

Assessment and Development Center Ensures Pipeline of High-Potentials at Zurich Insurance

Zurich Insurance Ltd and Propel International
 Best Advance in High-Potential Development
 October 2019



Company Background



Company-at-a-Glance	Zurich Insurance Ltd
Headquarters	Zurich, Switzerland
Year Founded	1872
Revenue	\$67.245 billion
Employees	53,000
Global Scale	Global scale with operations in North America, Asia Pacific and Latin America.
Customers/Output, etc. (Key customers and services offered)	Life and non-life insurance products, pensions and investments; private and business entities.
Industry	Financial Services
Stock Symbol	SIX: ZURN
Website	www.zurich.com

Company Background



Company-at-a-Glance	Propel International
Headquarters	Dubai, United Arab Emirates
Year Founded	2010
Employees	35 employees with 120-plus associates worldwide
Global Scale (Regions that you operate in or provide services to)	Global scale with offices in New York, London, Madrid, Dubai and Auckland.
Customers/Output, etc. (Key customers and services offered)	Best-practice consultancy, innovative technology and high-impact training solutions in the area of talent assessment and development across all sectors, industries and regions.
Industry	Talent Management Consultancy
Website	www.propel-international.com

Budget and Timeframe

Overall Budget	\$500,000 (100 participants at \$5,000 each)
Number of (HR, Learning, Talent) employees involved with the implementation?	Five Talent Management Professionals from Zurich Insurance, including the Group Chief Talent Officer (project leader), in addition to a team of three Talent Assessment and Development Consultants from Propel International.
Number of Operations or Subject Matter Expert employees involved with the implementation?	Two SMEs
Timeframe to implement	Ongoing Assessment and Development Centers across Zurich Insurance Headquarters (six months to design, kickoff and pilot)

Business Conditions and Business Needs

The appointment of the new Group CEO of Zurich Insurance (Zurich) came in one of the most volatile moments in the global insurance industry. Tougher regulatory developments and a lack of growth momentum in the past years placed Zurich in a challenging period during which its profitability, share price and reputational standing had all markedly declined. The corresponding decline in investor confidence was coupled with the erosion of the customer base in a number of key markets. Underpinning this, the internal organization was clearly depleted and the corporate culture was inconsistent with the high-performance expectations of investors, the board and the new CEO. In essence:

- The company operating structure was overly centralized and complex, organized in vertical silos based on products rather than customers.
- Employee motivation and discretionary effort was extremely low, based on a lack of trust and empowerment.
- The culture of the organization was out of alignment with the required shift of strategic direction to become a truly customer oriented company.

It was evident that a new strategy alone would not be enough. To guarantee success, a new structure and culture aligned to the shift of strategic direction would be necessary in creating a sustainable competitive advantage. One of newly appointed CEO's first tasks was to address the organizational structure issues. This was tackled during 2016 by creating composite country-level Business Units with accountability across the full portfolio of products and customers. This process was an important first step in breaking down silos and giving greater weight back to country CEOs in a more decentralized mode of operation.

At the heart of each of these challenges is the realization that without a powerful talent identification and development engine in place, Zurich's chance of fulfilling its long-term strategy (e.g., focus on customers, simplify and innovate) would be compromised.

Figure 1: Zurich's Long-Term Strategy

Focus on customers	Simplify	Innovate
Improve service quality and customer experience.	More agile and responsive organization.	Better products, services and customer care.

All illustrations provided by Zurich Insurance Ltd.

As a result, Zurich built an aggressive plan aimed at creating a new and simplified customer-oriented operating model (e.g., complete the shift from Corporate Center control model to give more empowerment to business units with increased agility to focus on local customer priorities across the full portfolio of products and services). The investment was specifically focused around building a succession pipeline for the critical Country CEO position, recognized as a role strategically positioned in all markets to directly impact the key areas mentioned above. The premise: If Zurich can build depth and breadth in a pipeline of high-potential leaders for this role, on top of having strong Country CEOs in place, then Zurich's competitive position will thrive in the face of unstable market conditions.

Overview

For Zurich to internally recognize its high-potential development strategy as successful, it would have to ensure that the outcome of the strategy would position Zurich to confidently answer these key questions with evidence:

- Are the right people in place in relevant feeder roles to provide Country CEO bench strength?
- What level of readiness exists in the succession pool?
- What developmental actions and interventions need to be implemented supported to progress people toward the target role?

Therefore, the strategy itself was designed as a holistic approach to incorporate an aspect for talent profile definition and identification, talent readiness and finally, talent development.

The process for identifying high-potentials began first by defining what a successful Country CEO profile would look like (talent profile definition); only then could Zurich begin evaluating candidates as High-Potential against set criteria. In partnership with Propel International, a leading talent management consultancy, Zurich developed a success profile which covered the full spectrum of skillsets and mindsets.

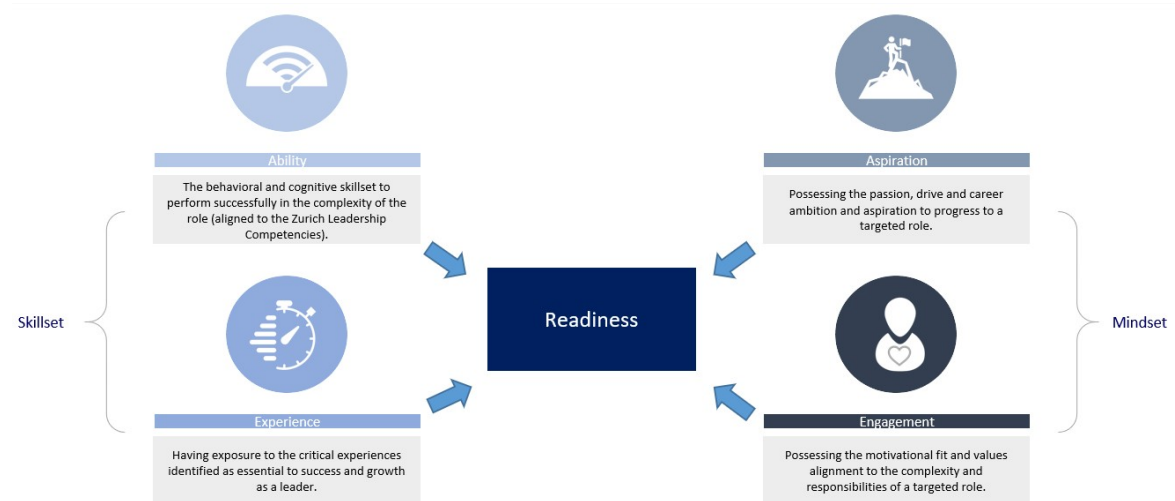
Skillsets include:

- **Ability** — The behavioral and cognitive capability to perform successfully in the complexity of the role (aligned to the Zurich Leadership Competencies and Zurich's 6 Behaviors framework).
- **Experience** — Having exposure to the critical experiences identified as essential to success and growth as a leader.

Mindsets include:

- **Aspiration** — Possessing the passion, drive and career ambition and aspiration to progress to a targeted role.
- **Engagement** — Possessing the motivational fit and values alignment to the complexity and responsibilities of a targeted role.

Figure 2: Success Profile



Once this framework was designed, Zurich had a starting point to begin the Country CEO High-Potential talent identification and readiness process.

The process for talent identification included two main stages:

1. **Talent Reviews** — Across a pre-selected set of talents, Zurich executed a thorough review process against several elements such as country CEO success profile and expected performance ratings, as well as representation targets, to identify a smaller pool of high-potential talents with the right capabilities to cover future leadership roles.
2. **Country CEO Success Profile Review** — Those identified from the Talent Reviews were then further evaluated more intensively for potential, specifically against the Country CEO success profile described in the skillset and mindset framework above.

The outcome of this stage was the identification of Country CEO high-potential talents to put through the Development Center, detailed in the next section.

Zurich's approach to high-potential identification is incorporated into the training program of all its people leaders in a curriculum called "Talent Matters." Through this training, line managers gain an understanding of the importance of engaging and

developing talent and their responsibility to ensure the right people are working in the right roles with the right skillset and mindset.

Design and Delivery of the Model

To add further evidence that those identified as high-potential for the country CEO role were in fact individuals with the best likelihood of success, an Assessment and Development Center was designed around the Country CEO success profile.

The 2-day Development Center included a series of simulations (Day 1) followed by a self-awareness workshop (Day 2) aligned to the predefined CEO mindsets, skillsets and experiences a typical Country CEO incumbent would face; collectively, these simulations described "A Day in the Life of a Country CEO." Through these realistic scenarios, in addition to psychometrics and 360° feedback sessions (designed by Propel International), Zurich leaders were positioned to observe firsthand not only the potential readiness of participants to take on Country CEO roles, but more importantly, the gaps which would need to be addressed through a targeted development program to create a strong bench.

These development programs were catered to each high-potential talent, and outlined specifically the development actions, including coaching and individualized talent mobilization programs, and timelines to effectively meet goals.

The Assessment and Development Center enabled evidence-based feedback to be provided clearly to participants. In addition, the design of the center strengthened the confidence of participants that assessment at Zurich was objective, multi-faceted and included evaluations and perspectives from diverse internal and external assessors. Furthermore, the investment and time Zurich placed in its assessment and development program proved to be a testament of Zurich's commitment on developing its people.

The talent profile definition and identification, talent readiness and talent development process are summarized below:

Figure 3: Talent Development Process



Through this approach, Zurich's High-Potential development strategy identified:

- That in some feeder roles, the right people were in place, but in others more development was needed to provide Country CEO bench strength.
- That the succession pool varied in degrees of readiness, and that to ensure a long-term pipeline, timelines in high-potential development programs needed to match incumbent progression plans.
- That through the robust and evidence-based assessment and development process, clear development actions and interventions could be identified and acted upon.

Participation

The following members contributed to the success of the program:

- **Zurich's Group Chief Talent Officer (CTO)** — Main Program Sponsor. The CTO's long-standing experience in introducing the concept of assessment and development centers to organizations throughout his career greatly influenced the adoption of this approach internally within Zurich.
- **Propel International** — Leading Talent Management Consultancy Firm, specialized in talent assessment and development programs. Zurich's external partner in defining Country CEO success framework and criteria, as well as designing and rolling out the Assessment and Development Centers.
- **Zurich Insurance Integrated Talent Management Global Team** — Supported the CTO in project development and execution, interacting with Zurich's external partner and Zurich Insurance Country CEOs (and their office staff).
- **Zurich Insurance Country CEOs** — Zurich Latin America CEO, pilot sponsor (November 2017); Zurich North America CEOs, pilot sponsors (November 2017). Subsequent pilots have been run in EMEA and for Commercial Insurance. The CEO sponsorship was critical for the successful completion of this intervention. They played a key role in identifying the most senior leaders/talents in the organization and showed their strong commitment to develop high-potential talents, even after the program, providing development opportunities and constant feedback to ensure their growth. This would include meeting them on a regular basis and being open to sponsor them as incumbents when new roles or positions were available.
- **Zurich High-Potential Employees/Talent** — Individuals identified as Country CEO successors. They trusted in Zurich's approach, committed to participate in the assessment centers, showed vulnerability and openness to development, and followed through on development plans.

Transition

The development centers are a key part of a wide ecosystem of interventions that the Global Integrated Talent Management team (ITM team) at Zurich Insurance has implemented: deploying the CEO of MyCareer training, engaging career conversations and having sponsorship programs to ensure that Zurich investments to critical talent segments pay off. The Global ITM team regularly reviews the participant list when it runs its talent-brokering process, or identifies new talents to nominate for targeted development programs (internal and external) in partnership with leading institutions such as INSEAD, IMD, Propel, Egon Zehnder and so on. Beyond the interventions highlighted above, the Zurich team constantly monitors and conduct “career conversations” and executive coaching sessions (with internal and external providers) with Country CEO high-potentials to ensure these individuals receive support according to their specific needs.

Overall

At the group level, a number of benefits were revealed through Zurich's High-Potential development strategy:

- A globally consistent, leadership-based method of accelerating the readiness of the leadership pipeline.
- The need to build bench strength in the CEO succession pipeline was addressed and every region has implemented assessment and development centers for each critical position.
- Levels of successor readiness and potential gaps that need to be developed were identified.
- High-potentials were provided executive visibility and knowledge of their value to Zurich.
- Further focus and investment be made on individuals who demonstrate best likelihood of success.
- Group-wide realignment of resources, roles and responsibilities to break down silos, creating consolidated country leadership across all lines of business with a single customer interface.
- Strategic review (Zurich Simplification) of group functions roles and responsibilities to scale back on group work that has been absorbed by BUs through elimination of bureaucracy, re-basing activities and streamlining interactions appropriately across Corporate Center, regions and BUs.

Indicators of success:

- Retention of participants with highest likelihood of success
- Demonstration of competency development (using Technical and Leadership framework)
- Continued progression into next roles
- Stronger succession plans
- Succession plan utilization
- Manager support of defined development activities

Specifically, at Business Unit level have been registered also the following progresses:

- Above-Business Unit cost savings of \$30.2 million
- Composite BU structure now fully in place in 18 out of 21 Business Units with reduced above BU oversight
- 100% of all BU CEOs are now represented in the Global Leadership Team compared to 68% in 2016

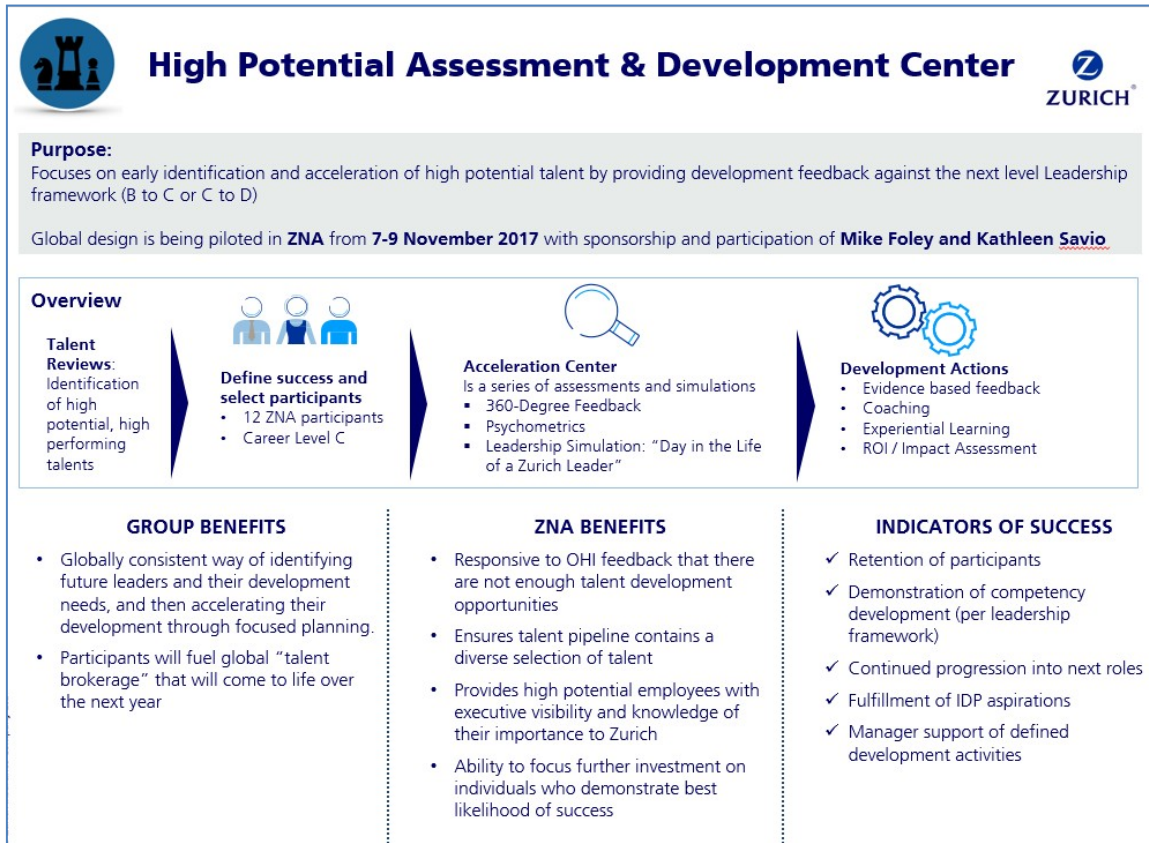
Zurich has seen significant progress on all the aforementioned indicators, including increasing employee engagement, which translated to outstanding business and financial results, as quickly highlighted above and, more in depth, in the Zurich Insurance 2019 Financial Report.

After the deployment in Latin America and North America, Zurich exported the concept to other countries, which started to implement the concept almost immediately. Now, Assessment and Development Centers are a concrete reality in Zurich subsidiaries to deeply understand their talents and forecast future talent needs. Furthermore, thanks to the feedback gathered from previous pilots, Zurich refined some of the inputs to be more business oriented, e.g., incorporating into the simulations finance analysis, Net Promoter Scores, Organizational Health Index results, etc.

The new Assessment Center version has been re-adapted to enable for more functional roles (such as Commercial Insurance Underwriting and Risk Management), to apply the “chassis” of the Country CEO Development Centers.

Figure 4: Country CEO Development Center



Figure 5: High Potential Assessment & Development Center


To avoid any potential issue in finding the right talent from a long-term perspective, Zurich Insurance started to use the Assessment and Development Center concept for early identification and acceleration of high-potential talent by providing development feedback against the next level of leaders who were already in an early stage (e.g., junior managers).

Ultimately, assessment and Development Centers have been piloted in North America and Latin America and have been exported to every region in which Zurich Insurance operates, including EMEA and Asia Pacific.

Tailored versions of the development program were later introduced, which were benchmarked at Emerging, Functional and Senior-level leaders.

Relevant Documents

Figure 6: Executive Success Profiles

Executive Success Profile			
Focus on <u>five core leadership dimensions</u>			
<u>Dimensions</u>	<u>Description</u>	<u>Weighting</u>	
1 Breadth of business experience	Business acumen to successfully anticipate and act upon dynamic market opportunities	30%	
2 Sector experience	Insurance sector expertise and capability to ensure operational excellence	15%	
3 Personal leadership attributes	Action-oriented leadership impact to motivate and engage the whole organization	30%	
4 Customer orientation	Champion of customer focus through improved engagement and digital transformation	15%	
5 Stakeholder management	Influencing all relevant stakeholders with confidence and credibility	10%	


Executive Success Profile					
Five dimensions underpinned by <u>clear indicators</u> (20 in total)					
1 Breadth of business experience	2 Sector experience	3 Personal leadership attributes	4 Customer orientation	5 Stakeholder management	
30%	15%	30%	15%	10%	
Proven Executive of scale business in financial services/ Insurance	Experience across product portfolio (commercial, life, P&C)	Engage, motivate and energize the whole organization to deliver sustainable results	Demonstrates passion to champion customers and address their needs proactively	Builds winning partnerships with key customers and brokers	
(b) Anticipates and acts upon changes in the external environment	Expertise in multiple Sales & Distribution models (broker, agent, bancassurance, direct)	Takes decisive action in face of ambiguity, optimizing risk to deliver business results	Leveraging data and insights to ensure outstanding customer experience	Skillful navigation of government and regulatory relationships	
(c) Diverse business cycle experience (turnaround, transformation, M&A, growth, restructuring)	Technical depth (underwriting, claims, risk engineering, actuarial)	Embrace diversity of people and perspectives, showing empathy, care and concern for others	Driving digital solutions that enhance customer satisfaction	Inspires credibility and confidence with external audiences (media, investors, analysts)	
(d) International experience and global cultural agility	Managing insurance sector financial and capital levers to deliver robust business results	Self-aware leader who recognizes own capabilities, limitations and impact on others		Effectively collaborates with the Board of Directors ensuring good corporate governance	
(e) Ecosystem mindset to create new sources of profitable growth					

Figure 7: Zurich Leadership and Functional Development Curriculum

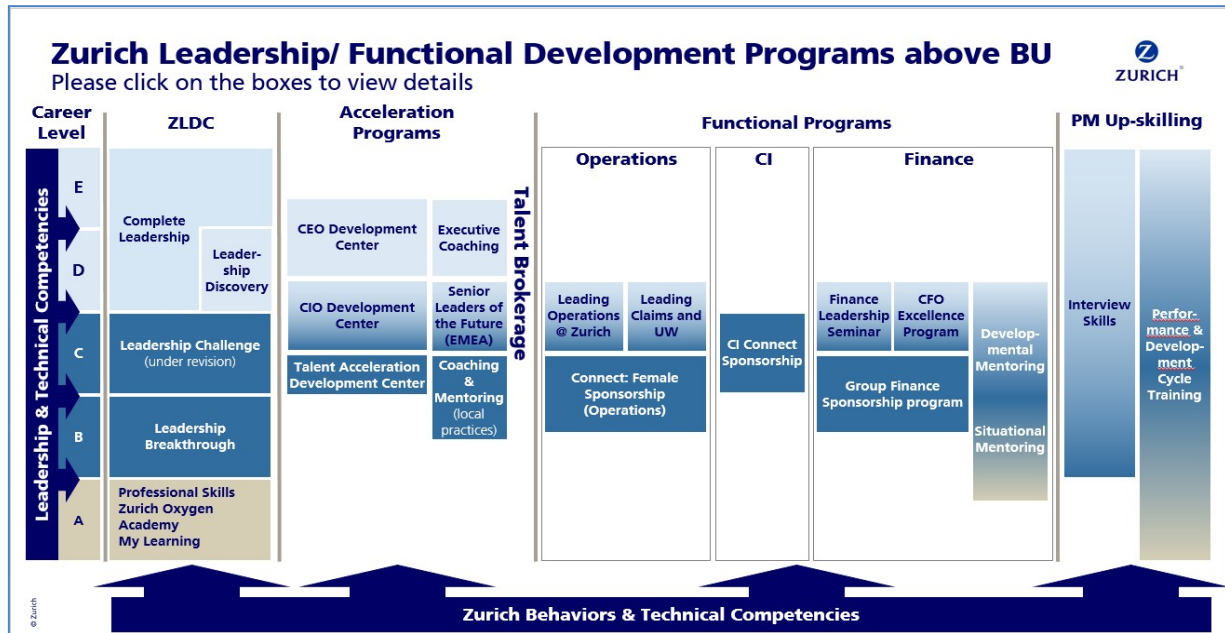


Figure 8: CIO Development Center

Functional Leader DC (CIO Development Center)

- Participants take on the role of interim **Country CIO** of Volantis for the fictitious company Fiducia Insurance. Volantis is one of several fictitious countries located in the Essos region. The participant is due to take on the role of **Regional CIO** for the Essos region.
- Participants are provided with a dossier of information gathered by their team to help them understand the current situation and some of the immediate challenges to be dealt with today.
- The participant is required to formulate their own perspective on the performance of Fiducia Insurance Volantis and make suggestions for continued growth and success. Fiducia is struggling to remain competitive in their pricing and approach, whilst balancing this with the ever-increasing risks and the need to protect clients against this risk through the products and solutions offered.
- The background information provides the context of Fiducia, market and customer insights, as well as the organizational vision and strategy.
- All participants will need to complete the below 5 different activities as part of the "Day in the Life of a CIO" Development Process:
 - Merger and Acquisition Group Meeting and written task
 - Employee Meeting
 - Internal Stakeholder Meeting
 - ALMIC Meeting
 - CEO Meeting

Figure 9: CIO and CRO Development Center

CIO Development Center		ZURICH	
Collaborate together	Develop and grow	Put customers first	Fuel innovation
Provide clear direction	Make it happen		
Objective <ul style="list-style-type: none"> Raise your self-awareness Discover your strengths and weaknesses Create more transparency of the CIO career path Strengthen our internal succession pipeline / bench strength for CIO's across the Group. 		Nomination pre-requisites & Timing <ul style="list-style-type: none"> Fluent in English Succession Plan nominee 	
Key topics <ul style="list-style-type: none"> Stakeholders meetings Employee meetings Negotiation/ Influencing meeting Case Studies/Written tasks 		Audience A B C D E The program is intended for individuals in a mid / senior positions with a potential to enter a CIO role.	
Format A two day immersive learning assessment and development center amongst your peers. <ul style="list-style-type: none"> Day 1- Business Simulation Day 2- Development Workshop 		Pre-work <ul style="list-style-type: none"> 360 degree Feedback Survey Hogan Personality Inventory Hogan Development Survey Hogan Motives, Values, Preferences Inventory Hogan Business Reasoning Inventory Career Aspirations Questionnaire 	
		Cost	
		Capacity, Location & Dates 8-10 places per event Location: ZDC, Zurich Once per year	
		Led by Global Regional Country	
		Key Contact	

CRO Development Center		ZURICH	
Collaborate together	Develop and grow	Put customers first	Fuel innovation
Provide clear direction	Make it happen		
Objective <ul style="list-style-type: none"> Raise your self-awareness Discover your strengths and weaknesses Create more transparency of the CRO career path Strengthen our internal succession pipeline / bench strength for CRO's across the Group. 		Nomination pre-requisites & Timing <ul style="list-style-type: none"> Fluent in English Succession Plan nominee 	
Key topics <ul style="list-style-type: none"> Stakeholders meetings Employee meetings Negotiation/ Influencing meeting Case Studies/Written tasks 		Audience A B C D E The program is intended for individuals in a mid / senior positions with a potential to enter a CRO role.	
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