

Talking About

with Senior Vice President of Builders Risk,
Alan Ferguson



Planning for the Future in Builders Risk

While the current residential market conditions present a challenge to the continued growth of the Builders Risk Plan, we have maintained our success through innovation and strategic planning. ZIS has a long history of successfully adapting to the changes inevitable to all businesses, and with the talent and hard work of our staff, we remain confident in our continued success.

Where We Stand

Despite the unfavorable state of the housing market, we have been able to increase our market share. We have also experienced success in commercial builders risk. Year-to-date, we have had a 50+ percent increase over 2006 in policies written for commercial structures. By embracing a one Zurich mentality, Zurich's Construction and Small Business groups and ZIS have written approximately \$1.5 million in premium for large commercial business that would otherwise have been turned down. We have also experienced an increase in submission activity from national and regional brokers, evidence of the value of our Senior Production Underwriters. In addition, we continue to deliver impressive loss ratios and strong business profit levels for Zurich.

Growth Initiatives

ZIS has always maintained our focus on improvement for continued growth, no matter what the market conditions. With this mindset, we have now focused more energy on adjacency plays through programs such as Contractors Equipment (CE), which insures the equipment and tools used in residential and commercial construction projects. We have already written \$4 million in 2007 premium for CE, and this product is now available in every state, excluding California. We are currently on target to meet our 2007 premium goal of \$6 million. The Builders Risk team has fueled this success through their hard work encouraging and handling submissions.

Through the High Value Frame initiative, introduced in July, we increased our frame risk capacity to allow frame projects with values up to \$50 million. The goal of this initiative is to open up a wider marketplace for the Builders Risk Plan, and we are already seeing results. We anticipate writing approximately \$1.5 million in premium this year, and we plan to increase that number to \$10 million within the next couple of years.

Earlier this year, we introduced the Change Order Endorsement, which helps ensure risks are adequately covered, even if the customer makes changes. This innovative product not only satisfies a significant need among our customers, but sets us outside of the competition, as it is not offered by any of our competitors. It has provided a \$1 million boost to our year-to-date written premium

continued on next page

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in Z news

continued from previous page

Talking About

and is currently attached to approximately 6,500 policies. Though this coverage is currently only available for all residential/small commercial one-shot policies, we expect to expand the coverage to reporting forms next year.

We are currently re-vamping our Remodelers product to include new coverage for structural improvements and a more targeted pricing mechanism. When people don't build new homes, they often remodel, and this trend will represent a positive for us as well. We are also working on a large-scale revision of the Builders Risk Plan policy maintenance and issuance system. Both of these changes will be included in an updated version of the Builders Risk Web site. These efforts will help expand our customer base, increase our ease of doing business strategy and further streamline the policy-issuance process.

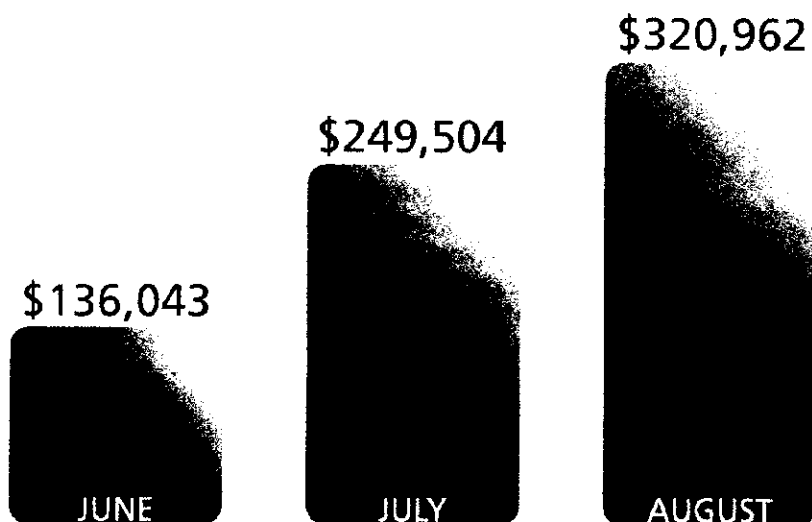
We are in the final stages of developing our National Vacant Buildings product, which will provide coverage for vacant or unoccupied commercial properties. Considering current economic factors, we expect this product to satisfy a significant need in the commercial market.

Through the recently introduced Zurich Agency Development program, we are providing service, underwriting and sales and marketing to low-producing Zurich-appointed agents, and in this process, we will also seize the opportunity to share the Builders Risk message with agents. This fits well with our outbound call strategy currently in place in Builders Risk Sales and Marketing.

The efforts of the Builders Risk Marketing Managers are yet another example of our constant focus on opportunity seeking. Earlier this year, the marketing managers were challenged to identify initiatives in their individual territories to boost production in their zones. They are currently working to implement these initiatives, which include identifying key agents in each of their territories and working to motivate these individuals to sell Builders Risk products. Recently, a marketing manager initiative sparked a strategic partnership with a personal lines company that has locations in 46 states and a direct agency force of 800. The company will now become an alternate distribution outlet for our Builders Risk products.

As all of these examples demonstrate, continued growth requires adaptation to change, innovative thinking and a constant focus on satisfying customer needs. We are always seeking new ways to increase our product offerings and expand our customer base. These efforts are strongly supported by our most valuable asset—our elite class of employees in Builders Risk and throughout ZIS. We are confident in the continued success of the Builders Risk Plan and of ZIS as a whole. Through our current initiatives and strong mindset, we are planning for tomorrow today, and when the residential market does turn, we are prepared to be at the forefront.

2007 Broker Support Monthly Premium Growth



To encourage and foster premium growth, the Broker Support team provides elite customer service to Zurich Small Business's large regional and national brokers. The department has the ability to receive and process applications, which allows the broker or agent to increase their book of business without having to sacrifice the time necessary for entering information into eZSB. On top of providing these services, Broker Support and the entire Service Delivery team recently helped implement the "Rainmaker" initiative, which supports and encourages business submissions from high value/high potential agents. Last month, Broker Support reached \$1,000,000 in issued premium year-to-date. The graph to the left shows the Broker Support team's impressive premium growth over the past three months.