

Annual Results Reporting 2004

Analyst presentation

Zurich, February 17, 2005



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Certain statements in this document are forward-looking statements, including, but not limited to, statements that are predictions of or indicate future events, trends, plans or objectives. Forward-looking statements include statements regarding our strategic direction, targeted profit improvement, return on equity targets, expense reductions, pricing conditions, dividend policy and underwriting claims improvements. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results and Zurich Financial Services' plans and objectives to differ materially from those expressed or implied in the forward looking statements (or from past results). Factors such as (i) general economic conditions and competitive factors, particularly in our core markets; (ii) performance of financial markets; (iii) levels of interest rates and currency exchange rates; (iv) frequency, severity and development of insured claims events; (v) mortality and morbidity experience; (vi) policy renewal and lapse rates; (vii) changes in laws and regulations and in the policies of regulators may have a direct bearing on Zurich Financial Services' results of operations and on whether Zurich Financial Services will achieve its targets. Zurich Financial Services undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise.

It should be noted that past performance is not a guide to future performance. Persons requiring advice should consult an independent adviser.

Agenda



- Introduction
- Annual Results 2004
- The Way Forward
- Q&A

James J. Schiro

Patrick O'Sullivan

James J. Schiro

Introduction

James J. Schiro
Chief Executive Officer

February 17, 2005

Financial highlights



in USD millions

	2004	2003	Change
Gross written premiums and policy fees	49,304	48,805	1%
General Insurance GWP and policy fees	37,638	36,250	4%
Life Insurance GWP and policy fees	10,979	11,625	-6%
Net investment result for Group investments	8,395	7,815	7%
Business operating profit	3,143	2,316	36%
Net income	2,587	2,009	29%
Return on equity	13.3%	12.1%	1.2pts
Business operating profit return on equity	11.5%	9.8%	1.7pts
General Insurance combined ratio	101.6%	97.9%	-3.7pts
Life new business profit margin (as % of APE)	11.4%	9.0%	2.4pts
Payment per share ¹	4.00	2.50	60%

¹ In CHF; payment in form of a nominal value reduction

Annual Results 2004

Patrick O'Sullivan
Group Finance Director

February 17, 2005

Improved reserving process

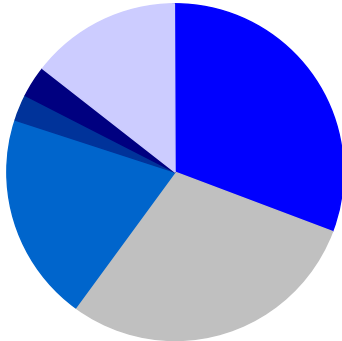


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- New formal review structure
 - Rolling reviews of all reserves
 - Third party actuaries support where appropriate
 - Strengthened actuarial reporting lines
 - Consistent methodologies supported by reporting process

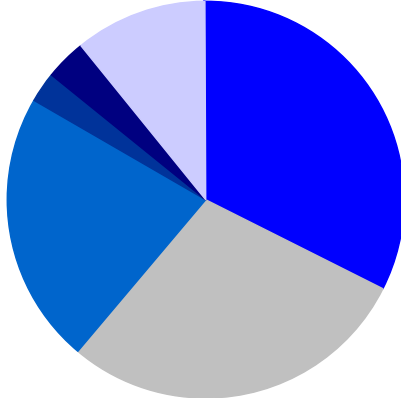
Split of insurance reserves as at December 31



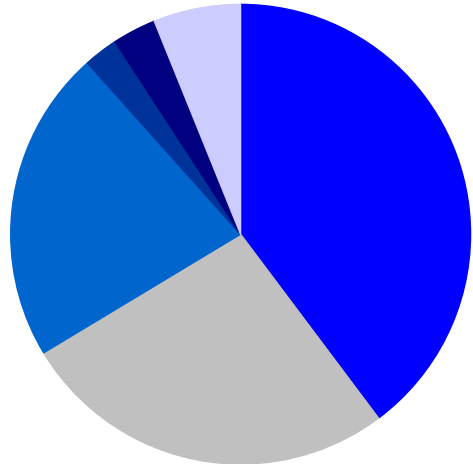
2002: USD 30,366 million



2003: USD 37,013 million



2004: USD 43,474 million



■ NA Corp.
 ■ Cont. Europe
 ■ UKISA
 ■ NA Cons.
 ■ RoW
 ■ CMB

	in USD millions	NA Corp.	Cont. Europe	UKISA	NA Cons.	RoW	CMB	Total
2002		9,384	8,836	6,075	746	897	4,428	30,366
2003		12,005	10,628	8,212	907	1,212	4,049	37,013
2004		17,306	11,517	9,633	1,078	1,289	2,651	43,474

Insurance reserves development



in USD millions

	2004	2003
Losses and LAE reserves, net, at January 1	37,013	30,366
Losses and LAE paid	17,515	16,516
Losses and LAE incurred		
Current year	21,506	19,254
Prior year	1,964	1,874
Other movements (FX and divestments)	506	2,035
Losses and LAE reserves, net, at December 31	43,474	37,013

Insurance reserves: prior year development by business division



NA Corporate	2,565
NA Consumer	-58
Continental Europe	-121
UKISA	-208
Rest of the World	-79
Centrally Managed Businesses	-135
<hr/>	
Total	1,964

Major lines of business affected in the US

- Workers' Compensation
- Commercial General Liability
 - Primary
 - Construction defect
 - Products
- Business Owners/Package
 - Construction defect

Business operating profit by segment



in USD millions

	2004	2003	Change
General Insurance	1,380	2,146	-36%
Life Insurance	1,063	856	24%
Farmers Management Services	1,077	970	11%
Other Businesses	137	-958	nm
Corporate Center	-514	-698	26%
Total	3,143	2,316	36%

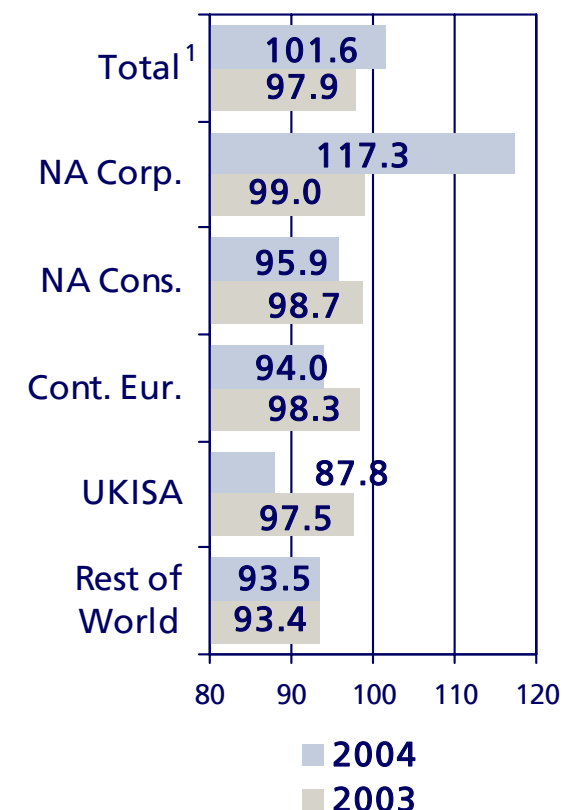
General Insurance key performance indicators



Business Operating Profit

in USD millions	2004	2003	Change
NA Corporate	-1,165	664	nm
NA Consumer	224	115	95%
Continental Europe	1,004	603	67%
UKISA	1,112	441	152%
Rest of World	180	150	20%
Centrally Managed Businesses	25	173	-86%
Total	1,380	2,146	-36%

Combined ratio (%)



¹ Including Centrally Managed Businesses

General Insurance combined ratio by business division – excluding reserve adjustments



	2004	2003	Change
NA Corporate	93.0% ¹	87.7%	-5.3pts
NA Consumer	97.8%	98.7%	0.9pts
Continental Europe	95.3%	99.1%	3.8pts
UKISA	91.5%	96.7%	5.2pts
Rest of World	98.9%	94.9%	-4.0pts
Total excluding reserve strengthening	94.7% ²	93.9%	-0.8pts
Total combined ratio as reported	101.6%	97.9%	-3.7pts

¹ Includes USD 617 million hurricane and tsunami losses (5.8 pts. impact on combined ratio)

² Includes USD 762 million hurricane and tsunami losses (2.5 pts. impact on combined ratio)

Combined ratio NA Corporate



	2004	2003	Change
As reported	117.3%	99.0%	-18.3pts
Excluding reserve strengthening/releases	93.0% ¹	87.7%	-5.3pts

- Reduced underwriting and claims leakage
- Current terms and conditions firm
- Maintained low expense ratio
- Book comfortably above technical price
- Growth in selected lines of business

¹ Includes USD 617 million hurricane and tsunami losses (5.8 pts. impact on combined ratio)

Combined ratio Continental Europe



	2004	2003	Change
As reported	94.0%	98.3%	4.3pts
Excluding reserve strengthening/releases	95.3%	99.1%	3.8pts

- Excellent performance in all countries
- Claims frequency down in motor books
- USD 85 million from motor claims initiatives
- Italy motor book up 10%
- Corporate book up 8%

Combined ratio UKISA



	2004	2003	Change
As reported	87.8%	97.5%	9.7pts
Excluding reserve strengthening/releases	91.5%	96.7%	5.2pts

- Low CAT and large loss experience
- Reduction in motor claims frequency
- Rate increases in strong market positions

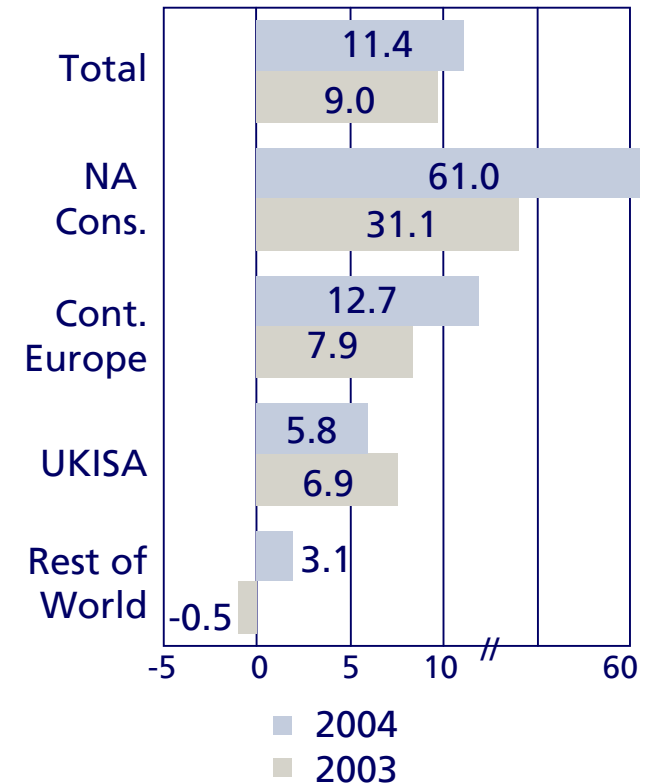
Life Insurance key performance indicators



Business operating profit

in USD millions	2004	2003	Change
NA Consumer	235	245	-4%
Continental Europe	355	294	21%
UKISA	402	271	48%
Rest of World	71	46	54%
Total	1,063	856	24%

New business margin¹ (%)



¹ The after tax internal rate of return is approx. 11-12% (2003: 10-11%)

Life Insurance performance highlights



-
- 15% growth in new business APE¹ (adjusted for f/x and divestments)
 - Continental Europe
 - Record sales growth in Germany
 - Strong performance in Italy
 - UKISA
 - IFA channel 20% APE growth
 - Openwork launched
 - Agency numbers reduced to 2,200
 - Market leading third party products
 - NA Consumer (Farmers New World Life)
 - Attractive new business margins
 - Strong sales

¹ Annual Premiums Equivalent

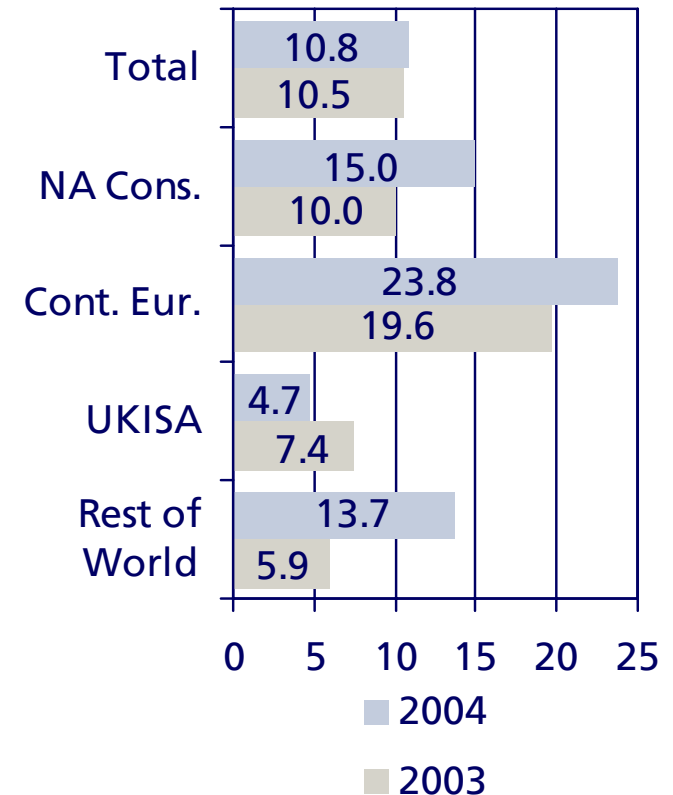
Life embedded value performance



EV operating profit

in USD millions	2004	2003	Change
NA Consumer	330	318	4%
Continental Europe	419	380	10%
UKISA	264	321	-18%
Rest of World	104	40	160%
Total	1,117	1,059	5%

EV operating return (%)



Farmers Management Services with record year



in USD millions

	2004	2003	Change
Management fees & other related revenue	1,985	1,885	5%
Management & other expenses	955	900	6%
Investment income	86	77	12%
Net income	686	604	14%
Business operating profit	1,077	970	11%
Gross operating margin	51.9%	52.3%	-0.4pts

Other Businesses financial highlights



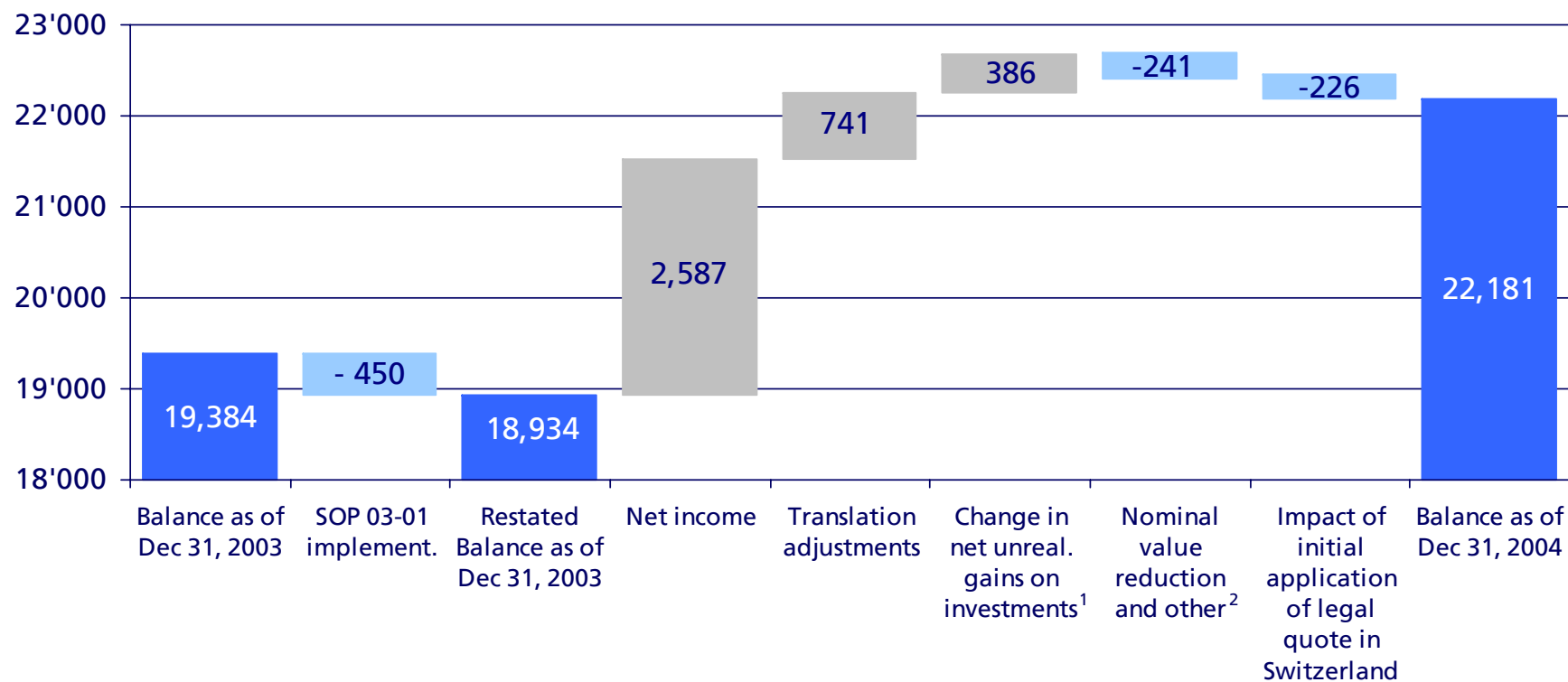
in USD millions

	2004	2003	Change
Business operating profit	137	-958	nm
<i>of which: Centre</i>	58	-882	nm
<i>other</i>	79	-76	nm
Net income	96	-1,012	nm
<i>of which: Centre</i>	9	-818	nm
<i>other</i>	87	-194	nm

Shareholders' equity



in USD millions



¹ Excluding translation adjustments

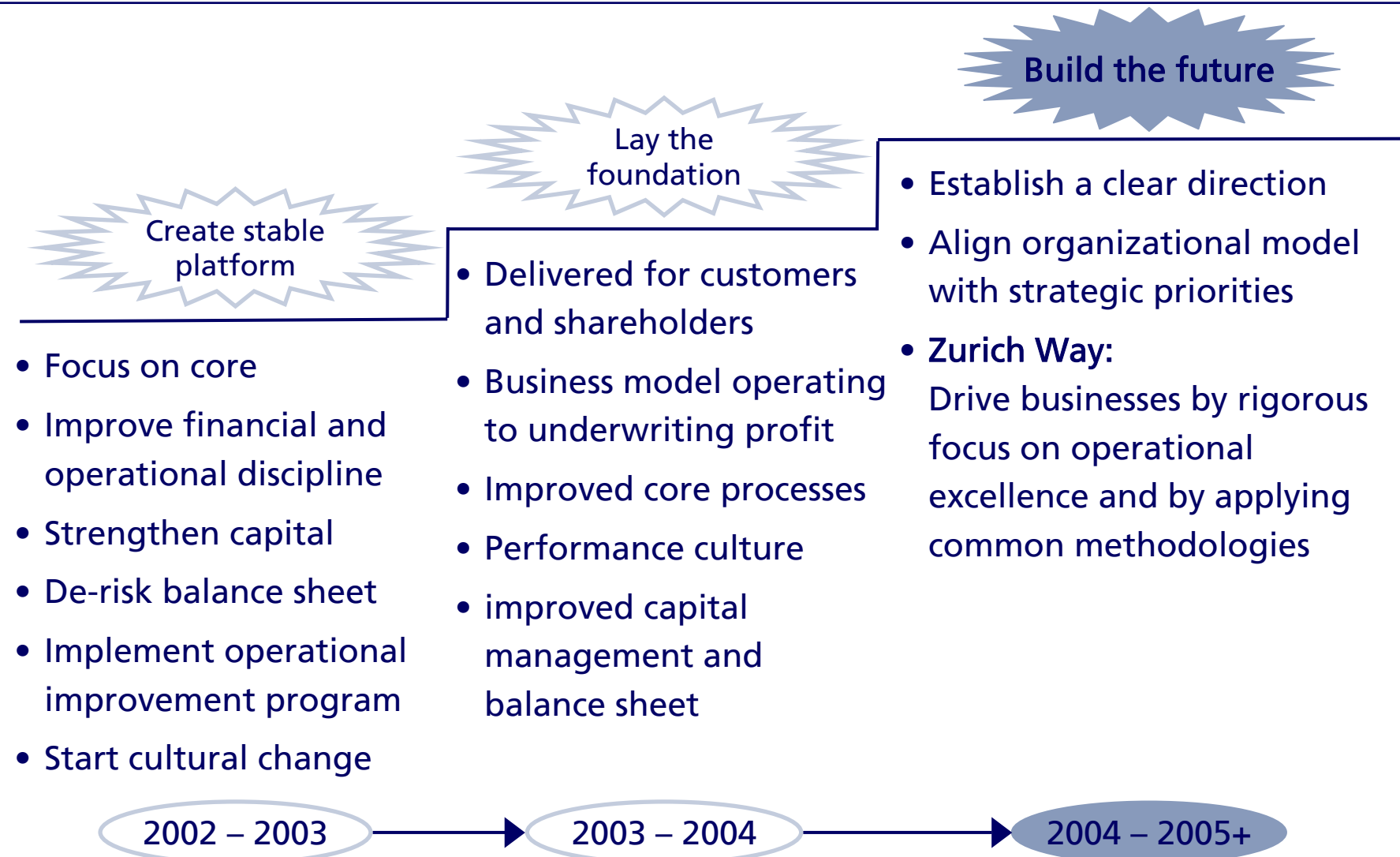
² Includes dividends on preferred securities, treasury stock & share-based payment transactions

The Way Forward

James J. Schiro
Chief Executive Officer

February 17, 2005

Having delivered the turnaround, we are now building the future



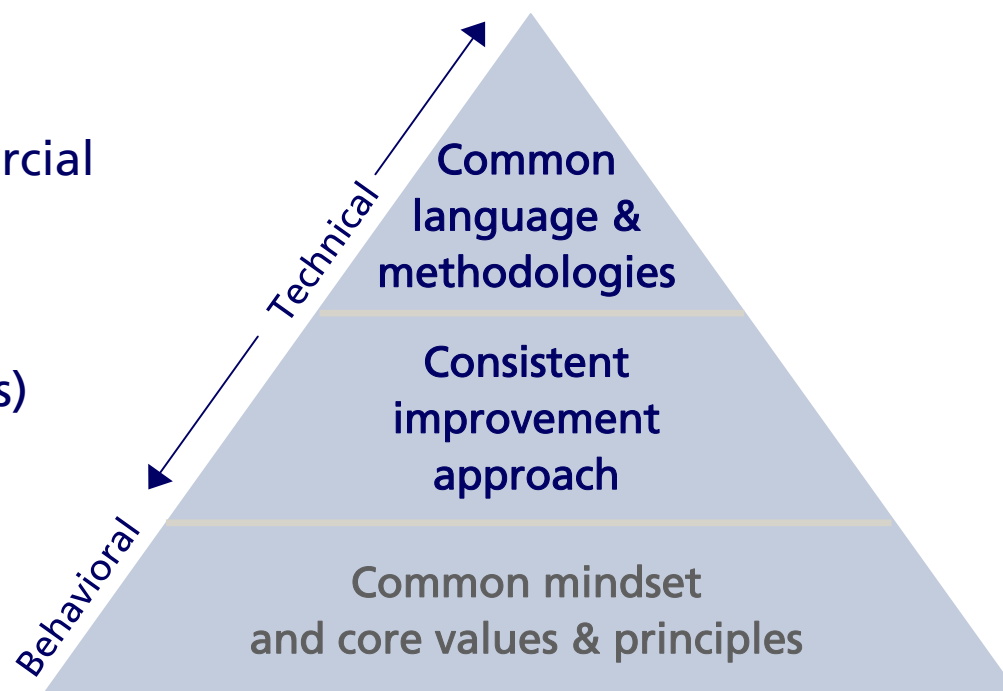
The Zurich Way – one “best” way to achieve operational excellence in all core processes



Seven initial work streams

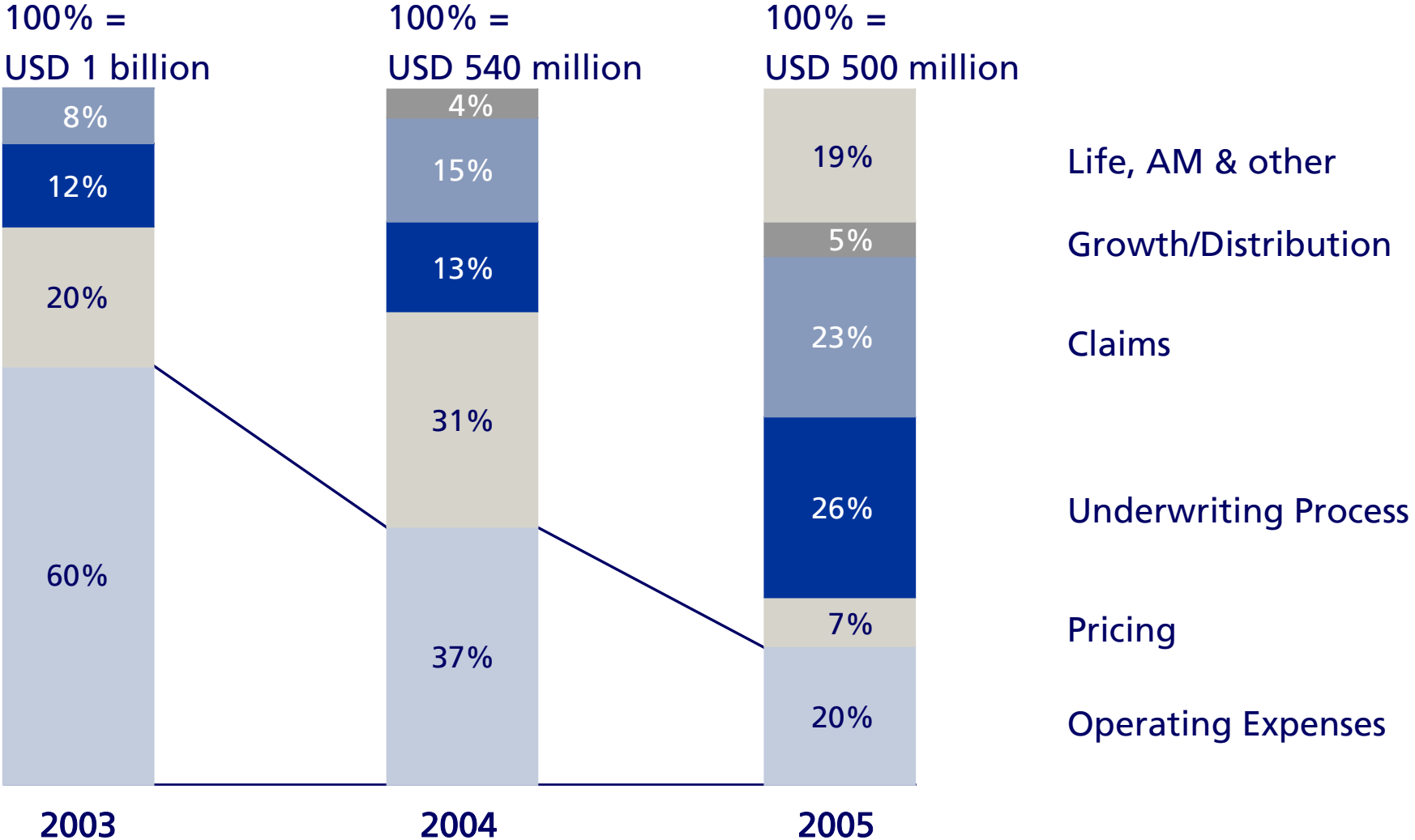
1. General Insurance claims
2. Large corporate and commercial underwriting
3. Personal lines underwriting
4. Life (with 4 sub workstreams)
5. Tied agent distribution
6. Talent management
7. Financial discipline

The Zurich Way framework



- CEO/GEC sponsorship
- Full time central team to support workstreams

Financial benefits of improvement initiatives of the entire Zurich Financial Services Group



We have a well diversified General Insurance book¹



	North America	United Kingdom	Cont. Europe	Inter-national	Total
Corporate Lines	Global Corporate 8% 3% 8%				19%
Commercial Lines	NA Comm. ² 33%	Europe General Insurance 8% 6%		4% Int. Businesses	51%
Personal Lines	US Personal ³ 8%	5%	14%	3%	30%
Total	49%	16%	28%	7%	100%⁴

44%

52% more complex

48% less complex

¹ Customers segments pro-forma reporting

² Incl. Small Businesses

³ NA Consumer

⁴ Based on 2004 GWP, adjusted for Group eliminations and Centrally Managed Businesses



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Q&A



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Appendix

Return on equity



		2004	2003
$\frac{\text{Business Operating Profit}^1}{\text{Average IFRS Equity}^2}$	=	$\frac{2,235}{19,462}$	
		11.5%	9.8%
$\frac{\text{Net Income}^3}{\text{Average IFRS Equity}^2}$	=	$\frac{2,587}{19,462}$	
		13.3%	12.1 %

¹ In USD millions, after tax (2004 BOP = 3,143 less tax @ 28.9% = 2,235)

² In USD millions, IFRS Equity (excluding preferred shares) BoY: 17'838, EoY: 21'085, average: 19'462

³ In USD millions

Asbestos & Environmental reserves



	2004		2003	
	Gross reserves ¹	3-year survival ratio	Gross reserves ¹	3-year survival ratio
Asbestos	2,964	22.1	2,930	23.6
<i>of which: US</i>	1,601	19.1	1,915	15.9
<i>of which: UK</i>	1,363	41.0	1,015	42.0
Environmental	500		703	
Total	3,464		3,633	

¹ In USD millions

Life Insurance financial highlights



in USD millions

	2004	2003	Change
GWP, policy fees & deposits	19,272	20,163	-4%
Business operating profit	1,063	856	24%
Net investment income ¹	6,224	5,883	6%
New business premiums (APE ²)	2,403	2,134	13%
New business profit margin (as % of APE)	11.4%	9.0%	2.4pts
EV operating profit, after tax	1,117	1,059	5%
EV operating return, after tax ³	10.8%	10.5%	0.3pts
Discount rate	7.7%	8.1%	0.0pts

¹ Including investments for unit-linked products

² Annual Premiums Equivalent

³ Before foreign currency translation effects

Life IFRS equity adjusted to bridge EV



in USD billions

		2004
Tangible assets in IFRS equity	8.3	
DAC and other intangibles	3.5	
Goodwill	0.5	
Life IFRS equity		12.3
Adjustments: Reserves and investment valuation differences ¹	-1.4	
Deduct DAC and other intangibles ²	-3.5	
Deduct goodwill ³	-0.5	
Subtotal adjustments		-5.4
Value of business in-force (before cost of capital)		7.4
Cost of capital		-1.5
Embedded value		12.8
Net asset value	6.9	
Value of business in-force (after cost of capital)	5.9	

¹ Difference between tangible IFRS Equity and NAV under EV

² DAC and other intangibles included in IFRS Equity are subtracted

³ Goodwill is not included in the EV, thus needs to be deducted from IFRS equity

Shareholders' deferred acquisition costs and recoverability



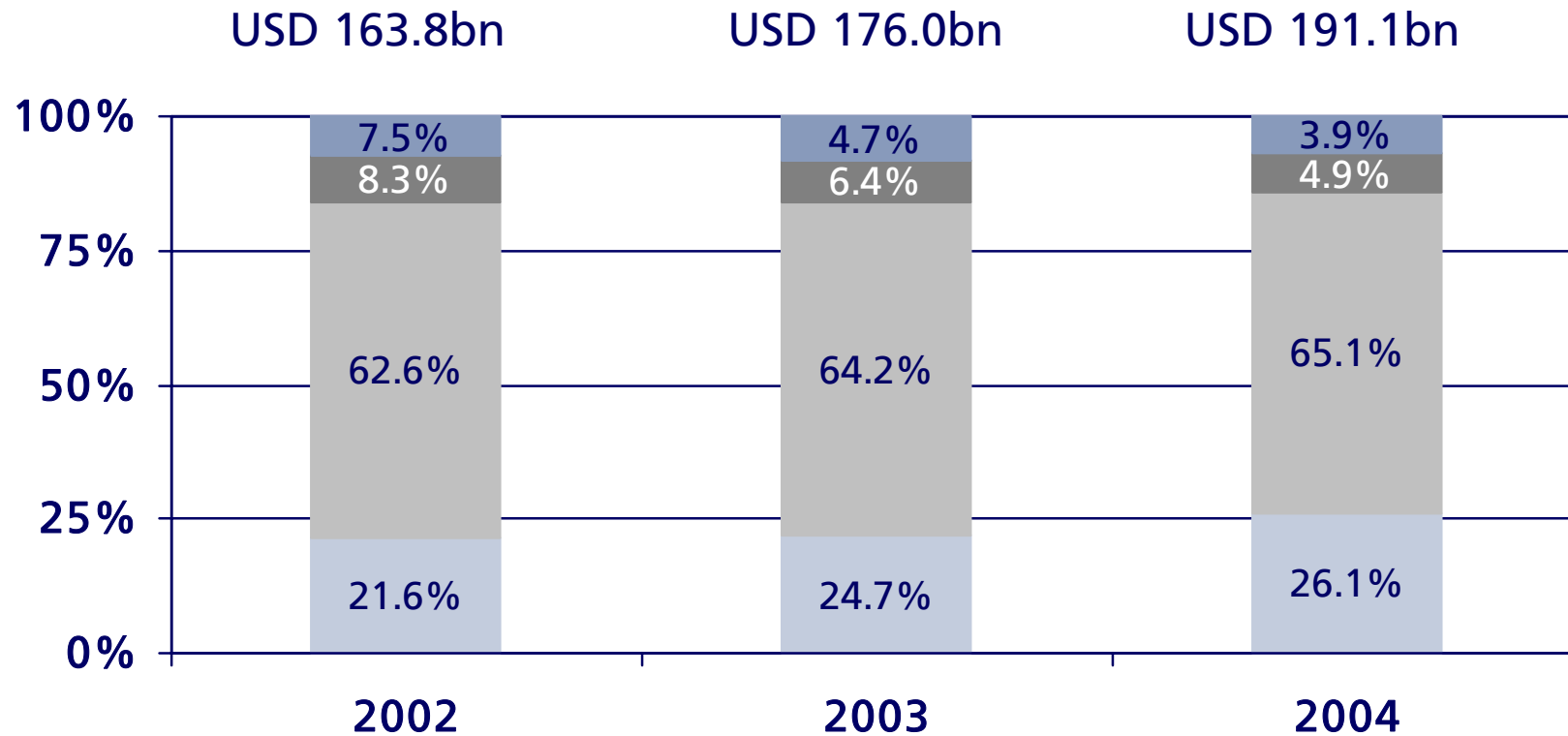
in USD millions

	2004	2003
DAC asset incl. in Life Insurance segment balance sheet	11.0	9.6
Present value of future profits ¹	1.1	1.2
Deferred front-end fees	-3.5	-3.0
Investments less reserves where the investment risk is carried by the policyholder	-1.1	-1.3
Policyholder share of DAC and other intangibles	-2.5	-2.1
Tax deductions on intangible assets	-1.5	-1.3
Net shareholders' intangibles to be recovered from future earnings ²	3.5	3.1

¹ linked to acquisitions

² after tax

Total Group investments by major category

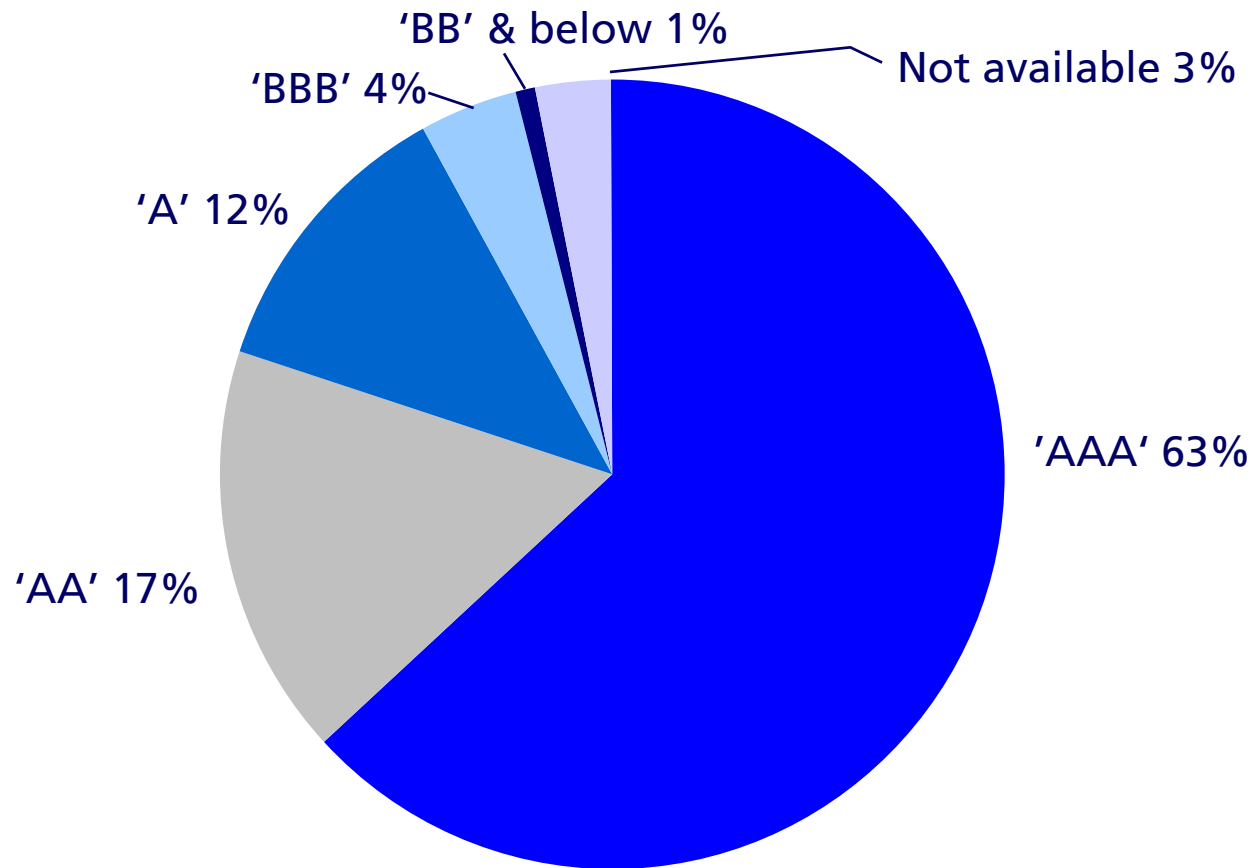


- Other equity securities
- Common stock, including equity unit trusts
- Debt securities
- Other investments

96% of the bond portfolio is investment grade



Bond portfolio ratings¹ distribution as at December 31, 2004

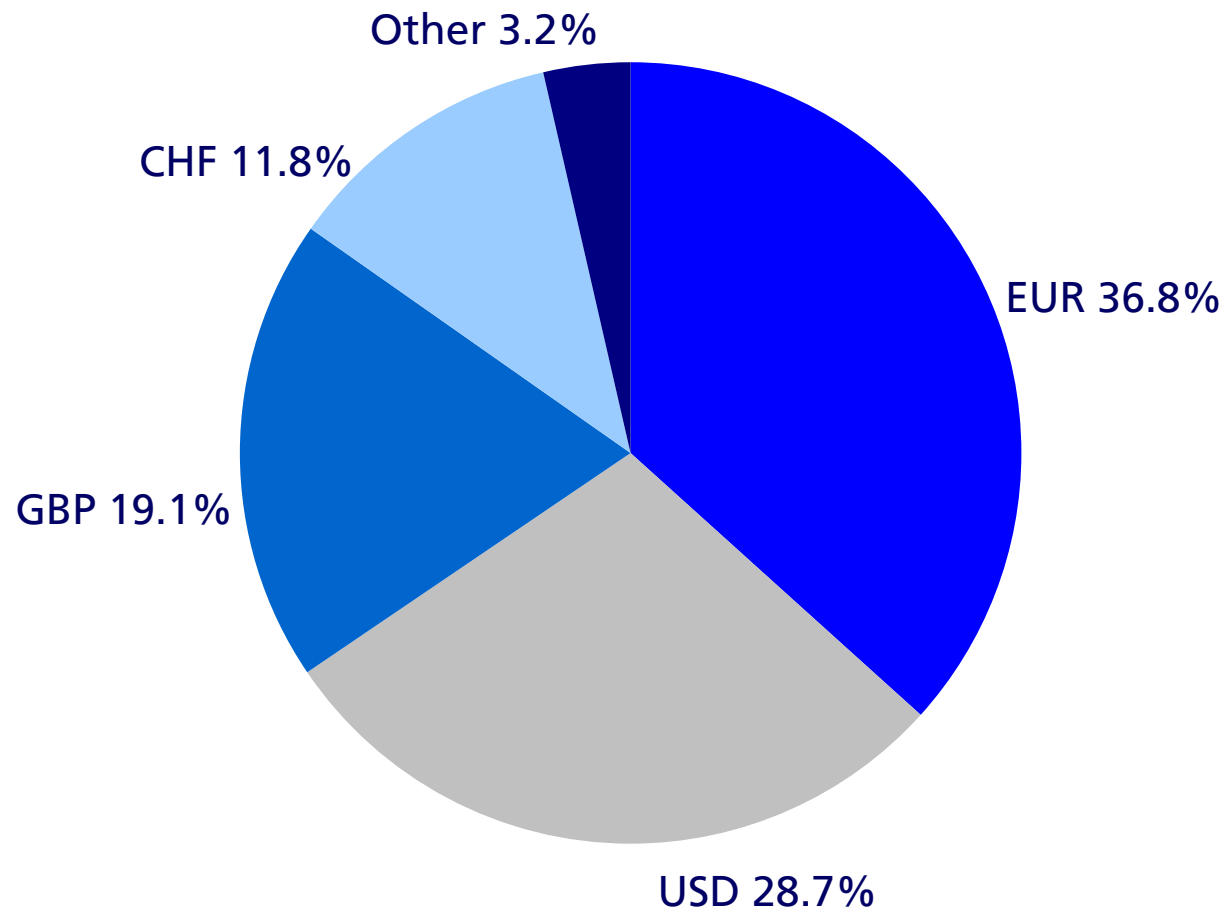


¹ Lower of Moody's and S&P issuer ratings, if no rating available, internal ratings have been assigned

The bond portfolio diversification



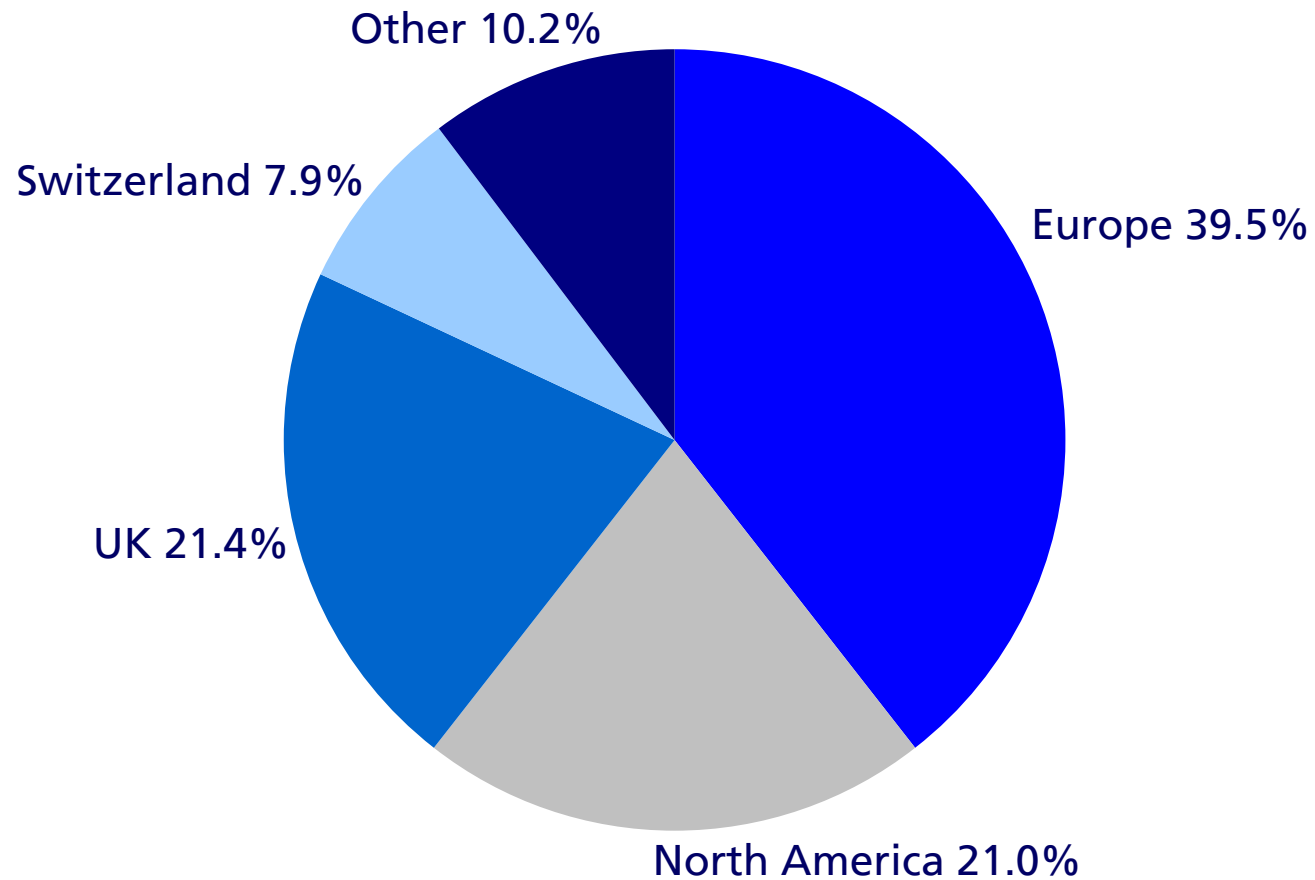
Bond portfolio currency distribution as at December 31, 2004



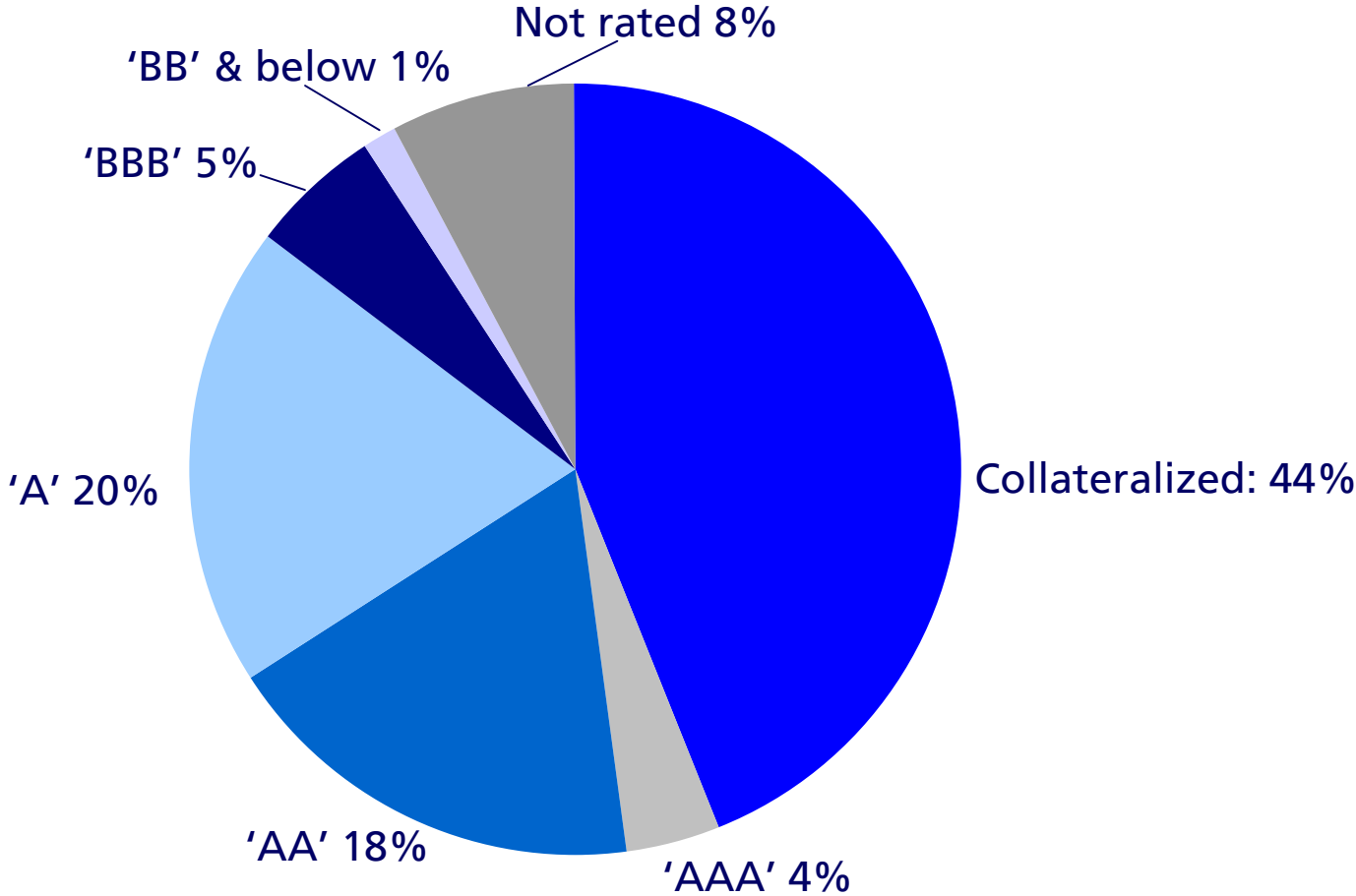
The equity portfolio diversification



Equity portfolio country distribution as at December 31, 2004



Credit quality¹ of reinsurance counterparties / collateralization of recoverables

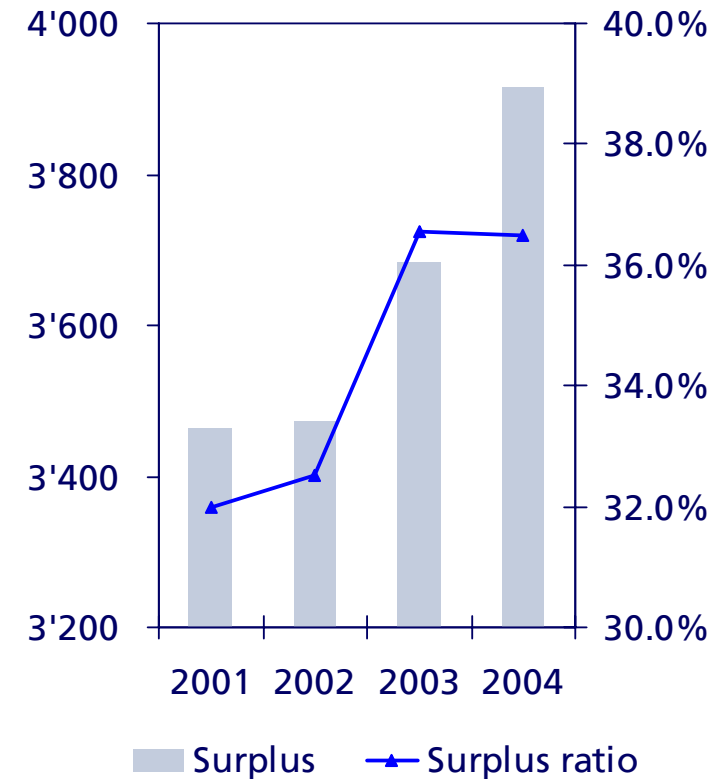


¹ Lower of Moody's and S&P issuer ratings; if no rating is available, internal ratings have been assigned

Farmers Exchanges¹ financial highlights



in USD millions	2004	2003
Gross written premiums	14,189	13,833
Net underwriting gain	235.9	-372.6
Net surplus change (YTD)	461.6	211.1
Ending Surplus	4,145.8	3,684.2
Surplus Ratio	36.5%	36.7%



¹ Zurich Financial Services has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides management services to the Farmers Exchanges and receives a fee for its services

Farmers Exchanges – combined ratio by line of business



	2004	2003	Change
Auto	99.9%	99.5%	-0.4pts
Homeowners	77.8%	94.7%	16.9pts
Commercial P&C ¹	99.0%	103.8%	4.8pts
Specialty	99.9%	96.8%	-3.1pts
Total	96.8%	101.9%	5.1pts
Adjusted combined ratio ²	89.9%	95.2%	5.3pts

¹ Excludes earthquake losses before quota share treaties

² Adjusted for profit portion of management fees

Farmers Exchanges – development of the combined ratio



Quarterly combined ratio

