

## Letter from the Chairman

Our progress  
is built on  
our people



We are pleased to report that the Group has posted another set of satisfactory results in a year characterised by the largest financial crisis in history. As one of the largest companies in the South African short-term insurance sector, the continual focus by the Group on profitable growth has paid off despite the competitive market conditions.

The Group underwriting result was negatively impacted by a number of factors; the most significant being escalating claims cost and the cost of reinsurance.

A weaker Rand exchange rate to major currencies resulted in increased repair costs on the motor account. Additionally, the ongoing high number of motor vehicle accidents and unseasonal weather-related claims on the property account in the first half of the year resulted in an increase in the frequency of claims.

During 2008, the Group further developed its understanding of customers' needs through both formal and informal research. Becoming a truly customer centric organisation is at the heart of the Group's growth strategy. Accordingly, operations and processes are being standardised to ensure that customer insights are used to develop value propositions that are easy to access and deliver.

As developments in the financial markets create both threats and opportunities, it remains critical that the Group continues to exercise discipline over rating, risk selection and expense control. The strong balance sheet of the Group positions it as an attractive partner in these turbulent times but, in order to remain relevant, Group risk appetite and approach to pricing must remain unchanged.

The insurance cycle remains favourable to achieving underwriting profitability. As noted last year, this applies mainly to the corporate and commercial sectors. The motor portfolio remains a challenge for the industry and continued efforts at improving the performance of this account is still a priority. The Group's relationship with its parent company, Zurich Financial Services, continues to open new business relationships that create opportunities for further growth.

As with most other companies, corporate governance and regulatory compliance remain high on the Group agenda. The Board remains ever vigilant in this area, particularly in light of the collapse of some large, international financial institutions, many would argue, due to corporate governance failures.

Once again Zurich achieved an 'A' rated status under the Financial Sector Charter. With the possibility of the Charter giving way to the Department of Trade and Industry (DTI) Codes in 2009, the Group is well positioned to meet the challenging targets set by the Codes.

In order to create access to financial services' products for historically disadvantaged groups, the Group remains focused on the development of low-cost insurance products to meet the needs of this market. Insurers will have to continue efforts to understand the changing needs of the insuring public. Differentiation, expansion of product offerings and improved distribution management are key factors to future success.

Profitable growth must remain an area of focus in a constantly changing market and strict underwriting disciplines will have to be maintained. Zurich will continue to focus on growth by developing products and services to meet the needs of the market. The Group will continue to build strong relationships with customers and brokers and, at the same time, provide rewarding opportunities for employees and shareholders. In particular, the Group will continue to further develop relationships with the Royal Bafokeng Nation.

Construction and planning around the relocation and move, in the second quarter of 2009, to new headquarters in the Johannesburg CBD are progressing well. The building, which complies with energy-efficiency principles, underpins the Group support of the downtown regeneration programme.

In closing, I would like to thank our Chief Executive Officer, Nick Beyers, and our Board members for their valuable contributions during another challenging year. Thanks also to our employees for facing another tough year head-on and, in doing so, helping us to attain another set of satisfactory results – your efforts are appreciated.

**JPG de Rauville**  
Chairman

13 May 2009