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Layout & Distribution: Valéria Kozakova

Outsourcing in Insurance Investment Management


Martin Senn

Zurich benefits from outsourcing parts of its investment management operations



- It allows internal focus on key value drivers
- Enables access to best talent
- Increases flexibility
- Significantly reduces operational risk

We are Zurich's Center of Competence for Investments



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graph LR
    A[Asset Responsibility] --> B[Investment Strategy Development]
    B --> C[Investment Strategy Implementation]
    C --> D[Investment Portfolio / Systems Support]
    
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Investment Management strives to excel in all core competencies



Investment Management's core competencies & value chain

Asset liability analysis	<ul style="list-style-type: none"> • Earn risk-free investment return
Strategic asset allocation	<ul style="list-style-type: none"> • Define strategic asset allocation based on allocated risk capital • Earn market risk premium (Beta)
Tactical asset allocation	<ul style="list-style-type: none"> • Generate skill-based returns based on tactical asset moves
Manager selection	<ul style="list-style-type: none"> • Select high-performing asset managers at right price • Systematically monitor manager performance
Local adaptation and portfolio construction	<ul style="list-style-type: none"> • Ensure efficient implementation of investment strategies
Security selection & trade execution	<ul style="list-style-type: none"> • Alpha generation by internal and external specialist asset managers (just under 70% is outsourced)
Central asset manager oversight & investment reporting	<ul style="list-style-type: none"> • Provide timely, high quality information for decision making in the investment process
Operations	<ul style="list-style-type: none"> • Create effective and efficient governance structure for investments

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Investment Management strives to excel in all core competencies




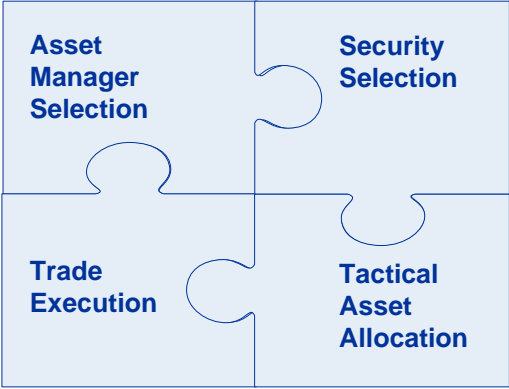
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Skill based returns are important to enhance Zurich's Investment result



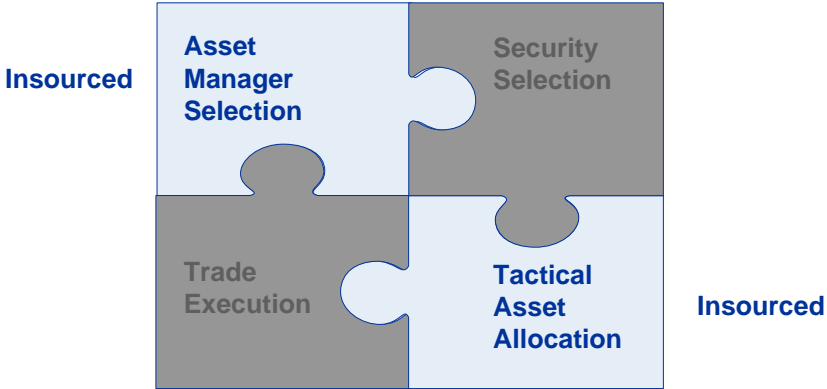


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Skill based returns are important to enhance Zurich's Investment result




We insource asset manager selection and tactical asset allocation



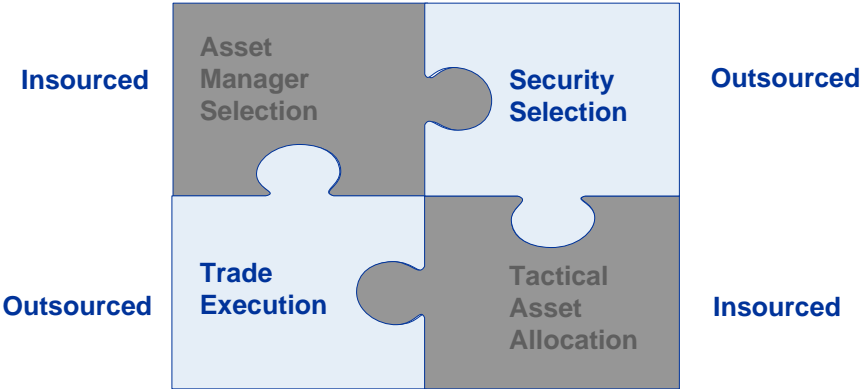
Insourced **Insourced**

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Skill based returns are important to enhance Zurich's Investment result



We outsource security selection and trade execution



Insourced **Outsourced**

Outsourced **Insourced**

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Outsourcing to best of breed asset managers gives us a competitive edge



As of 30 September 2007

	Inourced	Outsourced
Fixed Income (excluding Mortgages)	18%	82%
Mortgage Loans	100%	0%
Cash & short term	58%	42%
Equities	21%	79%
Real Estate*	92%	8%
Hedge Funds / Private Equity*	100%	0%
Overall	32%	68%

* Selection of single manager funds is done internally

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