

# Half Year Results Reporting 2004 – Consolidated Financial Statements

## Consolidated operating statements (unaudited)

in USD millions  
for the six months ended June 30

	Notes	2004	2003 <sup>1</sup>
<b>Revenues</b>			
Gross written premiums and policy fees		26,412	25,971
Less premiums ceded to reinsurers		(3,960)	(4,257)
Net written premiums and policy fees		22,452	21,714
Net change in reserves for unearned premiums		(1,805)	(1,913)
Net earned premiums and policy fees		20,647	19,801
Management fees		1,002	1,037
Net investment income	5	4,442	4,277
Net capital gains/(losses) on investments and impairments	5	1,091	1,178
Net (loss)/gain on divestments of businesses	4	(14)	1
Other income		752	779
<b>Total revenues</b>		<b>27,920</b>	<b>27,073</b>
<b>Benefits, losses and expenses</b>			
Insurance benefits and losses	7	16,275	16,621
Policyholder dividends and participation in profits	7	1,977	1,974
Underwriting and policy acquisition costs	7	3,780	3,163
Administrative expense		1,910	1,868
Other operating expense		894	855
Amortization of intangible assets		207	216
Interest expense on debt	11	166	223
Interest credited to policyholders and other interest		470	642
<b>Total benefits, losses and expenses</b>		<b>25,679</b>	<b>25,562</b>
<b>Net income before income taxes and minority interests</b>			
Income tax expense	9	(739)	(723)
Net income applicable to minority interests		(54)	(36)
<b>Net income</b>		<b>1,448</b>	<b>752</b>
in USD			
Basic earnings per share		10.10	5.30
Diluted earnings per share		10.02	5.28
in CHF			
Basic earnings per share		12.78	7.15
Diluted earnings per share		12.67	7.12

<sup>1</sup> Restated for implementation of new accounting standard as discussed in note 3.

The notes to the half year consolidated financial statements are an integral part of these half year consolidated financial statements.

# Consolidated balance sheets (unaudited)

in USD millions, as of

<b>Assets</b>	Notes	<b>06/30/04</b>	12/31/03 <sup>1</sup>
<b>Investments</b>			
Debt securities		<b>121,368</b>	119,032
Equity securities		<b>52,450</b>	52,322
Trading equity portfolios in capital markets and banking activities		<b>2,840</b>	4,303
Investments in associates		<b>720</b>	991
Other investments		<b>34,726</b>	33,422
Cash and cash equivalents		<b>14,125</b>	15,677
<b>Total investments</b>	5	<b>226,229</b>	225,747
Investments held on account and at risk of life insurance policyholders	6	<b>22,298</b>	21,980
Accrued investment income		<b>2,190</b>	2,570
Receivables		<b>11,699</b>	11,008
Reinsurance assets		<b>22,069</b>	22,670
Deposits made under assumed reinsurance contracts		<b>3,374</b>	3,608
Deferred policy acquisition costs	10	<b>11,975</b>	11,784
Fixed assets		<b>2,115</b>	2,306
Goodwill		<b>716</b>	779
Other intangible assets		<b>2,636</b>	2,794
Deferred tax assets	9	<b>3,630</b>	3,719
Derivative trading assets and other assets		<b>3,211</b>	3,976
Mortgage loans given as collateral		<b>4,202</b>	4,701
<b>Total assets</b>		<b>316,344</b>	317,642
<b>Liabilities, minority interests and shareholders' equity</b>			
<b>Liabilities</b>			
Insurance reserves, gross	8	<b>224,795</b>	223,418
Reserve for premium refunds		<b>731</b>	943
Insurance reserves for life insurance where the investment risk is carried by policyholders	6	<b>22,378</b>	22,063
Deposits received under ceded reinsurance contracts		<b>4,514</b>	4,825
Obligation to repurchase securities		<b>4,743</b>	3,742
Deferred tax liabilities	9	<b>5,238</b>	5,450
Accrued liabilities		<b>2,983</b>	2,865
Deferred front-end fees		<b>3,078</b>	3,015
Debt related to capital markets and banking activities	11	<b>4,221</b>	5,961
Senior and subordinated debt	11	<b>4,726</b>	4,775
Other liabilities		<b>14,922</b>	15,981
Collateralized loans		<b>4,202</b>	4,701
<b>Total liabilities</b>		<b>296,531</b>	297,739
<b>Minority interests</b>		<b>766</b>	969
<b>Shareholders' equity</b>			
Preferred securities		<b>1,096</b>	1,096
Common stock		<b>635</b>	923
Treasury stock		<b>(2)</b>	(6)
Additional paid-in capital		<b>10,239</b>	10,208
Net unrealized gains/(losses) on investments	5	<b>(131)</b>	862
Cumulative translation adjustment		<b>79</b>	152
Retained earnings		<b>7,131</b>	5,699
<b>Common stockholders' equity</b>		<b>17,951</b>	17,838
<b>Total shareholders' equity</b>		<b>19,047</b>	18,934
<b>Total liabilities, minority interests and shareholders' equity</b>		<b>316,344</b>	317,642

<sup>1</sup> Restated for implementation of new accounting standard as discussed in note 3.

The notes to the half year consolidated financial statements are an integral part of these half year consolidated financial statements.

## Consolidated statements of cash flows (unaudited)

in USD millions  
for the six months ended June 30

	2004	2003 <sup>1</sup>
<b>Cash flows from operating activities</b>		
Net income	1,448	752
<i>Adjustments for:</i>		
Net capital (gains)/losses on investments and impairments	(1,091)	(1,178)
Net loss/(gain) on divestments of businesses	14	(1)
Equity in income of investments in associates	(85)	(6)
Depreciation and amortization	310	377
Other non-cash items	(14)	599
<i>Changes in operational assets and liabilities:</i>		
Deferred policy acquisition costs	(187)	(347)
Reinsurance assets, net	202	(858)
Deposits made under assumed reinsurance contracts	228	209
Receivables and payables	(1,391)	(3,117)
Insurance reserves, gross	4,716	8,199
Deferred income tax, net	81	465
Net changes in other operational assets and liabilities	(124)	1,308
<b>Net cash provided by operating activities</b>	<b>4,107</b>	<b>6,402</b>
<b>Cash flows from investing activities</b>		
<i>Sales and maturities:</i>		
Debt securities	33,444	50,934
Equity securities	21,356	23,432
Other (primarily other investments and fixed assets)	4,845	8,664
<i>Purchases:</i>		
Debt securities	(40,527)	(60,915)
Equity securities	(19,966)	(18,407)
Other (primarily other investments and fixed assets)	(5,417)	(7,453)
Investments in associates, net	66	(1)
Divestments of companies, net of cash balances	1,559	138
Dividends from associates	17	9
<b>Net cash used in investing activities</b>	<b>(4,623)</b>	<b>(3,599)</b>
<b>Cash flows from financing activities</b>		
Change in universal life and investment contracts, net	88	325
Proceeds from sale and repurchase agreements	935	1,358
Dividends paid to shareholders	(16)	(20)
(Redemption)/issuance of preferred stock by subsidiaries	(195)	(527)
Issuance of debt	779	113
Payments on debt outstanding	(2,471)	(1,134)
<b>Net cash (used in)/provided by financing activities</b>	<b>(880)</b>	<b>115</b>
Effect of exchange rate changes on cash and cash equivalents	(156)	296
Change in cash and cash equivalents	(1,552)	3,214
Cash and cash equivalents as of January 1 (opening balance)	15,677	10,033
<b>Cash and cash equivalents as of June 30</b>	<b>14,125</b>	<b>13,247</b>
<b>Other supplementary cash flow disclosures</b>		
in USD millions	2004	2003 <sup>1</sup>
Other interest income received	3,528	3,335
Dividend income received	632	684
Other interest expense paid	(594)	(528)
Income tax paid	(356)	(490)
As of June 30, 2004 and 2003, cash and cash equivalents restricted as to use were USD 605 million and USD 1,004 million, respectively, and cash and cash equivalents held for the benefit of policyholders in connection with unit-linked products amounted to USD 2,772 million and USD 1,933 million, respectively.		
Cash and cash equivalents comprise the following:		
in USD millions	2004	2003 <sup>1</sup>
Cash at bank and in hand	6,440	7,374
Cash equivalents	7,685	5,873
<b>Balance as of June 30</b>	<b>14,125</b>	<b>13,247</b>

<sup>1</sup> Restated for implementation of new accounting standard as discussed in note 3.

The notes to the half year consolidated financial statements are an integral part of these half year consolidated financial statements.

## Consolidated statements of shareholders' equity (unaudited)

in USD millions, except number of shares  
for the six months ended June 30

	Number of common shares issued	Preferred securities
<b>Balance as of December 31, 2002, as previously reported</b>	144,006,955	1,096
Implementation of new accounting standard <sup>1</sup>	–	–
<b>Balance as of December 31, 2002, restated</b>	144,006,955	1,096
Change in net unrealized gains/(losses) on investments (excluding translation adjustments)	–	–
Translation adjustments	–	–
Change in net gains and (losses) not recognized in the operating statement	–	–
Share-based payment transactions	–	–
Treasury stock transactions	–	–
Net income	–	–
Dividends on preferred securities	–	–
<b>Balance as of June 30, 2003, restated</b>	144,006,955	1,096
<b>Balance as of December 31, 2003, as previously reported</b>	144,006,955	1,096
Implementation of new accounting standard <sup>1</sup>	–	–
<b>Balance as of December 31, 2003, restated</b>	144,006,955	1,096
Change in net unrealized gains/(losses) on investments (excluding translation adjustments)	–	–
Transfer arising from the "legal quote" legislation in Switzerland <sup>2</sup>	–	–
Translation adjustments	–	–
Change in net gains and (losses) not recognized in the operating statement	–	–
Nominal value reduction of common stock <sup>3</sup>	–	–
Share-based payment transactions	–	–
Treasury stock transactions	–	–
Net income	–	–
Dividends on preferred securities	–	–
<b>Balance as of June 30, 2004</b>	<b>144,006,955</b>	<b>1,096</b>

<sup>1</sup> Implementation of a new accounting standard is discussed in note 3.

<sup>2</sup> Transfer of net unrealized gains on investments to insurance reserves as "Policyholders' contract deposits and other funds" in connection with the new "legal quote" legislation in Switzerland as described in note 8.

<sup>3</sup> Effective as of June 30, 2004, the share capital was reduced by a nominal value reduction from CHF 9 to CHF 6.50 per each registered share. The payment to shareholders was made on July 1, 2004.

The notes to the half year consolidated financial statements are an integral part of these half year consolidated financial statements.

Common stock	Treasury stock (nominal value)	Additional paid-in capital	Net unrealized gains/(losses) on investments	Cumulative translation adjustment	Retained earnings	Total shareholders' equity
1,028	(14)	10,031	1,080	(484)	4,038	16,775
–	–	–	2	–	(310)	(308)
1,028	(14)	10,031	1,082	(484)	3,728	16,467
–	–	–	813	–	–	813
–	–	–	21	277	–	298
–	–	–	834	277	–	1,111
–	–	14	–	–	–	14
–	–	(5)	–	–	–	(5)
–	–	–	–	–	752	752
–	–	–	–	–	(20)	(20)
1,028	(14)	10,040	1,916	(207)	4,460	18,319
923	(6)	10,208	862	181	6,120	19,384
–	–	–	–	(29)	(421)	(450)
923	(6)	10,208	862	152	5,699	18,934
–	–	–	(758)	–	–	(758)
–	–	–	(226)	–	–	(226)
–	–	–	(9)	(73)	–	(82)
–	–	–	(993)	(73)	–	(1,066)
(288)	–	–	–	–	–	(288)
–	–	(14)	–	–	–	(14)
–	4	45	–	–	–	49
–	–	–	–	–	1,448	1,448
–	–	–	–	–	(16)	(16)
<b>635</b>	<b>(2)</b>	<b>10,239</b>	<b>(131)</b>	<b>79</b>	<b>7,131</b>	<b>19,047</b>

# Notes to the half year consolidated financial statements (unaudited)

## 1. Basis of presentation

These half year consolidated financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting". The accounting policies used to prepare these consolidated financial statements comply with International Financial Reporting Standards (IFRS), and are consistent with those set out in the notes to the Annual Report 2003 of Zurich Financial Services Group ("the Group") except for the implementation of a new accounting standard, discussed in note 3, which resulted in restatement of the 2003 half year consolidated financial statements included herein. In addition, certain reclassifications have been made to prior period amounts and segment disclosures to conform to the presentation in the Group's Annual Report 2003 and to the current period presentation. These reclassifications have no effect on the previously reported net income.

These unaudited half year consolidated financial statements should be read in conjunction with the Group's Annual Report 2003. The Group's independent auditors have carried out a review of these unaudited half year consolidated financial statements. Their report is set out on page 21.

Certain amounts recorded in the half year consolidated financial statements reflect estimates and assumptions made by management about insurance liability reserves, investment valuations, interest rates and other factors. Actual results may differ from the estimates made. Interim results are not necessarily indicative of the full year results.

## 2. Foreign currency translation and transactions

The table below summarizes the principal exchange rates which have been used for translation purposes. The net loss on foreign currency transactions included in the consolidated operating statements was USD 48 million and USD 34 million for the six months ended June 30, 2004 and 2003, respectively.

USD per foreign currency unit	Balance sheets as of		Operating statements and cash flows six months ended	
	06/30/04	12/31/03	06/30/04	06/30/03
Euro	<b>1.2186</b>	1.2594	<b>1.2274</b>	1.1062
Swiss franc	<b>0.7999</b>	0.8072	<b>0.7907</b>	0.7412
British pound sterling	<b>1.8195</b>	1.7858	<b>1.8225</b>	1.6125

## 3. Implementation of new accounting standards and adjustments

The Accounting Standards Executive Committee (AcSEC) of the American Institute of Certified Public Accountants (AICPA) issued Statement of Position 03-01 ("SOP 03-01"), Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts. SOP 03-01 has resulted in three significant changes in the treatment of certain life contracts, which have been adopted retrospectively, in accordance with IAS 8:

- Recognition of additional liabilities for guaranteed minimum death benefits, guaranteed retirement income benefits and benefits in respect of annuitization options on an accrual basis, primarily in the life business in the United States. The recognition of guarantee liabilities resulted in a write-down of deferred policy acquisition costs, caused by a reduction in future estimated gross profits supporting these reserves.
- Clarification of the distinction between universal life insurance and investment products, resulting in certain products in the life business in the United Kingdom now being treated as insurance. The classification as insurance consequently resulted in the retrospective accrual of additional insurance reserves.
- "Investments held on account and at risk of life insurance policyholders" and "Insurance reserves for life insurance where the investment risk is carried by policyholders" were reclassified from the respective amounts previously reported to total investments and insurance reserves in the amount of approximately USD 50 billion. This change also resulted in the inclusion in the consolidated operating statements of additional investment result arising from the reclassified investments and a substantially corresponding charge in "Policyholder dividends and participation in profits". As a result, there is no material net impact on the Group's operating results.

The Group has implemented the new standard in these financial statements and the impact is summarized in the tables below.

**Table 3.1**  
Summary of restatement of key consolidated operating statement items due to implementation of new accounting standard

in USD millions, for the six months ended June 30, 2003	As previously reported <sup>1</sup>	Restatement adjustment	Restated 2003
<b>Revenues</b>			
Net investment income	3,608	669	4,277
Net capital gains/(losses) on investments and impairments	(398)	1,576	1,178
<b>Benefits, losses and expenses</b>			
Policyholder dividends and participation in profits	(271)	2,245	1,974
<b>Net income before income taxes and minority interests</b>	1,547	(36)	1,511
Income tax expense	(732)	9	(723)
<b>Net income</b>	779	(27)	752

<sup>1</sup> After implementation of new accounting standards in 2003 as discussed in note 3 of the Annual Report 2003.

**Table 3.2**  
**Summary of restatement of key consolidated balance sheet items**  
**due to implementation of new accounting standard**

in USD millions, as of December 31, 2003

	As previously reported <sup>1</sup>	Restatement adjustment	Restated 2003
<b>Assets</b>			
Debt securities	113,002	6,030	119,032
Equity securities	15,188	37,134	52,322
Other investments	28,947	4,475	33,422
Cash and cash equivalents	13,536	2,141	15,677
Total investments	175,967	49,780	225,747
Investments held on account and at risk of life insurance policyholders	71,936	(49,956)	21,980
Deferred policy acquisition costs	12,023	(239)	11,784
Total assets	317,876	(234)	317,642
<b>Liabilities</b>			
Insurance reserves, gross	171,864	51,554	223,418
Insurance reserves for life insurance where the investment risk is carried by policyholders	73,233	(51,170)	22,063
Total liabilities	297,523	216	297,739
<b>Shareholders' equity</b>			
Cumulative translation adjustment	181	(29)	152
Retained earnings	6,120	(421)	5,699
Total shareholders' equity	19,384	(450)	18,934

<sup>1</sup> After implementation of new accounting standards in 2003 as discussed in note 3 of the Annual Report 2003.

**Table 3.3**  
**Summary of restatement of key consolidated statement of cash flows items**  
**due to implementation of new accounting standard**

in USD millions, for the six months ended June 30, 2003

	As previously reported <sup>1</sup>	Restatement adjustment	Restated 2003
<b>Cash flows from operating activities</b>			
Net income	779	(27)	752
<i>Adjustments for:</i>			
Net capital (gains)/losses on investments and impairments	398	(1,576)	(1,178)
<i>Changes in operational assets and liabilities:</i>			
Insurance reserves, gross	4,849	3,350	8,199
Net cash provided by operating activities	4,452	1,950	6,402
<b>Cash flows from investing activities</b>			
<i>Sales and maturities:</i>			
Debt securities	44,512	6,422	50,934
Equity securities	17,965	5,467	23,432
<i>Purchases:</i>			
Debt securities	(56,296)	(4,619)	(60,915)
Equity securities	(9,594)	(8,813)	(18,407)
Net cash used in investing activities	(1,993)	(1,606)	(3,599)
Change in cash and cash equivalents	2,870	344	3,214
Cash and cash equivalents as at January 1 (opening balance)	8,444	1,589	10,033
Cash and cash equivalents as of June 30	11,314	1,933	13,247

<sup>1</sup> After implementation of new accounting standards in 2003 as discussed in note 3 of the Annual Report 2003.

**Table 3.4**  
**Restatement of quarterly consolidated financial information due**  
**to implementation of new accounting standard (unaudited)**

in USD millions, for the three months ended

	06/30/03	03/31/04	03/31/03
Net income, as previously reported <sup>1</sup>	645	702	134
Restatement adjustment	(11)	28	(16)
Net income, restated	634	730	118

<sup>1</sup> As published in note 29 of the Annual Report 2003.

This SOP 03-01 restatement adjustment is entirely attributable to the Life Insurance segment. The total net adjustment to total shareholders' equity as of December 31, 2003 was USD 450 million, for which an estimated amount of USD 600 million was recorded in the first quarter of 2004.

In 2004, figures for the Group's internal reinsurance transactions have been allocated to the specific regions that wrote the underlying business whereas in 2003 those results were recorded in the Centrally Managed Businesses region. The 2003 figures have been reclassified to conform to this presentation.

### Forthcoming changes in accounting and reporting affecting the basis of presentation and comparability

During the next few years, there will be a number of further changes to our consolidated financial statements. The principal change will occur for 2005 reporting when new and amended standards already issued and likely to be issued by the International Accounting Standards Board will be implemented. The most significant impact will be from the International Financial Reporting Standard on "Insurance Contracts" (IFRS 4). The impact continues to be evaluated, but our net income, shareholders' equity and presentation of the financial statements will all be affected. To the extent that IFRS 4 does not determine accounting for insurance contracts, we will continue, as disclosed in our Annual Report 2003, to refer to accounting principles generally accepted in the United States (US GAAP) for guidance on accounting for insurance.

## 4. Changes in the scope of consolidation

During the six months ended June 30, 2004 and June 30, 2003, the Group completed sales of several businesses. The aggregate net loss on divestments before tax was USD (14) million for the six months ended June 30, 2004. The net gain on divestments before tax was USD 1 million for the six months ended June 30, 2003. The after tax (loss)/gain was USD (18) million and USD 6 million for the six months ended June 30, 2004 and 2003, respectively. Total cash consideration received was USD 1,739 million and USD 146 million for the six months ended June 30, 2004 and 2003, respectively.

**Table 4**

### Net gain on significant divestments

in USD millions, for the six months ended June 30

	2004	2003
Consideration received	1,739	89
Less: net assets divested	(1,708)	(70)
Costs related to divestments	(45)	(19)
Net loss on divestments before tax	(14)	–
<b>Net assets divested</b>		
Cash and cash equivalents	180	8
Other assets	3,955	641
Insurance liabilities	(515)	–
Other liabilities	(1,912)	(579)
Net assets divested	1,708	70

The Group's significant transactions affecting the scope of consolidation during the six months ended June 30, 2004 and 2003 were as follows.

### Changes in the first six months of 2004

On June 30, 2004, the Group completed the sale of Zurich Insurance (Singapore) Pte. Ltd. to QBE Insurance (International) Limited, recognizing a gain on the transaction of less than USD 1 million before tax.

On June 14, 2004, the Group completed the sale of Zürich Krankenversicherung AG (Deutschland) as well as the Group's stake in GLOBALE Krankenversicherungs-AG to DKV Deutsche Krankenversicherung AG, recognizing a gain of USD 13 million before tax.

On May 31, 2004, the Group completed the sale of the insurance portfolio of its subsidiary Zurich Life Philippines, Inc to The Manufacturers Life Insurance Company (Phils.), Inc.

On March 10, 2004, the Group completed the sale of McMillan Shakespeare Australia Pty Limited to McMillan Shakespeare Limited, recognizing a gain of USD 9 million before tax.

On February 12, 2004, the Group completed the sale of all of its life insurance operations, its workers' compensation portfolio and its general insurance operations in the consumer and small commercial segments in Belgium to P&V Assurances, recognizing a loss of USD 37 million before tax. The sale of the Luxembourg operation to P&V Assurances is expected to be completed in the second half of 2004.

In 2003, the Group signed a framework agreement with BNP Paribas for the transfer of certain derivatives transactions and credit facilities and related assets of Zurich Capital Markets to BNP Paribas. A portion of these transfers was completed as of December 31, 2003, and the remaining portion is ongoing and expected to be completed in 2004.

Additionally, there were several post completion adjustments recognized or accrued for divestments completed during or prior to the first six months of 2004. The net gain from these post completion adjustments was USD 1 million.

In the first six months of 2004, the companies and businesses divested contributed USD 8 million to the Group's net income.

### Changes in the first six months of 2003

On March 31, 2003, the Group completed the sale of Rüd, Blass & Cie AG, Bankgeschäft to Deutsche Bank (Suisse) SA. For this transaction, a significant portion of the sales proceeds could not be recognized at the time of sale, as it is contingent on the development of assets under management over a period of fifteen months subsequent to the closing. Finalization is expected in the second half of 2004.

In January 2003, the Group completed the sale of its insurance operations in the Czech Republic, recognizing a gain of USD 6 million before tax.

In addition, certain business operations were discontinued or disposed to third parties in Taiwan, the United Kingdom, the United States and Estonia.



## 5. Investments

Investments include "Group investments" and "Investments for unit-linked products" (due to the implementation of SOP 03-01 as discussed in note 3). "Group investments" include investments where the Group bears all or part of the investment risk. The investment result of "Investments for unit-linked products" is included in the operating statements, despite the fact that policyholders bear the investment risk. This investment result, however, is offset by a substantially corresponding charge included in "Policyholder dividends and participation in profits". As a result, there is no material net impact on the Group's operating results. To distinguish between the different character of "Group investments" and "Investments for unit-linked products", separate investment disclosures are set forth below.

**Table 5.1**

**Investment result**

in USD millions, for the six months ended June 30

	Net investment income		Net capital gains/(losses) and impairments		Investment result	
	2004	2003	2004	2003	2004	2003
<i>Group investments:</i>						
Debt securities	2,529	2,560	(9)	1,311	2,520	3,871
Equity securities	254	324	(4)	(1,273)	250	(949)
Investments in associates	85	6	(77)	(6)	8	–
<i>Other investments:</i>						
Investments held by investment companies	7	–	167	(10)	174	(10)
Real estate held for investment	251	251	(2)	(9)	249	242
Mortgage loans, policyholders' collateral and other loans	500	390	143	86	643	476
Short-term investments	41	31	–	–	41	31
Other	25	84	29	(490)	54	(406)
Cash and cash equivalents	122	104	5	(7)	127	97
<b>Investment result, gross, for Group investments</b>	<b>3,814</b>	<b>3,750</b>	<b>252</b>	<b>(398)</b>	<b>4,066</b>	<b>3,352</b>
Investment expenses for Group investments	(207)	(142)	–	–	(207)	(142)
<b>Investment result, net, for Group investments</b>	<b>3,607</b>	<b>3,608</b>	<b>252</b>	<b>(398)</b>	<b>3,859</b>	<b>3,210</b>
<i>Investments for unit-linked products:</i>						
<b>Investment result, net, for investments for unit-linked products</b>	<b>835</b>	<b>669</b>	<b>839</b>	<b>1,576</b>	<b>1,674</b>	<b>2,245</b>
<i>Total investments:</i>						
<b>Investment result, net, for total investments</b>	<b>4,442</b>	<b>4,277</b>	<b>1,091</b>	<b>1,178</b>	<b>5,533</b>	<b>5,455</b>

The details of the investment balances as of June 30, 2004 and December 31, 2003 are given in the tables below.

Table 5.2 Breakdown of investments	Group investments				Investments for unit-linked products		Total investments	
	06/30/04 USD millions	% of total	12/31/03 USD millions	% of total	06/30/04 USD millions	12/31/03 USD millions	06/30/04 USD millions	12/31/03 USD millions
<i>Debt securities:</i>								
Available-for-sale	101,141	58.2%	100,025	56.8%	56	61	101,197	100,086
Held-to-maturity	5,409	3.1%	3,886	2.2%	–	–	5,409	3,886
Trading	9,407	5.4%	9,091	5.2%	5,355	5,969	14,762	15,060
<b>Total debt securities</b>	<b>115,957</b>	<b>66.7%</b>	<b>113,002</b>	<b>64.2%</b>	<b>5,411</b>	<b>6,030</b>	<b>121,368</b>	<b>119,032</b>
<i>Equity securities (including trading banking activities):</i>								
Available-for-sale	11,444	6.6%	13,525	7.7%	–	–	11,444	13,525
Trading	4,559	2.6%	5,966	3.4%	39,287	37,134	43,846	43,100
<i>of which: Trading equity portfolios in capital markets and banking activities</i>	<b>2,840</b>	<b>1.6%</b>	<b>4,303</b>	<b>2.4%</b>	–	–	<b>2,840</b>	<b>4,303</b>
<b>Total equity securities</b>	<b>16,003</b>	<b>9.2%</b>	<b>19,491</b>	<b>11.1%</b>	<b>39,287</b>	<b>37,134</b>	<b>55,290</b>	<b>56,625</b>
<b>Investments in associates</b>	<b>720</b>	<b>0.4%</b>	<b>991</b>	<b>0.6%</b>	–	–	<b>720</b>	<b>991</b>
<i>Other investments:</i>								
Investments held by investment companies	1,793	1.1%	1,576	0.9%	–	–	1,793	1,576
Real estate held for investment	7,012	4.0%	7,462	4.2%	4,181	3,639	11,193	11,101
Mortgage loans	9,621	5.5%	11,283	6.4%	–	–	9,621	11,283
Policyholders' collateral and other loans	9,812	5.7%	7,479	4.3%	17	–	9,829	7,479
Short-term investments	1,442	0.8%	998	0.6%	711	836	2,153	1,834
Other	137	0.1%	149	0.1%	–	–	137	149
<b>Total other investments</b>	<b>29,817</b>	<b>17.2%</b>	<b>28,947</b>	<b>16.5%</b>	<b>4,909</b>	<b>4,475</b>	<b>34,726</b>	<b>33,422</b>
<b>Cash and cash equivalents</b>	<b>11,353</b>	<b>6.5%</b>	<b>13,536</b>	<b>7.6%</b>	<b>2,772</b>	<b>2,141</b>	<b>14,125</b>	<b>15,677</b>
<b>Total investments</b>	<b>173,850</b>	<b>100.0%</b>	<b>175,967</b>	<b>100%</b>	<b>52,379</b>	<b>49,780</b>	<b>226,229</b>	<b>225,747</b>

Short-term investments include investments which have an original maturity of less than one year.

**Table 5.3**  
**Realized capital gains / (losses) and impairments**  
**on available-for-sale debt and equity securities**

in USD millions, for the six months ended June 30	Debt securities		Equity securities		Total	
	2004	2003	2004	2003	2004	2003
<i>Group investments:</i>						
Gross realized capital gains – available-for-sale	334	1,317	383	593	717	1,910
Gross realized capital losses – available-for-sale	(93)	(109)	(425)	(1,304)	(518)	(1,413)
Impairments – available-for-sale	(12)	(30)	(38)	(943)	(50)	(973)
<b>Total for Group investments – available-for-sale</b>	<b>229</b>	<b>1,178</b>	<b>(80)</b>	<b>(1,654)</b>	<b>149</b>	<b>(476)</b>

**Table 5.4**  
**Unrealized gains / (losses) on**  
**investments included in shareholders' equity**

in USD millions, as of	06/30/04	12/31/03
Debt securities – available-for-sale	1,314	2,843
Equity securities – available-for-sale	(437)	(708)
Other	(54)	(157)
<i>Less amount of net unrealized investment (gains)/losses attributable to:</i>		
Life policyholder dividends and other policyholder liabilities	(837)	(638)
Life deferred acquisition costs	(36)	(119)
Deferred income taxes	(72)	(353)
Minority interests	(9)	(6)
<b>Total</b>	<b>(131)</b>	<b>862</b>

## 6. Investments held on account and at risk of life insurance policyholders and insurance reserves for life insurance where the investment risk is carried by policyholders

**Table 6**  
**Investments held on account and at risk of life insurance policyholders and**  
**insurance reserves for life insurance where the investment risk is carried by policyholders**

in USD millions, as of	06/30/04	12/31/03
Debt securities	718	235
Equity securities	20,632	21,175
Collateral and other loans	4	6
Short-term investments	28	–
Other investments	824	453
Cash and cash equivalents	92	111
<b>Total investments held on account and at risk of life insurance policyholders</b>	<b>22,298</b>	<b>21,980</b>
<b>Total insurance reserves for life insurance where the investment risk is carried by policyholders</b>	<b>22,378</b>	<b>22,063</b>

In certain countries, "Insurance reserves for life insurance where the investment risk is carried by policyholders" include amounts due to policyholders as well as deferred front-end fees and, thus, the reserves are carried at a higher amount than the total "Investments held on account and at risk of life insurance policyholders".

The implementation of SOP 03-01, as discussed in note 3, resulted in a reclassification of the assets and reserves for products sold in certain countries, predominantly the UK, to their respective investment categories and insurance reserves, respectively, as they do not meet the criteria for classification as "separate accounts". The effects are disclosed in note 3. The remaining balances represent products which consist primarily of variable life insurance and annuity products for which the policyholder directly bears the investment risk of the related assets.

## 7. Insurance benefits, losses and expenses

**Table 7.1****Breakdown of insurance benefits, losses and expenses**

in USD millions, for the six months ended June 30

	Gross		Ceded		Net	
	2004	2003	2004	2003	2004	2003
Losses and loss adjustment expenses	<b>12,882</b>	12,163	<b>(2,007)</b>	(1,915)	<b>10,875</b>	10,248
Life insurance death and other benefits	<b>7,480</b>	5,031	<b>(130)</b>	(283)	<b>7,350</b>	4,748
(Decrease)/increase in future life policyholders' benefits	<b>(1,815)</b>	1,694	<b>(135)</b>	(69)	<b>(1,950)</b>	1,625
<b>Total insurance benefits and losses</b>	<b>18,547</b>	18,888	<b>(2,272)</b>	(2,267)	<b>16,275</b>	16,621
<i>of which:</i>						
Losses and loss adjustment expenses paid	<b>10,425</b>	8,797	<b>(1,974)</b>	(797)	<b>8,451</b>	8,000

**Table 7.2****Breakdown of policyholder dividends and participation in profits**

in USD millions, for the six months ended June 30

	Gross		Ceded		Net	
	2004	2003	2004	2003	2004	2003
<b>Policyholder dividends and participation in profits</b>	<b>1,976</b>	1,996	<b>1</b>	(22)	<b>1,977</b>	1,974

**Table 7.3****Breakdown of underwriting and policy acquisition costs**

in USD millions, for the six months ended June 30

	Gross		Ceded		Net	
	2004	2003	2004	2003	2004	2003
<b>Underwriting and policy acquisition costs</b>	<b>4,416</b>	3,876	<b>(636)</b>	(713)	<b>3,780</b>	3,163

SOP03-01, as discussed in note 3, clarifies the distinction between universal life insurance and investment products, resulting in certain products in the UK life business now being treated as insurance. The classification as insurance consequently resulted in the retrospective accrual of additional reserves. In addition, the Group recognized additional liabilities for contract features such as guaranteed minimum death benefits ("GMDB") and guaranteed retirement income benefits ("GRIB") included in universal-life type contracts, as well as guaranteed annuitization options ("GAO"). The determination of the GMDB, GRIB and GAO liabilities is based on models that involve a range of scenarios and assumptions, including those regarding expected market rates of return and volatility, contract surrender rates, annuitization elections and mortality experience. The assumptions used are consistent with those used in determining estimated gross profits for purposes of amortizing deferred acquisition costs.

## 8. Insurance reserves

**Table 8.1**  
**Insurance reserves**

in USD millions, as of	06/30/04	12/31/03
<b>Gross</b>		
Reserves for losses and loss adjustment expenses	52,457	51,068
Reserves for unearned premiums	15,891	13,944
Future life policyholders' benefits	81,154	85,211
Policyholders' contract deposits and other funds	21,618	22,007
Reserves for unit-linked products	53,675	51,188
Total insurance reserves, gross	224,795	223,418
<b>Ceded</b>		
Reserves for losses and loss adjustment expenses	(13,934)	(14,055)
Reserves for unearned premiums	(2,401)	(2,157)
Future life policyholders' benefits	(894)	(875)
Policyholders' contract deposits and other funds	(3,724)	(3,799)
Total ceded reserves (reinsurers' share of insurance reserves)	(20,953)	(20,886)
<b>Net</b>		
Reserves for losses and loss adjustment expenses	38,523	37,013
Reserves for unearned premiums	13,490	11,787
Future life policyholders' benefits	80,260	84,336
Policyholders' contract deposits and other funds	17,894	18,208
Reserves for unit-linked products	53,675	51,188
<b>Total insurance reserves, net</b>	<b>203,842</b>	<b>202,532</b>

Reserves for unit-linked products relate to the implementation of SOP 03-01 as discussed in note 3.

**Table 8.2**  
**Reserves for losses and loss adjustment expenses**

in USD millions	2004	2003
<b>As of January 1 (opening balance)</b>		
Gross reserves for losses and loss adjustment expenses	51,068	45,306
Reinsurance recoverable	(14,055)	(14,940)
Net reserves for losses and loss adjustment expenses	37,013	30,366
Net losses and loss adjustment expenses incurred		
Current period	10,219	9,835
Prior years	656	413
Total	10,875	10,248
Net losses and loss adjustment expenses paid		
Current period	(2,555)	(2,465)
Prior years	(5,896)	(5,535)
Total	(8,451)	(8,000)
Divestments of companies and businesses	(394)	(105)
Foreign currency translation effects	(520)	898
<b>As of June 30 (closing balance)</b>		
Net reserves for losses and loss adjustment expenses	38,523	33,407
Reinsurance recoverable	13,934	14,980
<b>Gross reserves for losses and loss adjustment expenses</b>	<b>52,457</b>	<b>48,387</b>

The Group establishes loss reserves, which are estimates of future payments of reported and unreported claims for losses and related expenses, with respect to insured events that have occurred. Reserving is a complex process dealing with uncertainty, requiring the use of informed estimates and judgments. Any changes in estimates are reflected in the operating statements in the period in which estimates are changed.

Significant delays occur in the notification of claims and a substantial measure of experience and judgment is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as at the balance sheet date. The reserves for losses and loss adjustment expenses are determined on the basis of information currently available; however, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments.

Deferred charges relating to retrospective reinsurance assumed totaling USD 178 million and USD 251 million as of June 30, 2004 and 2003, respectively, have been deducted from reserves for losses and loss adjustment expenses.

**Table 8.3****Future life policyholders' benefits and policyholders' contract deposits and other funds (gross of reinsurance)**

in USD millions, as of

	06/30/04	12/31/03
<b>Future life policyholders' benefits</b>		
Long-duration contracts	81,052	85,119
Short-duration contracts	102	92
<b>Total</b>	<b>81,154</b>	<b>85,211</b>
<b>Policyholders' contract deposits and other funds</b>		
Annuities	1,797	1,953
Universal life and other investment contracts	12,197	12,461
Policyholder dividends	7,624	7,593
<b>Total</b>	<b>21,618</b>	<b>22,007</b>

The Group, through its subsidiary Kemper Investors Life Insurance Company, has written variable annuity contracts that provide annuitants with certain guarantees related to minimum death and income benefits. The maximum additional potential liability after reinsurance recovers that the Group would have under these policies at the balance sheet date as of June 30, 2004 would be USD 545 million (December 31, 2003 – USD 463 million). The Group believes the crystallization of such liability is not likely.

The "legal quote" legislation came into force on April 1, 2004, with retroactive effect from January 1, 2004. It relates to the regulated pension business in Switzerland and provides for mandatory participation in profits by policyholders. A minimum dividend rate of 90% of the calculated surplus must be allocated to policyholders as the surplus arises, where previously such allocations occurred when bonuses were declared. The Group accounted for this change by transferring net unrealized gains on investments included in shareholders' equity amounting to USD 226 million to insurance reserves as "Policyholders' contract deposits and other funds". The current accounting treatment reflects management's best estimate and assumptions. However, as this legislation is recent and lacking detailed guidance, and as there are certain matters requiring clarification by the Swiss regulator (Swiss Federal Office of Private Insurance – "FOPI"), estimates and assumptions may change, and, as a consequence, the accounting treatment may be adjusted. Depending on the final guidance, the resulting impacts on the Group's financial position could be material.

## 9. Income taxes

**Table 9.1****Income tax expense**

in USD millions, for the six months ended June 30

	2004	2003
Current	530	443
Deferred	209	280
<b>Total income tax expense</b>	<b>739</b>	<b>723</b>

The Group, as a proxy for life insurance policyholders in the UK, is required to record taxes on investment income and gains each year. Accordingly, the tax benefit or expense attributable to UK life insurance policyholder earnings is included in income tax expense. The tax expense attributable to UK policyholder earnings was USD 4 million and USD 75 million for the six months ended June 30, 2004 and 2003, respectively. In addition, deferred income tax on unrealized investment gains on unit-linked contracts is included as income tax expense and an accrual for future policy fees that will cover the tax charge is included in gross written premiums and policy fees revenue. Income tax is shown before reduction for the element attributable to policyholders.

**Table 9.2****Expected and actual income tax expense**

in USD millions, for the six months ended June 30

	2004	2003
Expected income tax expense	728	507
<i>Reduction/(increase) in taxes resulting from:</i>		
Non-taxable income	(138)	(52)
Non-deductible expenses	41	37
Withholding, state and local taxes	12	20
Non-utilizable tax losses	58	125
Additional tax expense attributable to life insurance policyholder earnings	(7)	42
Other	45	44
Actual income tax expense	739	723

The table above illustrates the factors that cause the actual income tax expense to differ from the expected amount computed by applying the expected rate.

The expected weighted average tax rate for the Group was 32.5% and 33.5% in the first six months in 2004 and 2003, respectively. These rates were derived by obtaining a weighted average of the applicable statutory income tax rate in relation to the operating income/(loss) generated in the main taxable territories in which the Group operates.

**Table 9.3****Deferred income taxes**

in USD millions, as of

06/30/04 12/31/03

		06/30/04	12/31/03
<b>Deferred tax assets</b>			
Deferred tax assets, gross		3,895	4,070
Valuation allowance on deferred tax assets		(265)	(351)
<b>Deferred tax assets, net</b>		<b>3,630</b>	<b>3,719</b>
<b>Deferred tax liabilities</b>		<b>(5,238)</b>	<b>(5,450)</b>
<b>Net deferred tax liabilities</b>		<b>(1,608)</b>	<b>(1,731)</b>

The current income tax payable (net of income tax receivable) as of June 30, 2004 and December 31, 2003 was USD 775 million and USD 614 million, respectively.

As of June 30, 2004, and December 31, 2003, respectively, the Group had income tax loss carryforwards of USD 2,978 million and USD 3,251 million available (subject to various statutory restrictions) for use against future taxable income. The majority of the income tax loss carryforwards expire after five years. Deferred tax assets for loss carryforwards of USD 2,020 million and USD 2,218 million have been recognized as of June 30, 2004, and December 31, 2003, respectively.

## 10. Deferred policy acquisition costs

**Table 10****Deferred policy acquisition costs**

in USD millions

General Insurance	Life Insurance	Other Segments <sup>1</sup>	Total
2004	2004	2004	2004

<b>As of January 1 (opening balance)</b>	<b>2,085</b>	<b>9,601</b>	<b>98</b>	<b>11,784</b>
Acquisition costs deferred and transfers	1,218	643	(12)	1,849
Amortization charged to income	(1,003)	(649)	(11)	(1,663)
Amortization charged to shareholders' equity	–	50	1	51
Divestments	(10)	(28)	–	(38)
Increase/(decrease) due to currency translation	(21)	14	(1)	(8)
<b>As of June 30 (closing balance)</b>	<b>2,269</b>	<b>9,631</b>	<b>75</b>	<b>11,975</b>

<sup>1</sup> Including eliminations of intersegment transactions

## 11. Debt

**Table 11.1****Debt**

in USD millions, as of

06/30/04 12/31/03

**a) Debt related to capital markets and banking activities**

Zurich Capital Markets	Commercial paper, due in the following year	–	2,113
	Notes and loans payable, due within 2004	3,523	2,855
	Notes and loans payable, due 2005–2013	391	546
	Notes and loans payable, due after 2014	155	150
Dunbar Bank	Short-term borrowings	28	136
Centre Solutions (Bermuda) Ltd.	Various debt instruments	124	161
Debt related to capital markets and banking activities		<b>4,221</b>	<b>5,961</b>

**b) Senior debt**

Zurich Finance (USA), Inc.	3.5% CHF bond, due July 2008	239	242
	2.75% CHF bond, due July 2006	398	403
Zurich International (Bermuda) Ltd.	Zero coupon CHF exchangeable bond, due July 2004	429	427
Kemper Corporation	Various debt instruments, due in 2009	27	27
Zurich Insurance Company	3.875% CHF bond, due July 2011	800	807
	Various borrowings and notes	152	94
Zurich Financial Services (UKISA)	Short-term bank borrowings	–	54
Other	Various debt instruments	277	306
Senior debt		<b>2,322</b>	<b>2,360</b>

**c) Subordinated debt**

Zurich Capital Trust I	8.376% USD Capital Securities, due June 2037	1,000	1,000
Zurich Finance (UK) p.l.c	6.625% GBP bond, undated notes	804	795
Zurich Finance (USA), Inc.	5.75% EUR bond, due October 2023	600	620
Subordinated debt		<b>2,404</b>	<b>2,415</b>
Total senior and subordinated debt		<b>4,726</b>	<b>4,775</b>
<b>Total debt</b>		<b>8,947</b>	<b>10,736</b>

**Table 11.2**  
**Maturity schedule of outstanding debt**

in USD millions	06/30/04
2004 (six months)	4,014
2005	162
2006	620
2007	257
2008	271
after 2008	3,623
<b>Total</b>	<b>8,947</b>

**Table 11.3**  
**Interest expense on debt**

in USD millions, for the six months ended June 30	2004	2003
Debt related to capital markets and banking activities	37	87
Senior debt	45	73
Subordinated debt	84	63
<b>Total</b>	<b>166</b>	223

On April 21, 2004, a new USD 3 billion syndicated revolving credit facility was signed to replace the USD 1.5 billion facility, which would have matured on May 28, 2004. The new syndicated credit facility consists of two equal tranches maturing in 2007 and 2009. Zurich Group Holding, together with Zurich Insurance Company and Farmers Group, Inc. are guarantors of the new facility, which allows for drawings of up to USD 1.25 billion, USD 1.5 billion and USD 250 million respectively for themselves and a number of defined subsidiary borrowers. No borrowings were outstanding as of June 30, 2004 under the new facility. Farmers Group, Inc. cancelled their existing USD 250 million credit facility, which would otherwise have expired in September 2004 after the above facility was in place.

Zurich Capital Markets' USD 1.27 billion syndicated revolving credit facility (multi-currency credit agreement), which was in place as of December 31, 2003 as a backstop for the commercial paper program, was terminated as per March 12, 2004. No commercial papers were outstanding as of June 30, 2004.

## 12. Commitments and contingencies

The Group and its subsidiaries are continuously involved in legal proceedings, claims and litigation arising, for the most part, in the ordinary course of business as an insurer. Based on management's current understanding of facts and circumstances, the expected outcome of these matters would not have a material impact on the Group's consolidated financial position. However, the ultimate outcome of such current legal proceedings, claims and litigation could differ from current expectations, and, consequently, could potentially have a material effect on operating results or cash flows in a future period.

## 13. Segment information

**Table 13.1**  
**Operating statements by business segment**

in USD millions, for the six months ended June 30

	General Insurance		Life Insurance	
	2004	2003	2004	2003
<b>Revenues</b>				
Direct written premiums and policy fees	17,953	16,607	5,644	6,299
Assumed written premiums	2,604	2,701	32	37
Gross written premiums and policy fees	20,557	19,308	5,676	6,336
Less premiums ceded to reinsurers	(4,012)	(4,288)	(421)	(404)
Net written premiums and policy fees	16,545	15,020	5,255	5,932
Net change in reserves for unearned premiums	(1,908)	(1,903)	(1)	8
Net earned premiums and policy fees	14,637	13,117	5,254	5,940
Management fees	–	–	7	88
Net investment income	1,128	962	3,042	3,002
Net capital gains/(losses) on investments and impairments	92	187	850	932
Net (loss)/gain on divestments of businesses	(46)	(26)	36	–
Other income	232	249	414	375
<b>Total revenues</b>	<b>16,043</b>	<b>14,489</b>	<b>9,603</b>	<b>10,337</b>
Inter-segment transactions	(195)	147	(180)	(37)
<b>Benefits, losses and expenses</b>				
Losses and loss adjustment expenses	10,503	9,656	44	28
Life insurance death and other benefits	45	71	6,942	4,370
(Decrease)/increase in future life policyholders' benefits	6	5	(1,909)	1,583
Insurance benefits and losses	10,554	9,732	5,077	5,981
Policyholder dividends and participation in profits	3	5	1,850	1,784
Underwriting and policy acquisition costs	2,552	2,219	1,040	764
Administrative and other operating expenses	1,349	1,219	608	669
Amortization of intangible assets	55	47	99	77
Interest expense on debt	92	90	18	24
Interest credited to policyholders and other interest	78	57	365	473
<b>Total benefits, losses and expenses</b>	<b>14,683</b>	<b>13,369</b>	<b>9,057</b>	<b>9,772</b>
<b>Net income / (loss) before income taxes and minority interests</b>	<b>1,360</b>	<b>1,120</b>	<b>546</b>	<b>565</b>
<b>Net income / (loss)</b>	<b>981</b>	<b>782</b>	<b>393</b>	<b>382</b>
<b>Supplementary segment information</b>				
Losses and loss adjustment expenses paid, net	7,774	7,335	49	42
<i>Significant non-cash expenses:</i>				
Depreciation and impairments of fixed assets	31	61	33	49
Amortization and impairments of intangible assets	55	47	99	77



Farmers Management Services		Other Businesses		Corporate Center		Eliminations		Total	
2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
-	-	95	71	-	3	8	4	23,700	22,984
-	-	638	751	445	355	(1,007)	(857)	2,712	2,987
-	-	733	822	445	358	(999)	(853)	26,412	25,971
-	-	(88)	(71)	(438)	(347)	999	853	(3,960)	(4,257)
-	-	645	751	7	11	-	-	22,452	21,714
-	-	99	(19)	5	1	-	-	(1,805)	(1,913)
-	-	744	732	12	12	-	-	20,647	19,801
980	935	14	16	4	3	(3)	(5)	1,002	1,037
39	43	395	498	298	165	(460)	(393)	4,442	4,277
1	(2)	58	274	90	(213)	-	-	1,091	1,178
-	-	(2)	27	(2)	-	-	-	(14)	1
12	-	120	124	199	147	(225)	(116)	752	779
1,032	976	1,329	1,671	601	114	(688)	(514)	27,920	27,073
(4)	7	(282)	(358)	(27)	(273)	688	514	-	-
-	-	405	454	2	150	(79)	(40)	10,875	10,248
-	-	288	263	9	18	66	26	7,350	4,748
-	-	(4)	106	(44)	(72)	1	3	(1,950)	1,625
-	-	689	823	(33)	96	(12)	(11)	16,275	16,621
-	-	124	300	-	(115)	-	-	1,977	1,974
-	-	184	180	4	-	-	-	3,780	3,163
436	401	248	320	370	211	(207)	(97)	2,804	2,723
46	44	3	5	4	43	-	-	207	216
-	21	63	97	378	337	(385)	(346)	166	223
-	-	83	157	28	15	(84)	(60)	470	642
482	466	1,394	1,882	751	587	(688)	(514)	25,679	25,562
550	510	(65)	(211)	(150)	(473)	-	-	2,241	1,511
344	313	(89)	(237)	(181)	(488)	-	-	1,448	752
-	-	690	559	16	101	(78)	(37)	8,451	8,000
20	22	6	14	13	15	-	-	103	161
46	44	3	5	4	43	-	-	207	216

**Table 13.2**  
**Balance sheets (summarized) by business segment**

in USD millions, as of

	General Insurance		Life Insurance	
	06/30/04	12/31/03	06/30/04	12/31/03
Total investments	<b>59,681</b>	56,778	<b>153,996</b>	154,443
Investments held on account and at risk of life insurance policyholders	–	6	<b>22,298</b>	21,974
Reinsurance assets	<b>17,006</b>	17,128	<b>5,246</b>	4,947
Deposits made under assumed reinsurance contracts	<b>1,576</b>	1,683	<b>17</b>	9
Deferred policy acquisition costs	<b>2,269</b>	2,085	<b>9,631</b>	9,601
Goodwill	<b>153</b>	184	<b>494</b>	524
Other related intangible assets <sup>1</sup>	–	–	<b>973</b>	1,025
Other segment assets	<b>12,920</b>	12,570	<b>11,053</b>	12,278
<b>Total segment assets after consolidation of investments in subsidiaries</b>	<b>93,605</b>	90,434	<b>203,708</b>	204,801
Reserves for losses and loss adjustment expenses, gross	<b>47,178</b>	45,337	<b>216</b>	157
Reserves for unearned premiums, gross	<b>15,646</b>	13,470	<b>127</b>	131
Future life policyholders' benefits, gross	<b>163</b>	157	<b>79,057</b>	82,740
Policyholders' contract deposits and other funds, gross	<b>932</b>	1,058	<b>17,760</b>	18,128
Reserves for unit-linked products, gross	–	–	<b>53,675</b>	51,188
Insurance reserves, gross	<b>63,919</b>	60,022	<b>150,835</b>	152,344
Insurance reserves for life insurance where the investment risk is carried by policyholders	–	–	<b>22,378</b>	22,063
Debt related to capital markets and banking activities	–	–	–	–
Senior debt	<b>7,929</b>	7,717	<b>753</b>	1,488
Subordinated debt	–	–	–	–
Other segment liabilities	<b>12,635</b>	13,048	<b>18,021</b>	18,594
<b>Total segment liabilities</b>	<b>84,483</b>	80,787	<b>191,987</b>	194,489
Minority interests	<b>193</b>	188	<b>150</b>	149
<b>Segment equity</b>	<b>8,929</b>	9,459	<b>11,571</b>	10,163
<sup>1</sup> Other related intangible assets consists of present value of acquired insurance contracts and attorney-in-fact relationship.				
<b>Supplementary segment information</b>				
Reserves for losses and loss adjustment expenses, net	<b>33,723</b>	31,986	<b>122</b>	82
Reserves for unearned premiums, net	<b>13,030</b>	11,215	<b>124</b>	129
Future life policyholders' benefits, net	<b>162</b>	159	<b>77,942</b>	81,988
Policyholders' contract deposits and other funds, net	<b>917</b>	1,043	<b>14,050</b>	14,345
Reserves for unit-linked products, net	–	–	<b>53,675</b>	51,188
<b>Insurance reserves, net</b>	<b>47,832</b>	44,403	<b>145,913</b>	147,732

Farmers Management Services		Other Businesses		Corporate Center		Eliminations		Total	
06/30/04	12/31/03	06/30/04	12/31/03	06/30/04	12/31/03	06/30/04	12/31/03	06/30/04	12/31/03
<b>1,980</b>	2,219	<b>19,238</b>	20,761	<b>14,865</b>	14,644	<b>(23,531)</b>	(23,098)	<b>226,229</b>	225,747
-	-	-	-	-	-	-	-	<b>22,298</b>	21,980
<b>432</b>	429	<b>3,120</b>	3,423	<b>541</b>	385	<b>(4,276)</b>	(3,642)	<b>22,069</b>	22,670
-	-	<b>1,791</b>	1,931	<b>55</b>	51	<b>(65)</b>	(66)	<b>3,374</b>	3,608
-	-	<b>78</b>	100	-	1	<b>(3)</b>	(3)	<b>11,975</b>	11,784
-	-	<b>62</b>	64	<b>7</b>	7	-	-	<b>716</b>	779
<b>1,046</b>	1,067	-	-	-	-	-	-	<b>2,019</b>	2,092
<b>701</b>	767	<b>3,506</b>	4,432	<b>1,579</b>	2,196	<b>(2,095)</b>	(3,261)	<b>27,664</b>	28,982
<b>4,159</b>	4,482	<b>27,795</b>	30,711	<b>17,047</b>	17,284	<b>(29,970)</b>	(30,070)	<b>316,344</b>	317,642
-	-	<b>7,184</b>	7,741	<b>654</b>	715	<b>(2,775)</b>	(2,882)	<b>52,457</b>	51,068
-	-	<b>365</b>	481	<b>229</b>	115	<b>(476)</b>	(253)	<b>15,891</b>	13,944
-	-	<b>2,079</b>	2,065	<b>576</b>	674	<b>(721)</b>	(425)	<b>81,154</b>	85,211
-	-	<b>3,241</b>	3,194	-	-	<b>(315)</b>	(373)	<b>21,618</b>	22,007
-	-	-	-	-	-	-	-	<b>53,675</b>	51,188
-	-	<b>12,869</b>	13,481	<b>1,459</b>	1,504	<b>(4,287)</b>	(3,933)	<b>224,795</b>	223,418
-	-	-	-	-	-	-	-	<b>22,378</b>	22,063
-	-	<b>5,511</b>	6,321	-	-	<b>(1,290)</b>	(360)	<b>4,221</b>	5,961
-	-	<b>151</b>	191	<b>14,571</b>	14,288	<b>(21,082)</b>	(21,324)	<b>2,322</b>	2,360
-	429	-	-	<b>3,508</b>	3,398	<b>(1,104)</b>	(1,412)	<b>2,404</b>	2,415
<b>1,269</b>	1,379	<b>8,559</b>	9,836	<b>2,134</b>	1,706	<b>(2,207)</b>	(3,041)	<b>40,411</b>	41,522
<b>1,269</b>	1,808	<b>27,090</b>	29,829	<b>21,672</b>	20,896	<b>(29,970)</b>	(30,070)	<b>296,531</b>	297,739
-	-	<b>14</b>	219	<b>409</b>	413	-	-	<b>766</b>	969
<b>2,890</b>	2,674	<b>691</b>	663	<b>(5,034)</b>	(4,025)	-	-	<b>19,047</b>	18,934
-	-	<b>4,476</b>	4,731	<b>207</b>	219	<b>(5)</b>	(5)	<b>38,523</b>	37,013
-	-	<b>290</b>	390	<b>3</b>	9	<b>43</b>	44	<b>13,490</b>	11,787
<b>(195)</b>	(194)	<b>1,804</b>	1,801	<b>539</b>	577	<b>8</b>	5	<b>80,260</b>	84,336
<b>(237)</b>	(235)	<b>3,222</b>	3,175	-	-	<b>(58)</b>	(120)	<b>17,894</b>	18,208
-	-	-	-	-	-	-	-	<b>53,675</b>	51,188
<b>(432)</b>	(429)	<b>9,792</b>	10,097	<b>749</b>	805	<b>(12)</b>	(76)	<b>203,842</b>	202,532

Table 13.3 Premiums, revenues and assets by geographical segment in USD millions	Gross written premiums and policy fees		Revenues		Assets as of	
	six months ended		six months ended		06/30/04	12/31/03
	06/30/04	06/30/03	06/30/04	06/30/03		
North America Corporate	<b>8,042</b>	7,838	<b>5,524</b>	4,870	<b>39,029</b>	36,549
North America Consumer	<b>1,951</b>	2,202	<b>2,990</b>	3,353	<b>14,773</b>	14,671
Continental Europe	<b>10,379</b>	10,429	<b>10,361</b>	9,734	<b>107,734</b>	113,070
UKISA	<b>4,511</b>	4,216	<b>6,338</b>	6,403	<b>104,919</b>	100,059
Rest of the World	<b>1,482</b>	1,403	<b>1,180</b>	1,061	<b>10,244</b>	10,429
Centrally Managed Businesses	<b>1,449</b>	1,691	<b>1,942</b>	1,921	<b>58,217</b>	61,573
Eliminations	<b>(1,402)</b>	(1,808)	<b>(415)</b>	(269)	<b>(18,572)</b>	(18,709)
<b>Total</b>	<b>26,412</b>	25,971	<b>27,920</b>	27,073	<b>316,344</b>	317,642

## Review Report by the Group Auditors

### To the Board of Directors of Zurich Financial Services, Zurich

We have reviewed the half year consolidated financial information (operating statement, balance sheet, statement of cash flows, statement of shareholders' equity and notes on pages 1 to 20) of Zurich Financial Services for the six months ended June 30, 2004.

The financial information is the responsibility of the Board of Directors. Our responsibility is to issue a report on the half year consolidated financial information based on our review.

Our review was conducted in accordance with auditing standards promulgated by the Swiss profession and with the International Standards on Auditing, which require that a review be planned and performed to obtain moderate assurance about whether the half year consolidated financial information is free from material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the half year consolidated financial information has not been properly prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers AG

R Marshall      W Eriksen-Grundbacher

Zurich, August 18, 2004