

# 3rd Quarter 2003 Results Reporting

Zurich, 19 November 2003



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# Financial highlights

in USD millions	Year-to-date Q3		
	2003	2002	Change
Total GWP and policy fees	37,043	30,381	22%
Net investment income	5,218	4,612	13%
Net realized and unrealized gains	54	-968	nm
Business operating profit	1,471	490	200%
Net income	1,402	-2,792	nm
Non-life combined ratio	98.2%	114.8%	16.6pts
Life new business profit margin (APE)	8.7%	6.1%	2.6pts

# Business operating profit by business segment

in USD millions	Year-to-date Q3		
	2003	2002	Change
Non-life	1,510	239	532%
Life	591	139	325%
Farmers Management Services	772	686	13%
Other Businesses	-958	22	nm
Corporate Center	-444	-596	26%
<b>Total</b>	<b>1,471</b>	<b>490</b>	<b>200%</b>

# Net income excluding gains on disposal by business segment

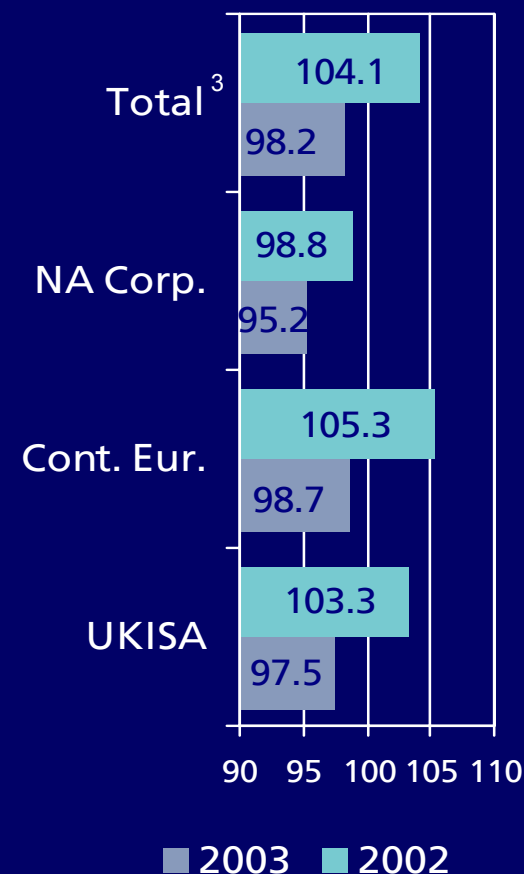
in USD millions	Year-to-date Q3		
	2003	2002 <sup>1</sup>	Change
Non-life	1,204	130	826%
Life	459	152	202%
Farmers Management Services	477	413	15%
Other Businesses	-778	-23	nm
Corporate Center	-258	-1,065	76%
Net income, excluding gains on disposal	1,104	-393	nm
After-tax gains on disposals	298	369	-19%
Net income, including gains on disposal	1,402	-24	nm

<sup>1</sup> 2002 is pre-provision

# Non-life Insurance financial highlights

in USD millions	Year-to-date Q3		
	2003	2002	Change
GWP	27,806	22,043	26%
NEP	19,966	14,932	34%
Net underwriting result <sup>1</sup>	352	-610	nm
Business operating profit	1,510	239	532%
Net income <sup>1</sup>	1,204	130	826%
Loss ratio <sup>1</sup>	73.6%	78.1%	-4.5pts
Expense ratio <sup>2</sup>	24.6%	26.0%	-1.4pts
Combined ratio <sup>1</sup>	98.2%	104.1%	-5.9pts

Combined ratio (%)<sup>1</sup> for the year-to-date Q3



<sup>1</sup> Excluding gains on disposals. 2002 is pre-provision

<sup>2</sup> Including 0.3% of policyholder dividends in both 2003 and 2002

<sup>3</sup> Including NA Consumer, Rest of World and Centrally Managed Businesses

# Life Insurance financial highlights

in USD millions	Year-to-date Q3		
	2003	2002	Change
GWP, policy fees & deposits	14,987	13,717	9%
Business operating profit	591	139	325%
Net income <sup>1</sup>	459	152	202%
New bus. premiums (APE)	1,554	1,513	3%
New bus. profit margin (APE)	8.7%	6.1%	2.6pts
EV operating profit	839	na	nm
EV operating return <sup>2</sup>	8.3%	na	nm
Discount rate <sup>3</sup>	8.1%	8.4%	-0.3pts

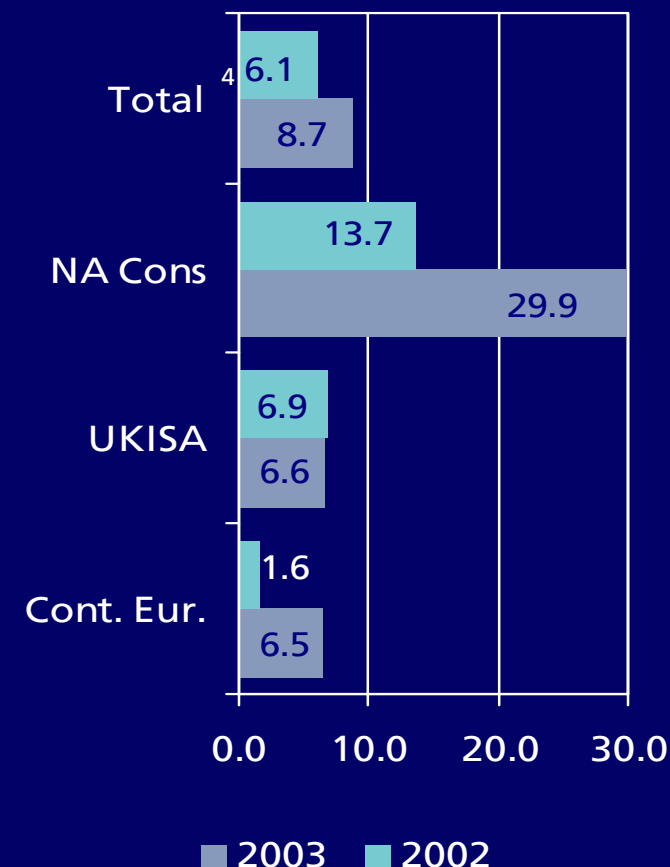
<sup>1</sup> Excluding gains on disposals. 2002 is pre-provision

<sup>2</sup> Returns not annualized

<sup>3</sup> Beginning of year

<sup>4</sup> Includes Rest of World

## New business margins (%) for the year-to-date Q3



# Farmers Management Services financial highlights

	Year-to-date Q3		
in USD millions	2003	2002	Change
Management fees & other related revenue	1,409	1,344	5%
Management & other expenses	635	646	-2%
Net investment result	60	33	82%
Business operating profit	772	686	13%
Net income <sup>1</sup>	477	413	15%
Gross operating margin	54.9%	52.0%	2.9pts

<sup>1</sup> 2002 is pre-provision

# Other Businesses financial highlights

in USD millions	Year-to-date Q3		
	2003	2002	Change
Business operating profit	-958	22	nm
<i>of which: Centre</i>	-985	11	nm
<i>other</i>	27	11	145%
Net income <sup>1</sup>	-778	-23	nm
<i>of which: Centre</i>	-831	-34	nm
<i>other</i>	53	11	382%

<sup>1</sup> Excluding gains on disposals. 2002 is pre-provision

- New management completed the review of Centre's entire balance sheet in Q3 and as a result
  - provisions for adverse reserves development strengthened by USD 354 million, largely related to the P&C book of business,
  - a work-out provision of USD 134 million, and
  - other provisions of USD 96 millions established to cover interest rate alignments and DAC

# Centre's total provisions and asset write-downs

in USD millions	Half Year	Q3	Q3 YTD
Adverse reserves development	-427	-354	-781
Work-out provision	-	-134	-134
Interest rate alignments	-47	-50	-97
DAC write-down	-	-46	-46
Other asset write-down	-	-12	-12
<b>Total provisions and asset write-down</b>	<b>-474</b>	<b>-596</b>	<b>-1,070</b>
<b>Net income impact</b>	<b>-343</b>	<b>-488</b>	<b>-831</b>

# Centre's adverse development by Line of Business

<b>% of total</b>	<b>Half Year</b>	<b>Q3</b>	<b>YTD</b>
<b>Credit enhancement</b>	<b>64%</b>	<b>19%</b>	<b>44%</b>
- <i>Nursing Homes</i>	28%	0%	15%
- <i>Cruise Ships</i>	20%	0%	11%
- <i>Real Estate</i>	10%	4%	7%
- <i>Other</i>	6%	15%	11%
<b>Life &amp; Health</b>	<b>11%</b>	<b>1%</b>	<b>6%</b>
<b>Property &amp; Casualty</b>	<b>25%</b>	<b>80%</b>	<b>50%</b>
- <i>Lloyds</i>	18%	33%	25%
- <i>Retroactive reinsurance</i>	1%	31%	15%
- <i>Other</i>	6%	16%	10%
<b>Total u/w reserves strengthening in USD millions</b>	<b>427</b>	<b>354</b>	<b>781</b>

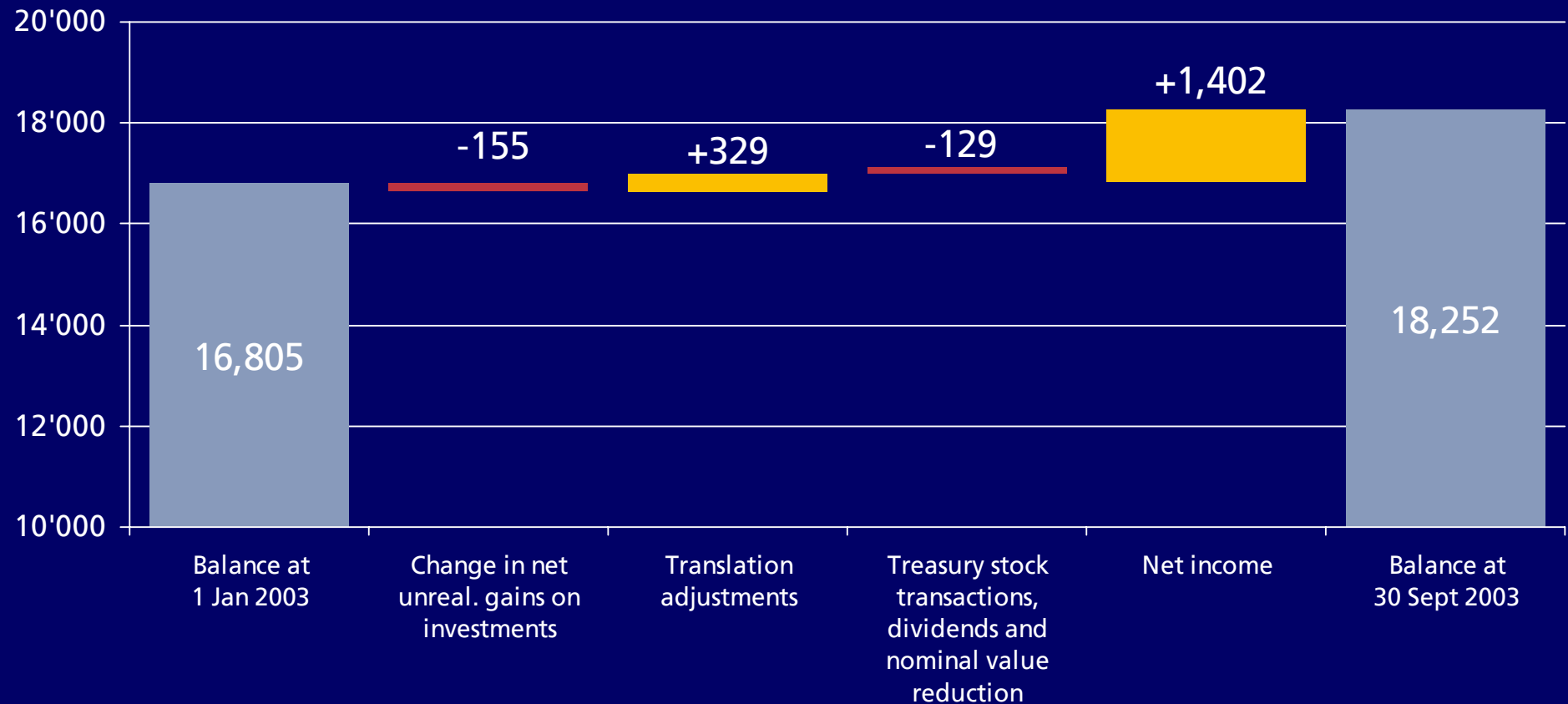
# Centre Summary

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- New leadership with extensive asset backed and capital markets experience
- Experienced work-out team of over 35
- Preserving value through active work-out and litigation management
- High quality investment portfolio – 97% in bonds of which 93% is credit quality A or better
- Entire exposure reviewed with the new management team
- Adequately reserved based on current market conditions and expected outlook
- Further significant adverse development not anticipated subject to market conditions

# Shareholders' equity

in USD millions



# USD 1bn divestment program – progress year-to-date

## Divested...

- Rüd Blass
- India – asset management
- Czech Republic
- Threadneedle
- Zurich Netherlands<sup>1</sup>
- Zurich Life US
- Zurich Sri Lanka
- Zurich Invest Bank

Total RBC release: approx. USD 1.0 billion

Net cash proceeds: approx. USD 1.3 billion

Total pre-tax gains: approx USD 0.3 billion

<sup>1</sup> excluding the non-life corporate business which will be retained

<sup>2</sup> closed subsequent to 30 September 2003

<sup>3</sup> announced subsequent to 30 September 2003

## Announced...

- Zurich Life UK<sup>2</sup>
- Zurich France<sup>1</sup>
- Zurich Belgium<sup>1, 3</sup>
- Zurich Luxembourg<sup>1, 3</sup>
- Zurich Indonesia Life
- Zurich Philippines<sup>3</sup>
- Zurich Capital Markets

Total est'd RBC release: approx. USD 0.5 billion

Est'd net cash proceeds: approx. USD 0.6 billion

# Q & A

# 3<sup>rd</sup> Quarter 2003 Results APPENDIX

# Financial highlights

in USD millions	Third quarter		
	2003	2002	Change
Total GWP and policy fees	10,947	9,654	13%
Net investment income	1,651	1,435	15%
Net realized and unrealized gains	476	-846	nm
Business operating profit	206	-322	nm
Net income	701	-763	nm

# Business operating profit by business segment

in USD millions	Third quarter		
	2003	2002	Change
Non-life	581	-10	nm
Life	41	-229	nm
Farmers Management Services	259	241	7%
Other Businesses	-480	-23	nm
Corporate Center	-195	-301	35%
Total	206	-322	nm

# Net income by business segment

in USD millions	Third quarter		
	2003	2002 <sup>1</sup>	Change
Non-life	445	-3	nm
Life	329	-294	nm
Farmers Management Services	164	144	14%
Other Businesses	-444	7	nm
Corporate Center	207	-560	nm
Total	701	-706	nm

<sup>1</sup> 2002 is pre-provision

# Foreign currency impact – Non-life Insurance

## Year-to-date Q3 2003 vs Year-to-date Q3 2002

	Growth in loc. curr.	FX impact	Growth in USD
Total GWP and policy fees	18%	8%	26%
Net investment income	6%	10%	16%
Net realized and unrealized gains	427%	26%	453%
Total insurance benefits and losses	2%	9%	11%

# Foreign currency impact – Life Insurance

## Year-to-date Q3 2003 vs Year-to-date Q3 2002

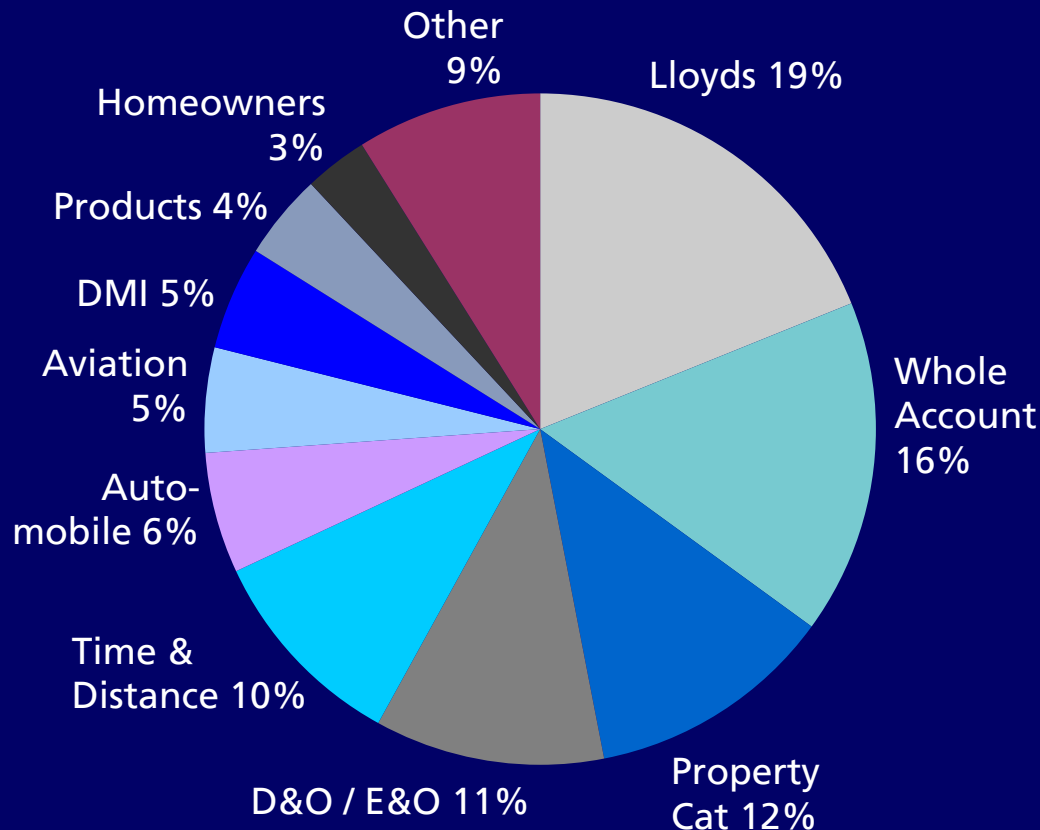
	Growth in loc. curr.	FX impact	Growth in USD
Total GWP, policy fees and deposits	-3%	12%	9%
Insurance deposits	-11%	9%	-2%
Total GWP and policy fees	4%	15%	19%
Net investment income	2%	15%	17%
Net realized and unrealized gains	-50%	14%	-36%
Total insurance benefits and losses	15%	20%	35%

# Centre's operating statement

<u>in USD millions</u>	Half Year	Q3	Q3 YTD
Net technical result (incl. adverse development)	-674	-614	-1,288
- Total provisions and asset write-downs	-474	-596	-1,070
- Other underwriting income	-56	32	-24
- Other admin expenses	-144	-50	-194
Net investment income	257	92	349
Business operating profit	-463	-522	-985
Net income after taxes	-343	-488	-831

# Centre's Property & Casualty book of business

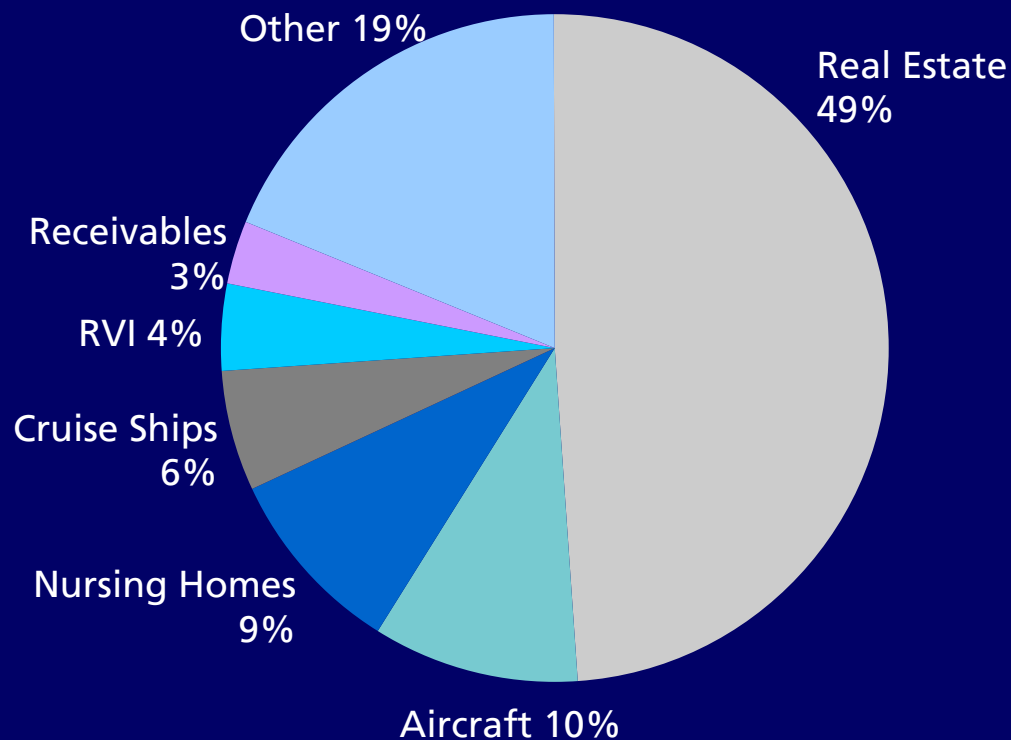
## Number of transactions by line of business



- Well diversified book by line of business and by geography
- No. of transactions: 209
- No. of watch-list trans.: 9
- All in-force transactions have been reviewed
- Net reserves of USD 3.5bn
- Approx. 80% of reserve increase due to retroactive reinsurance and Lloyds business
- Remainder due to auto and whole account business
- Most larger deals now reserved to maximum probable loss
- Lloyds is discontinued

# Centre's Credit Enhancement portfolio

Remaining unreserved limit\* of  
USD 4.2bn by line of business

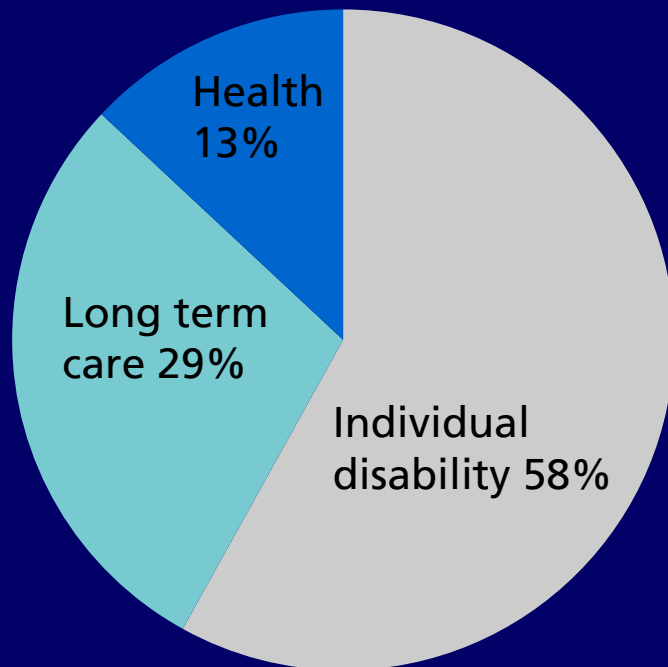


- Discontinued line of business
- No. of transactions: 101
- No. of watch-list transactions: 18
- Q3 reserve strengthening of USD 67m
- Underlying collateral value expected to cover remaining unreserved limit
- YTD reserve strengthening in cruise ships, aircrafts and nursing homes reflects distressed market conditions for these asset and industry classes
- Average credit quality of Real Estate RVI portfolio is investment grade

\* Definition: Principal & interest exposure – paid - reserves

# Centre's life & health portfolio

Net exposure\* of USD 702m by line of business



- Discontinued line of business
- No. of transactions: 13
- No. of watch-list trans.: 1
- Highly structured finite book of business
- Small additional reserve strengthening in Q3 of USD 4m
- Net exposure represents aggregate limit or 99th percentile probability of loss above best estimate

\*Definition of net exposures: original deal limit – reserves or at the 99th percentile probability above reserves

# Corporate Center financial highlights

in USD millions	Year-to-date Q3		
	2003	2002	Change
Net underwriting income	50	-69	nm
Total investment income / (loss)	377	-219	nm
<i>of which Bâloise</i>	-152	-469	68%
Net admin & other operational expenses <sup>2</sup>	132	243	-46%
Interest expense, incl. PH interest	534	535	0%
Business operating profit	-444	-596	26%
Net result <sup>1</sup>	-258	-1,079	76%

1 Excluding gains on disposals. 2002 is pre-provision

2 Net of other income, but includes goodwill amortization and tax expense

# Net income to business operating profit – third quarter

in USD millions		Third quarter	
		2003	2002
IFRS Net Income		701	-763
Adjust for:	Special provisions	-17	76
Adjust for:	Net gain on disposal of businesses	-310	-
Adjust for:	Realized and unrealized capital (gains)/losses, including impairments, excluding capital markets and banking	-497	1,070
Adjust for:	Policyholder realized and unrealized capital (gains)/losses	59	-603
Adjust for:	Tax expense, adjusting for UK life policyholder tax	270	-102
<b>= Business Operating Profit</b>		<b>206</b>	<b>-322</b>

# Net income to business operating profit – year to date

in USD millions		Year-to-date Q3	
		2003	2002
IFRS Net Income		1,402	-2,792
Adjust for:	Special provisions	-17	3,061
Adjust for:	Net gain on disposal of businesses	-311	-463
Adjust for:	Realized and unrealized capital (gains)/losses, including impairments, excluding capital markets and banking	17	1,211
Adjust for:	Policyholder realized and unrealized capital (gains)/losses	-538	-699
Adjust for:	Tax expense, adjusting for UK life policyholder tax	918	17
<b>= Business Operating Profit</b>		<b>1,471</b>	<b>490</b>

# Investment portfolio by asset class

in USD millions

	30 Sep '03	31 Dec '02
Debt securities	67.1%	62.6%
Equity securities		
Common stocks, including equity unit trusts	6.4%	8.3%
Unit trusts (debt securities, real estate, short-term investments)	0.9%	1.5%
Common stock portfolios backing the participating with-profit policyholder contracts	0.9%	1.7%
Trading equity portfolios in capital markets and banking	2.2%	4.3%
Investments held by investment companies	0.9%	0.8%
Real estate held for investments	4.4%	4.5%
Mortgage loans	6.0%	5.4%
Policyholder, collateral and other loans	2.5%	4.4%
Investments in associates	0.6%	0.5%
Short-term investments, cash, cash equiv. and other investments	8.1%	6.0%
<b>Total investments</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Total investments (in USD millions)</b>	<b>169,967</b>	<b>163,788</b>

# Investment highlights

in USD millions	Year-to-date Q3		
	2003	2002	Change
Net investment income	5,218	4,612	13%
Net realized capital gains/(losses) and impairments	159	-446	nm
<i>of which: non-cash investment impairment</i>	-987	-706	40%
Net unrealized capital losses (in oper. stmt)	-105	-522	-80%
<i>of which: Bâloise swap &amp; options</i>	-152	-469	-68%
Net investment result	5,272	3,644	45%
Total investment return <sup>1</sup>	3.7%	0.8%	2.9pts

<sup>1</sup> Return not annualized. Calculation includes change in unrealized gains/losses booked to shareholders' equity, excludes investment expenses, see next slide for detail on calculation

# Total investment return calculation

in USD millions	Year-to-date Q3		
	2003	2002	Change
Net investment result	5,272	3,644	45%
Add back investment expense	212	175	21%
Add in gross unrealized gains – end of period	2,666	916	191%
Less gross unrealized gains – beginning of period	-2,047	-3,663	-44%
Subtotal	6,103	1,072	469%
Divided by average investment of	166,878	139,902	19%
<b>Total investment return</b>	<b>3.7 %</b>	<b>0.8%</b>	<b>2.9pts</b>