profitable customers. We will clearly define and penetrate new target markets, aware that acquiring new business is an expensive, but essential, proposition and that such business must be profitable, manageable and fully serve the insurance needs of these customers.