ZURICH
FINANCIAL SERVICES

Half Year Report 2002

Zurich Financial Services Group
Half Year Report 2002

Zurich Financial Services Group
Half Year Operating Review

Zurich Financial Services Group
Half Year Consolidated Financial Statements

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Financial highlights

Consolidated figures (half years ended 30 June)

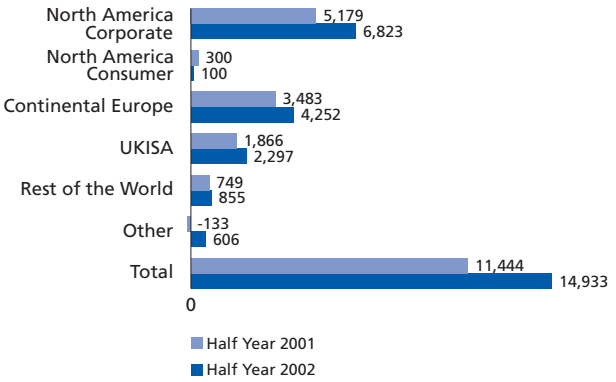
in USD millions	2002	2001	Change
Gross written premiums, policy fees, insurance deposits and including the premiums written by the Farmers P&C Group (excluding Farmers Re and other Group companies)[1]	**31,254**	28,056	11%
IAS Gross written premiums and policy fees (GWP)	**20,727**	17,515	18%
Net earned premiums and policy fees	**15,150**	13,239	14%
Farmers management fees and other related revenue	**885**	829	7%
Asset management fee income	**442**	738	– 40%
Net investment income, net realized and unrealized capital gains and losses on investments	**3,055**	3,716	– 18%
Total revenues	**20,448**	19,035	7%
Operating income	**– 1,828**	1,338	N/A
IAS Net (loss)/income	**– 2,029**	861	N/A
Net income before special provisions	**683**	861	– 21%
Total investments	**155,934**	121,951	28%
Net underwriting reserves	**126,923**	94,598	34%
Total shareholders' equity	**14,873**	19,280	– 23%

[1]This includes the gross written premiums of the Farmers P&C Group, which totaled USD 6,866 million in 2002 and USD 6,296 million in 2001. Internal reinsurance written by Farmers Re and other Group companies has been eliminated to avoid "double-counting". This number also includes life investment deposits collected from policyholders, arising mainly in the UK and US, which would be recorded under UK and Swiss accounting principles but not under the accounting policies adopted by the Group.

IAS Gross written premiums and policy fees by region

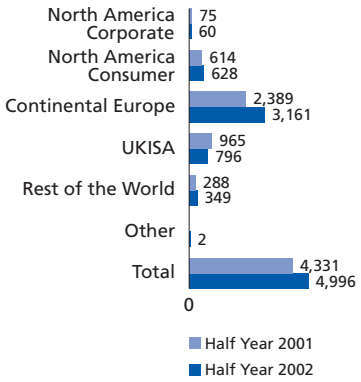
Non-life

in USD millions



Life

in USD millions



To our shareholders, customers and employees

From the Chairman

To ensure the quality and depth of top management, the Nomination Committee of the Board of Directors conducted an extensive search for a new Chief Executive Officer. Upon the unanimous recommendation of the committee, the Board was pleased to appoint James J. Schiro as new CEO of the company, effective the day after the Annual General Meeting.

Together with management, the Board conducted an extensive review of the environment in which the insurance industry is operating. Since last May we have analyzed a wide range of strategic and operative options for the future of Zurich Financial Services Group.

The Board unanimously endorses the program proposed by management. It believes that the comprehensive initiatives to focus the Group's activities on core products and core markets, improve operational efficiencies, enhance the capital base and strengthen reserves are the best way to maximize the value of our company. We are convinced that this will be in the interest of all stakeholders – the employees of the Group, its shareholders and the communities Zurich Financial Services is operating in.

Lodewijk van Wachem
Chairman

From the CEO

When I was appointed Chief Executive Officer last May, I said that we needed to look at our company in a fresh light. We were faced with the task of restoring the Group's profitability and strengthening its balance sheet. I stressed that it would be important for me and for my colleagues in management to tackle all issues and not exclude any options. We knew that Zurich needed to take action and provide a platform for sustainable and profitable growth. But I also warned that this would be difficult in light of fragile financial markets.

Indeed, the combination of low interest rates and declining share prices has adversely affected most financial services companies who typically allocate the bulk of their investment portfolios between bonds and equities.

This view of the financial environment leads to the conclusion that the strategies of the 1990s are no longer viable. The emphasis on a sustained income contribution from financial services operations has to give way to disciplined underwriting. That is why, together with my colleagues in the Group Executive Committee, I have used the past months to thoroughly examine our strategy. We now have come up with a comprehensive set of proposals that are designed to reestablish Zurich's rank in the top tier of profitable insurance-based services providers.

First, we are going to provide focus to our organization by concentrating on core insurance products that enable our customers to manage their risk. We will redeploy capital to the most promising businesses and geographical regions. We will do this in a disciplined and focused way to maximize the value of our company. Inevitably, this means that in the long run, we will exit businesses and markets that are no longer profitable or strategic.

Second, we have identified ways to reduce our cost base and improve the efficient delivery of products and services. This will establish a platform for generating sustainable earnings. Moreover, we decided to increase our reserves in combination with additional provisions and charges amounting to a total of USD 2.7 billion after tax.

Third, one important element of our initiatives is to raise capital to fund growth, particularly in the non-life market. As part of that we ask our shareholders to approve at an extraordinary general meeting a rights issue that will raise up to USD 2.5 billion. Together with other initiatives, some of which have already been realized, our capital improvement program is expected to enhance our risk-based capital by approximately USD 5 billion.

In a nutshell, Zurich is back to its roots. We want to again become one of the best-run insurance-based companies, and we want to be proud of our inheritance. We are going to concentrate on our core markets in the three most dynamic regions of the world, focusing on our core products. And we are going to implement our renewed strategy rigorously.

We are convinced that we are implementing the right measures to carry our company forward in a focused and financially disciplined way. We are also confident about reaching our goals because management is dedicated to the creation of lasting values. This will be to the benefit of all of our stakeholders, shareholders, employees and the communities in which our international organization operates.

James J. Schiro
Chief Executive Officer

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Operating review

In a difficult operating environment, characterized in particular by weak and volatile equity markets, low interest rates, fluctuations in foreign exchange rates and increased regulatory uncertainty, Zurich Financial Services Group recorded a fall in IAS net income before special provisions to USD 683 million for the first half of 2002. Strong premium growth as well as improved claims cost performance was more than offset by a significant decline in realized capital gains and special provisions totaling USD 2.7 billion. After the special provisions, the IAS loss after tax was USD 2,029 million. Supported by the hardening non-life market in our key countries, total gross premium volume, including our life business, increased by 18% to USD 20.7 billion. Of this, non-life premiums grew by 30% to USD 14.9 billion and life insurance premiums increased by 15% to USD 5.0 billion. Farmers management fees rose by 7% to USD 885 million, while the asset management fee income fell by 40% to USD 442 million reflecting the sale of a substantial part of this business in April 2002.

Overview

The following table presents the summarized consolidated results of operations of the Group for the six month period ended 30 June 2002 and the corresponding period ended 30 June 2001.

Key figures – Income statement in USD millions	**Half years ended 30 June** **2002**	 2001	 Change
Gross written premiums and policy fees	**20,727**	17,515	18%
Net earned premiums and policy fees	**15,150**	13,239	14%
Farmers management fees and other related revenue	**885**	829	7%
Asset management fee income	**442**	738	– 40%
Net investment income	**3,177**	3,161	1%
Net realized capital gains on investments	**56**	817	– 93%
Net unrealized capital losses on investments	**– 178**	– 262	– 32%
Gain on disposal of businesses	**463**	–	NA
Other income	**453**	513	– 12%
Total revenues	**20,448**	19,035	7%
Total benefits, losses and expenses	**– 22,276**	– 17,697	26%
Operating (loss)/income	**– 1,828**	1,338	NA
Net income tax expense	**– 138**	– 435	– 68%
Net income applicable to minority interests	**– 63**	– 42	50%
Net (loss)/income	**– 2,029**	861	NA

Business operating profit

As part of our assessment of how we manage our business and how we report our progress internally and externally, we have decided to discontinue the presentation of normalized income. We intend to manage our business using the measure of business operating profit which reflects adjustments for taxes, net realized capital gains and net unrealized capital losses on investments, policyholders' share of investment results for the life business, and significant items attributable to special circumstances. The business operating profit for the half year ended 30 June 2002 was USD 771 million, compared to USD 908 million for 2001. Business operating profit is not a substitute for net income determined in accordance with International Accounting Standards.

Special provisions

In the key figures as set out above the following special provisions are included. Amounts in this section are after tax unless otherwise indicated.

During the half year ended 30 June 2002, the Group undertook a detailed examination of its strategy and operations which resulted in decisions to record provisions aggregating USD 2,986 million pre-tax (USD 2,712 million after tax) in the period. These special provisions include provisions for reserve strengthening, for goodwill impairments, and for a write-off of discontinued E-business and other assets. There were no similar items in the corresponding period for 2001.

The special provisions and net income before special provisions are summarized in the following table and are discussed below.

Special provisions in USD millions	**Half years ended 30 June** **2002**	 2001
Net (loss)/income	**– 2,029**	861
Provision for reserve strengthening	**1,758**	–
Provision for goodwill impairments	**727**	–
Provision for E-business and other assets	**227**	–
Total special provisions	**2,712**	–
Net income, before special provisions	**683**	861

The income tax benefit associated with the special provisions was reduced by provisions for goodwill, which are not tax deductible, and for provisions taken in low tax jurisdictions.

Provision for reserve strengthening

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 results of operations in the period in which estimates are changed. In the first half 2002, the Group performed non-life reserve reviews utilizing data derived from recent experience and other data and considered the results of an independent actuarial study which was completed in August 2002. As a result of these reviews, a provision of USD 2,021 million pre-tax (USD 1,758 million after tax) was recorded relating to adverse developments of risks insured in prior years, particularly for asbestos claims and in the US for casualty specialty lines, as well as general liability, automobile and workers compensation. The provision also reflected the effects of the changing risk profile of the Group following the Converium spin-off and the increasing focus on our core markets.

Provision for goodwill impairments

The carrying values of goodwill associated with certain business acquisitions have been determined to be not fully recoverable due to lower than expected future cash flows from the businesses and a provision of USD 727 million has been recorded in the first half of 2002. This provision includes write-offs of goodwill for the North American life business of USD 462 million, the Deutscher Herold life business of USD 157 million and the North American non-life business of USD 108 million.

Provision for E-business and other assets

Costs of systems purchased from outside vendors and developed internally are deferred and amortized over the expected periods benefited up to 5 years. Based on analyses undertaken in the first half of 2002, it has been determined that costs amounting to USD 237 million (USD 227 million after tax) should be written off. These costs are related to certain E-business initiatives that have been discontinued and to other assets that have reduced continuing value.

Operational improvement program

The Group has announced a major strategic operational improvement program in September 2002. This program includes repositioning our focus on key markets and segments, exiting non-key businesses and the initiation of a Group-wide program to improve operational efficiencies and increase profitability. In connection with this improvement program, costs are expected in the second half year of 2002 of approximately USD 500 million after tax.

Net Income by Segment in USD millions	**Half years ended 30 June** **Net (loss)/income** **2002**	 2001	**Net (loss)/income before special provisions** **2002**	 2001
Non-life Insurance	**– 1,374**	429	**123**	429
Life Insurance	**– 97**	411	**461**	411
Asset Management	**394**	– 40	**394**	– 40
Farmers Management Services	**269**	262	**269**	262
Capital Markets & Banking	**– 32**	66	**– 32**	66
Centre	**22**	112	**22**	112
Reinsurance – discontinued	**– 202**	5	**52**	5
Corporate	**– 1,009**	– 384	**– 606**	– 384
Total	**– 2,029**	861	**683**	861

Special provisions by segment are summarized in the table following this section.

Our non-life insurance operations recorded a 30% (in local currency 30%) growth of USD 3.5 billion in gross written premiums and policy fees from USD 11.4 billion in 2001 to USD 14.9 billion in 2002. The rate increases led to an improvement of the net underwriting result, before special provisions, as a percentage of net earned premiums and policy fees from – 5.6% in 2001 to – 3.3%. Before USD 1,497 million special provisions for reserve strengthening and goodwill impairments, net income declined from USD 429 million in 2001 to income of USD 123 million, largely due to a reduction in net investment income and net realized and unrealized capital gains by USD 431 million. The net combined ratio, before special provisions, improved significantly to 103.3% from 105.6%.

Our life insurance operations recorded a 15% growth of USD 0.7 billion in gross written premiums and policy fees from USD 4.3 billion in 2001 to USD 5.0 billion due to the acquisition of Deutsche Bank's life operations in Germany, Italy, Portugal and Spain. Investment income and related gains increased by USD 249 million or 15%. These increases were mainly offset by the special provision of USD 558 million for goodwill impairments. As a result net income, before special provision, increased by USD 50 million. Embedded value increased by 4.6% (USD 0.5 billion) from USD 10.6 billion at 30 June 2001 to USD 11.1 billion at 30 June 2002. New business profit margin decreased from 6.5% in 2001 to 5.4% in 2002.

Net income in our Asset Management segment increased to USD 394 million, including a USD 373 million gain after tax on sale of businesses. Excluding this item, net income improved by USD 61 million from a

USD 40 million loss in June 2001 to a net income of USD 21 million in June 2002. In April and May, we completed the sales of our Zurich Scudder Investments operations, excluding the Threadneedle businesses, and our asset management operations in Italy, Germany and in Mexico.

Farmers Management Services' net income improved by 3% to USD 269 million over the prior year period, primarily due to a 7% increase in management fees and other related revenue, benefiting from growth in premiums of the Farmers P&C Group Companies, and from rate increases in the personal lines insurance market in the United States. This increase was partially offset by a 50% decrease in net investment income and net realized capital gains. In addition, management expenses and other related expenses rose by only 2% reflecting strict attention to cost controls.

Our Capital Markets & Banking segment was impacted by adverse market conditions that contributed to an overall slowdown in asset transactions and recorded a net loss of USD 43 million for the half year ended 30 June 2002, before a USD 11 million gain on sale of a 49.9% interest in Zurich Bank UK. This compares with net income of USD 66 million for the half year ended 30 June 2001. The decrease is mainly due to increased operating expenses for increased staff and reduced capital gains on investments.

Centre reported net income of USD 22 million for the half year ended 30 June 2002. This is compared with USD 112 million for the half year ended 30 June 2001, a decrease of USD 90 million. The decrease is mainly due to a USD 133 million reduction in net realized capital gains.

Our Reinsurance – discontinued segment reported net income of USD 52 million in 2002, before the USD 254 million special provision for reserve strengthening. This run-off business was positively impacted by investment income and the account reviews subsequent to the IPO of Converium in December 2001.

For the June 2002 half year, the Corporate segment net loss before special provisions increased by USD 222 million to USD 606 million compared with USD 384 million in 2001, largely due to increased net realized and unrealized losses of USD 156 million and increased operating expenses. The increase in operating expenses was mainly caused by a one-time benefit in the first half year 2001 resulting from the reduced valuation of the employee share option plan liability.

Special provisions by Segment (after tax) in USD millions	Provision for reserve strengthening	Provision for goodwill impairments	Provision for E-business and other assets	Total special provisions
Non-life Insurance	– 1,389	– 108	–	– 1,497
Life Insurance	–	– 558	–	– 558
Asset Management	–	–	–	–
Farmers Management Services	–	–	–	–
Capital Markets & Banking	–	–	–	–
Centre	–	–	–	–
Reinsurance – discontinued	– 254	–	–	– 254
Corporate	– 115	– 61	– 227	– 403
Total	**– 1,758**	**– 727**	**– 227**	**– 2,712**

Premiums

Gross written premiums and policy fees increased by 18% or USD 3.2 billion from USD 17.5 billion to USD 20.7 billion. Including the premiums written by the Farmers P&C Group Companies, to which we provide management services but do not own, and including insurance deposits, the total premium volume grew by 11% (USD 3.2 billion, 12% in local currencies) from USD 28.1 billion to USD 31.2 billion.

Gross written premiums and policy fees – total business (before eliminations) in USD millions	**Half years ended 30 June** **2002**	2001	Change
Non-life Insurance gross written premiums and policy fees	**14,933**	11,444	30%
Farmers P&C Group Companies[1]	**6,866**	6,296	9%
Less: Farmers Re and other Group companies[2]	**– 700**	– 300	133%
Total Non-life Insurance premiums (including the Farmers P&C Group Companies)	**21,099**	17,440	21%
Life Insurance gross written premiums and policy fees	**4,996**	4,331	15%
Insurance deposits	**4,361**	4,545	– 4%
Total Life Insurance premiums	**9,357**	8,876	5%
Other segments	**1,530**	2,212	– 31%
Total premiums before eliminations	**31,986**	28,528	12%
Intersegment eliminations	**– 732**	– 472	55%
Total premiums (including the Farmers P&C Group Companies)[1]	**31,254**	28,056	11%
Total gross written premiums and policy fees	**20,727**	17,515	18%

[1]The Farmers P&C Group Companies are not owned by the Zurich Financial Services Group. One of the Group's wholly-owned subsidiaries, Farmers Group, Inc., provides management services to the Farmers P&C Group Companies. Both insurance deposits and Farmers P&C Group Companies' premiums cannot be reported as revenues under our accounting policies, which conform to US Generally Accepted Accounting Principles (US GAAP) for insurance products.

[2]Farmers Re is a Group internal reinsurer, wholly owned by Farmers Group, Inc. and is used solely to provide additional underwriting capacity to the Farmers P&C Group Companies. Premiums of Farmers Re and those assumed from the Farmers P&C Group Companies by other Group companies have therefore been eliminated to avoid double counting.

Non-life Insurance premiums (including the Farmers P&C Group Companies) increased by USD 3.7 billion (21%) to USD 21 billion.

Total Life Insurance premiums increased by USD 0.5 billion (5%) to USD 9.4 billion.

Our Reinsurance – discontinued segment gross written premiums and policy fees decreased from USD 1.4 billion in 2001 to USD 0.4 billion in 2002, reflecting the run-off of business retained by the Group and not transferred to Converium.

Balance Sheet

Key figures – Balance sheet in USD millions	**30/6/2002**	**Total at** 31/12/2001	30/6/2001
Total investments	**155,934**	123,648	121,951
Reserves for losses and loss adjustment expenses, gross	**42,498**	37,221	35,300
Debt related to capital markets & banking and risk financing activities	**7,293**	6,381	5,726
Senior debt	**2,943**	3,187	4,287
Subordinated debt	**1,500**	1,500	1,531
Preferred securities	**1,096**	1,096	1,096
Common stockholders' equity	**13,777**	16,646	18,184
Total shareholders' equity	**14,873**	17,742	19,280

The Zurich Financial Services Group's own investments increased by USD 32.3 billion to USD 155.9 billion compared with 31 December 2001, largely due to the acquisition of life operations in Continental Europe (USD 20.7 billion), the strong growth in gross written premiums and policy fees and the decline of the US dollar against currencies underlying the majority of our investment portfolio.

Reserves for losses and loss adjustment expenses, gross increased by USD 5.3 billion from USD 37.2 billion at 31 December 2001 to USD 42.5 billion at 30 June 2002. The foreign currency translation effect resulted in USD 1,215 million of this growth. An additional increase of USD 2,021 million is related to the special provision for reserve strengthening.

Our senior debt decreased by a net amount of USD 244 million from USD 3,187 million at 31 December 2001 to USD 2,943 million at 30 June 2002, due principally to the repayment by Zurich Insurance Company of USD 165 million of short-term debt.

In January 2002, we issued USD 349 million deferred exchangeable equity in the form of Market Index-Linked Exchangeable Securities ("MILES"). These securities are exchangeable into newly issued Zurich Financial Services shares at the option of the holders before 28 January 2005, or at the option of the Group in certain circumstances. Since 30 June 2002, substantially all of these securities have been exchanged into new shares.

Total shareholders' equity of USD 14.9 billion was USD 2.9 billion (16%) lower, compared with USD 17.7 billion at 31 December 2001, primarily as a result of the net loss of USD 2.0 billion. Dividends of USD 0.4 billion and a reduction of net unrealized gains on investments of USD 1.1 billion negatively impacted shareholders' equity but were partially offset by the issuance of deferred exchangeable equity of USD 0.3 billion and a favorable change in the cumulative translation adjustment of USD 0.4 billion.

Statement of Cash Flows

Cash flows are summarized below.

Key figures – Cash Flows in USD millions	**Half years ended 30 June** **2002**	2001
Net cash provided by operating activities	**3,585**	1,835
Net cash used in investing activities	**– 3,263**	– 1,849
Net cash provided by financing activities	**43**	3,067
Effect of exchange rate changes on cash and cash equivalents	**144**	– 218

Net cash provided by operating activities increased by USD 1,750 million to USD 3.6 billion.

Cash and cash equivalents increased USD 509 million to USD 7,740 million at 30 June 2002 compared to USD 7,231 million at 31 December 2001.

Non-life Insurance

Overview

Gross written premiums and policy fees in our Non-life insurance segment showed a 30% increase to USD 14.9 billion driven by both rate increases in key markets and new business growth in most lines of business and markets.

The rate increases led to an improved net underwriting result as a percentage of net earned premium and policy fees from – 5.6% in 2001 to – 3.3% in 2002 before the special provision for reserve strengthening in the half year ended June 2002. The combined ratio, before special provision, improved from 105.6% for the half year ended 30 June 2001 to 103.3% for the comparable period in 2002.

Key figures – Non-Life Insurance (before eliminations) in USD millions	**Half years ended 30 June** **2002**	2001	Change
Gross written premiums and policy fees	**14,933**	11,444	30%
Net earned premiums and policy fees	**9,742**	7,630	28%
Net (loss)/income	**– 1,374**	429	NA
Net loss ratio, before special provision	**77.2%**	78.8%	– 1.6 pts
Net loss ratio	**93.6%**	78.8%	14.8 pts
Policyholder dividends and participation in profits ratio	**0.3%**	0.4%	– 0.1 pts
Net expense ratio	**25.8%**	26.4%	– 0.6 pts
Net combined ratio, before special provision	**103.3%**	105.6%	– 2.3 pts
Net combined ratio	**119.7%**	105.6%	14.1 pts

North America Corporate

North America Corporate, which serves our corporate customers in the United States of America and Canada, is our largest non-life insurance market and accounted for 46% (45% in 2001) of our total reported non-life insurance gross written premiums and policy fees.

Key figures – North America Corporate – Non-Life Insurance (before eliminations) in USD millions	**Half years ended 30 June** **2002**	2001	Change
Gross written premiums and policy fees	**6,823**	5,179	32%
Net earned premiums and policy fees	**3,594**	2,797	28%
Net (loss)/income	**– 325**	206	NA
Net loss ratio, before special provision	**74.9%**	79.2%	– 4.3 pts
Net loss ratio	**93.8%**	79.2%	14.6 pts
Policyholder dividends and participation in profits ratio	**0.1%**	0.2%	– 0.1 pts
Net expense ratio	**22.4%**	25.1%	– 2.7 pts
Net combined ratio, before special provision	**97.4%**	104.5%	– 7.1 pts
Net combined ratio	**116.3%**	104.5%	11.8 pts

Gross written premiums and policy fees increased by 32%, from USD 5.2 billion in the half year ended June 2001 to USD 6.8 billion in the half year ended June 2002, reflecting substantially higher rates which started to emerge in 2001 and continued in 2002. We recorded rate increases across substantially all units for the first six months of 2002.

Net investment income and net realized capital gains declined in 2002 by USD 172 million as a result of adverse stock market conditions, significant reductions in interest rates and asset impairment provisions. Net income was reduced by USD 531 million from USD 206 million for the six months ended June 2001 to a loss of USD 325 million for the comparable period in 2002 and reflects a special pre-tax provision for reserve strengthening of USD 680 million.

Our net combined ratio, before special provision for reserve strengthening, improved from 104.5% to 97.4% for 2002. Given the strong rate increases, the net loss ratio, before special provision for reserve strengthening, improved to 74.9% compared to 79.2% for the prior year. Our net expense ratio improved from 25.1% to 22.4% in 2002 as a result of strong premiums growth and increased productivity and savings from the use of shared service platforms that were implemented during 2001.

North America Consumer

The non-life insurance operations in our North America Consumer region consist solely of Farmers Re, which participates in the underwriting of the Farmers P&C Group Companies through a quota share reinsurance treaty and accounts for less than 1% of our reported non-life insurance gross written premiums.

Gross written premiums in Farmers Re decreased from USD 300 million for the six months ended 30 June 2001 to USD 100 million for the current year period as a result of a change to the quota share reinsurance agreement. As a result of the change in the agreement these premiums are now reported under the region "Other".

Net income decreased to USD 14 million from USD 19 million for the six month period ended 30 June 2002 compared to 2001, mainly reflecting investment impairment provisions as well as reduced income due to the new quota share reinsurance agreement.

Continental Europe

Continental Europe accounts for 28% of our reported non-life insurance gross written premiums and policy fees and is our second largest region in non-life insurance by premium volume. Switzerland and Germany are the two main geographic markets in Continental Europe, accounting for 20% and 26% respectively of the segment's gross written premiums and policy fees.

In Continental Europe we have restructured and centralized our corporate business for international and larger national companies. The newly set up Continental Europe Corporate unit (CEC) underwrites corporate direct business in Switzerland and assumes corporate business from our Continental European countries.

Key figures – Continental Europe – Non-Life Insurance (before eliminations)

in USD millions	Half years ended 30 June 2002	2001	Change
Gross written premiums and policy fees	**4,252**	3,483	22%
Net earned premiums and policy fees	**2,898**	2,375	22%
Net (loss)/income	**– 289**	180	NA
Net loss ratio, before special provision	**77.4%**	75.4%	2.0 pts
Net loss ratio	**86.7%**	75.4%	11.3 pts
Policyholder dividends and participation in profits ratio	**1.0%**	1.2%	– 0.2 pts
Net expense ratio	**27.1%**	27.6%	– 0.5 pts
Net combined ratio, before special provision	**105.5%**	104.2%	1.3 pts
Net combined ratio	**114.8%**	104.2%	10.6 pts

Total non-life gross written premiums and policy fees increased by 22% (20% in local currencies) from USD 3.5 billion in June 2001 to USD 4.3 billion in June 2002. Growth came mainly from CEC (due to rate increases), Germany (Neckura Group of insurance companies acquired in August 2001, rate increases in automobile, and new business in commercial and industrial lines), Spain (rate increases and new business in industrial/corporate business) and Italy (new business in the automobile line).

Net income decreased from a USD 180 million profit in 2001 to a loss of USD 289 million in 2002 largely driven by the special provision for reserve strengthening of USD 270 million. Net investment income also fell by USD 61 million and net realized and unrealized capital gains decreased by USD 77 million, reflecting adverse stock market conditions in 2002.

The region's net combined ratio, before reserve strengthening, increased by 1.3 points from 104.2% in 2001 to 105.5% in 2002. The net loss ratio, before reserve strengthening, increased by 2.0 points largely due to adverse development in Nordic countries and due to storm damage in Germany and Switzerland. This was partially offset by a 0.5 point reduction in the net expense ratio to 27.1% due to increased operating efficiency.

Switzerland

Key figures – Switzerland – Non-Life Insurance (before eliminations)

in USD millions	Half years ended 30 June 2002	2001	Change
Gross written premiums and policy fees	**847**	1,089	– 22%
Net earned premiums and policy fees	**612**	693	– 12%
Net (loss)/income	**– 33**	77	NA
Net loss ratio, before special provision	**78.7%**	75.5%	3.2 pts
Policyholder dividends and participation in profits ratio	**2.8%**	3.6%	– 0.8 pts
Net expense ratio	**31.5%**	28.3%	3.2 pts
Net combined ratio, before special provision	**113.0%**	107.4%	5.6 pts

The ratios exclude the effects of the USD 55 million special reserve strengthening.

Gross written premiums and policy fees in Switzerland decreased by 22% (25% in local currency) from USD 1.1 billion in June 2001 to USD 0.8 billion in June 2002. This was due to the transfer of the corporate business to CEC in 2002. Excluding this impact, gross written premiums grew by 6% due to rate increases and new business. Net income fell to a USD 33 million loss in June 2002 compared with USD 77 million income in June 2001.

The net combined ratio before special provision increased 5.6 points to 113% in June 2002 compared with 107.4% in June 2001. This was due to a higher net loss ratio, which rose by 3.2 points from 75.5% in 2001 to 78.7% in 2002 largely due to storm damage claims. The net expense ratio increased by 3.2 points to 31.5%, partially related to the transfer of the CEC business.

Germany

Key figures – Germany – Non-Life Insurance (before eliminations) in USD millions	Half years ended 30 June 2002	2001	Change
Gross written premiums and policy fees	**1,088**	865	26%
Net earned premiums and policy fees	**696**	571	22%
Net (loss)/income	**– 218**	55	NA
Net loss ratio, before special provision	**77.2%**	72.3%	4.9 pts
Policyholder dividends and participation in profits ratio	**0.1%**	0.1%	–
Net expense ratio	**24.2%**	23.9%	0.3 pts
Net combined ratio, before special provision	**101.5%**	96.3%	5.2 pts

The ratios exclude the effects of the USD 195 million special reserve strengthening.

Gross written premiums and policy fees in Germany increased by 26% or USD 223 million (26% in local currency). The acquisition of the Neckura Group (in August 2001) accounted for nearly half of the increase. The remainder is due to rate increases in automobile and new business in commercial and industrial business. Net loss after tax was USD 273 million lower at USD 218 million in the six months ended June 2002 compared to 2001, largely due to both decreased investment income attributable to reduced interest rates and increased automobile line claims.

The net combined ratio before special provision increased from 96.3% in June 2001 to 101.5% in June 2002. This increase was driven by a deterioration of 4.9 points in the net loss ratio from 72.3% in June 2001 to 77.2% in June 2002 mainly as a result of higher claims in automobile and other non-life lines. The net expense ratio increased by 0.3 points to 24.2%.

Continental Europe Corporate (CEC)

Continental Europe Corporate (CEC) started to write non-life corporate business on 1 January 2002. The focus is on international and larger national companies. The newly set up CEC unit underwrites corporate direct business in Switzerland and assumes corporate business from our continental European countries.

Key figures – CEC – Non-Life Insurance (before eliminations) in USD millions	Half year ended 30 June 2002
Gross written premiums and policy fees	**967**
Net earned premiums and policy fees	**492**
Net (loss)/income	**– 11**
Net loss ratio	**79.7%**
Policyholder dividends and participation in profits ratio	**1.8%**
Net expense ratio	**25.9%**
Net combined ratio	**107.4%**

Gross written premiums and policy fees for CEC reached USD 967 million in June 2002. The net combined ratio was at 107.4% in June 2002. The net loss ratio was 79.7% while the net expense ratio reached 25.9%. CEC reported a net loss after tax of USD 11 million for half year 2002. CEC was not affected by the special reserve strengthening.

UKISA

UKISA, which incorporates United Kingdom, Ireland and South Africa operations, is our third largest individual non-life region by premium volume and accounted for 15% (16% in 2001) of our non-life insurance gross written premiums and policy fees.

Key figures – UKISA – Non-Life Insurance (before eliminations) in USD millions	Half years ended 30 June 2002	2001	Change
Gross written premiums and policy fees	**2,297**	1,866	23%
Net earned premiums and policy fees	**1,664**	1,372	21%
Net (loss)/income	**– 41**	107	NA
Net loss ratio, before special provision	**78.7%**	83.3%	– 4.6pts
Net loss ratio	**84.8%**	83.3%	1.5pts
Policyholder dividends and participation in profits ratio	**–**	–	–
Net expense ratio	**24.8%**	22.5%	2.3pts
Net combined ratio, before special provision	**103.5%**	105.8%	– 2.3pts
Net combined ratio	**109.6%**	105.8%	3.8pts

Gross written premiums and policy fees increased by USD 431 million, or 23% from USD 1.9 billion in 2001 to USD 2.3 billion in 2002. The growth was driven mainly by commercial lines achieving rate increases in the UK market, particularly within the property and liability lines. In Ireland, similar commercial increases and strong performance from our personal automobile lines has led to a 44% increase. South Africa reported a 28% growth

in local currency, although due to the weakness of the rand, this represented an 8% decline in US dollar terms. Net earned premiums have increased at a similar rate to our gross written premiums.

The UKISA net combined ratio before special provision improved by 2.3 points from 105.8% in 2001 to 103.5% in 2002. The net expense ratio increased by just 2.3 points to 24.8%, despite a 3.3% deterioration due to the declining stock markets which had the effect of increasing pensions costs. The net loss ratio before special provision decreased by 4.6 points to 78.7% in 2002, compared with 83.3% in the prior year. The lower loss ratio is primarily due to improved rates and volumes, particularly on commercial property and liability lines.

This improved operating performance has not resulted in a net income increase primarily due to the special provision of USD 100 million related to US asbestos exposures, a reduction in investment returns of USD 90 million between years, including a USD 71 million decline in realized gains as a result of falling stock markets in 2002. Our net income has declined by USD 148 million from USD 107 million in 2001 to a loss of USD 41 million in 2002.

Rest of the World

The Rest of the World, which serves our customers in Asia Pacific, Latin America and Bermuda, accounted for 6% of our non-life insurance gross written premiums and policy fees for the half year ended 30 June 2002 and 7% for the comparable period ended June 2001. Asia Pacific comprised 3.4% (3.9% for half year ended June 2001) and Latin America 2.3% (2.6% half year ended June 2001) of the total.

The Rest of the World reported 14% growth in gross written premiums and policy fees, from USD 749 million for the first six months of 2001 to USD 855 million for the same period of 2002.

Net income, before special provision for reserve strengthening of USD 28 million, grew to USD 14 million, compared to USD 6 million for the 2001 period, following growth within Asia Pacific attributable to expanding operations with good underwriting results.

The increase in the loss ratio from 65.4% for the period ended June 2001 to 65.9% before special provision for the corresponding period in 2002 stemmed from favorable developments within Asia Pacific due to hardening premiums in Australia and positive loss development in Japan and Hong Kong, offset by unfavorable conditions within Latin America due to increased losses and loss adjustment expenses associated with the worsened conditions in automobile lines.

The expense ratio improved 2.2 percentage points to 38.4%, reflecting efforts to reduce and control costs. Overall, the net combined ratio improved by 1.7 points from 106.1% in 2001 to 104.4%, before special provision, in 2002. After the special provision, the combined ratio was 110.2% in 2002.

Other

Our Other region includes our Group internal reinsurance (GRI) operations and interregional eliminations. The region recorded a net loss of USD 719 million at half year 2002 compared to a net loss of USD 89 million at half year 2001. This increase in net loss was mainly due to a special provision for reserve strengthening of USD 524 million, largely related to US asbestos exposures to reinsurance treaties with North America Corporate. Gross written premiums and policy fees grew by USD 739 million mainly as a result of a quota share treaty with Farmers P&C Group Companies. This treaty generated USD 600 million gross premiums in the first half of 2002. Additional growth in gross written premiums was reached in GRI operations in North America Corporate and Continental Europe.

Life Insurance

Key figures – Life Insurance – (before eliminations) in USD millions	**Half years ended 30 June** **2002**	2001	Change
Gross written premiums, policy fees and insurance deposits	**9,357**	8,876	5%
Gross written premiums and policy fees	**4,996**	4,331	15%
Net (loss)/income	**– 97**	411	NA
Gross underwriting reserves	**88,099**	59,362	48%
Embedded value profit, after tax	**– 380**	38	NA
Embedded value return	**– 3.6%**	0.3%	– 3.9pts
Gross new business annual premium equivalent (APE)	**896**	929	– 4%
New business profit, after tax	**49**	60	– 18%
New business profit margin (APE)	**5.4%**	6.5%	– 1.1pts

Gross written premiums, policy fees and insurance deposits in our life insurance operations increased by 5% (5% in local currencies) to USD 9.4 billion. The largest increase was in Continental Europe, which was primarily due to the acquisition of Deutscher Herold and other former Deutsche Bank life insurance operations in Italy and Spain which added USD 673 million of premium. This was partially offset by reduced writing of North America Consumer business.

We report a decrease of USD 508 million in net income for our life insurance segment to a loss of USD 97 million in the first half of 2002 against a profit of USD 411 million for the first half of 2001. This decrease is mainly

related to a special provision for goodwill impairments of USD 558 million. Before special provision net income increased by USD 50 million to USD 461 million.

Net investment income, net realized and net unrealized capital gains improved by USD 249 million (15%) from USD 1,683 million in 2001 to USD 1,932 million in 2002 due to increases in net investment income of USD 126 million and net realized and unrealized gains on investments of USD 123 million. This growth has been partly driven by the increased assets associated with the acquisition of Deutscher Herold.

Embedded value represents the shareholders' interest, excluding any value from future new business, in the existing life insurance business. It is the total of the shareholders' interest in the net assets of the life business, the present value of the projected releases to shareholders arising from the in-force business and less a provision for the cost of capital supporting the solvency requirements of the business.

Poor stock market performance and investment return in the first half of 2002 have led to the embedded value loss of USD 380 million and a return of – 3.6%.

New business premiums measured on an annual premium equivalent basis (annual premium plus 10% of single premium) declined by 4% (0% in local currencies) to USD 896 million.

New business contributed USD 49 million to after tax embedded value profits, a reduction of 18% (16% in local currencies) compared to the value added in first half of 2001.

North America

North America reports both the life business of our North America Consumer business as well as the North America Corporate business, since the business in North America Corporate accounts for less than 1% of the total gross written premiums of North America.

Key figures – North America – Life Insurance (before eliminations) in USD millions	**Half years ended 30 June** **2002**	2001	Change
Gross written premiums, policy fees and insurance deposits	**1,985**	2,556	– 22%
Net (loss)/income	**– 293**	152	NA
Gross new business annual premiums equivalent (APE)	**155**	240	– 35%
New business profit, after tax	**16**	24	– 33%
New business profit margin (APE)	**10.1%**	9.8%	0.3pts

Gross written premiums, policy fees and insurance deposits in North America were USD 2.0 billion, USD 571 million (22%) lower than in 2001, primarily due to lower levels of deposits. Deposits were down at Zurich Life due to lower Variable Annuity and Bank Owned Life Insurance (BOLI) volumes, and at Farmers Life due to a special annuity conversion program that had created additional premium volume in 2001.

Net income decreased by USD 445 million from USD 152 million to a loss of USD 293 million. This reduction is largely due to a special provision of USD 401 million for goodwill impairments for Zurich Kemper Life, poor equity returns and realized losses in the first half of 2002.

New business premiums on an APE basis were USD 155 million, a decrease of 35% from 2001. At Zurich Life, sales of variable annuity products were down compared to 2001, due to the discontinuance of unprofitable variable annuity products at the end of 2001.

New business added USD 16 million to after-tax embedded value profit. While this is a reduction in new business value added, it represents a slight increase in the profit margin from 9.8% to 10.1% for North America.

Continental Europe

Key figures – Continental Europe – Life Insurance (before eliminations) in USD millions	**Half years ended 30 June** **2002**	2001	Change
Gross written premiums, policy fees and insurance deposits	**3,479**	2,593	34%
Net income	**134**	63	113%
Gross new business annual premiums equivalent (APE)	**260**	164	59%
New business profit, after tax	**–**	– 12	NA
New business profit margin (APE)	**– 0.2%**	– 7.3%	7.1pts

Gross written premiums, policy fees and deposits increased in the first half of 2002 by USD 886 million, or 34% (32% in local currencies) to USD 3.5 billion, compared to USD 2.6 billion for the comparable period in 2001. The addition of Deutsche Bank's insurance operations in Continental Europe in April and May added USD 673 million of additional premiums to our life businesses. In addition, Switzerland's gross written premiums increased by USD 188 million, primarily due to strong growth in single premiums on individual business.

Net income for Continental Europe increased in 2002 from USD 63 million to USD 134 million mainly due to an increase in realized capital gains of USD 193 million, offset by a special provision of USD 157 million for goodwill impairment for the Deutscher Herold acquisition.

In 2002 new business premiums (APE) increased by 59% (67% in local currencies) compared to the first half of 2001. This increase largely results from the additional premium from the integration of the former Deutsche Bank insurance operations of USD 95 million.

Value added by new business increased by USD 12 million compared to the value for the half year 2001, which has led to a much improved new business profit margin for Continental Europe. Expense savings and reduced policyholder profit participation in Switzerland and Germany, and the added value from Deutscher Herold are primarily responsible. Note that the new business value results for Switzerland do not take into account any planned reduction of guaranteed interest rates for Group business and of conversion rates for pension annuities. In addition, future expense savings from the integration of Deutscher Herold are yet to be reflected in the results.

UKISA

Key figures – UKISA – Life Insurance (before eliminations) in USD millions	Half years ended 30 June **2002**	2001	Change
Gross written premiums, policy fees and insurance deposits	**3,153**	3,096	2%
Net income	**13**	180	– 93%
Gross new business annual premiums equivalent (APE)	**379**	415	– 9%
New business profit, after tax	**26**	38	– 32%
New business profit margin (APE)	**7.0%**	9.2%	– 2.2pts

Gross written premiums, policy fees and deposits increased by 2% to USD 3.2 billion in 2002 from USD 3.1 billion in 2001. This increase was achieved despite reductions in investment business caused by the declining stock markets.

Declines in the UK stock market have led to lower fee income on unit-linked products and reduced asset valuations. This in conjunction with lower realized gains has contributed to a decrease in net income by USD 167 million from USD 180 million in the first half of 2001 to USD 13 million in the first half of 2002.

Weak performance of the stock markets has also impacted new business (primarily through the Zurich Advice Network) with overall new business premiums (APE) in the first half of 2002 down 9% (6% in local currency) from the first half of 2001 at USD 379 million. Despite the difficult economic environment, sales through the Independent Financial Advisers sales channel continued to improve, increasing by 8% in the first half of 2002. There was also a sales increase in Ireland, where the government's Special Savings Initiative has led to an increase in new business premiums.

New business profit was USD 26 million, reduced compared to the previous period, due to lower volumes in new business. The life new business profits exclude additional value added by sales of Threadneedle products through the UKISA Life distribution channels, which are included in the asset management segment.

Rest of the World

Key figures – Rest of the World – Life Insurance (before eliminations) in USD millions	Half years ended 30 June **2002**	2001	Change
Gross written premiums, policy fees and insurance deposits	**695**	593	17%
Net income	**30**	14	114%
Gross new business annual premiums equivalent (APE)	**102**	110	– 7%
New business profit, after tax	**7**	10	– 30%
New business profit margin (APE)	**6.6%**	9.1%	– 2.5pts

Gross written premiums, policy fees and insurance deposits were USD 695 million, an increase of 17% in 2002 (47% in local currencies) from USD 593 million. Deposits in Argentina increased to USD 40 million. Our life businesses in Taiwan, Thailand, Chile and Mexico achieved strong premium growth.

Net income in 2002 has increased from USD 14 million to USD 30 million in 2002. This comes primarily from an exchange rate effect in Argentina.

New business premiums (APE) for 2002 were USD 102 million, a reduction of 2% in local currency from 2001.

Improvement in expenses and the removal of some less profitable products have resulted in an increase in new business profitability in Asia Pacific. In Latin America, the reflection of the uncertainty surrounding Argentina has resulted in reduction in value added. Overall, value added by new business for the Rest of the World is reduced by 30% (24% in local currencies) to USD 7 million.

Asset Management

Key figures – Asset Management (before eliminations) in USD millions	**Half years ended 30 June** **2002**	2001	Change
Asset management fee income	**464**	776	– 40%
Total revenues	**1,003**	836	20%
Net (loss)/income	**394**	– 40	NA

In April and May 2002 the Group completed the sale of our Zurich Scudder Investments operations, excluding the Threadneedle businesses, and our asset management operations in Italy and Germany to Deutsche Bank. In May 2002, our Mexican asset management business was sold. Our operations in UKISA, the largest within the Group subsequent to the Scudder sale, are conducted under the "Threadneedle" brand. Third-party assets under management increased by USD 1.6 billion, or 11% from USD 14.1 billion at 31 December 2001 to USD 15.7 billion at 30 June 2002, due to both strong inflows as a result of new initiatives and products, and the appreciation of over 5% of the UK pound sterling against the US dollar in the first half of 2002.

The Group's asset management segment reported a net income of USD 394 million for the first half of 2002, compared with a net loss of USD 40 million in the same period last year. Approximately USD 373 million of after-tax gain on the sales of the asset management businesses is included in other income for the first half of 2002. Excluding this gain, net income improved by USD 61 million to USD 21 million. Asset management fee income decreased by USD 312 million from USD 776 million to USD 464 million in the first half of 2002 and total expenses fell by USD 357 million from USD 889 million to USD 532 million reflecting the impact of the sale of the asset management businesses.

Farmers Management Services

In the United States, Farmers Management Services continued to show strong growth in the first six months of the year. Farmers Group, Inc. and its subsidiaries (FGI) provide management services to the Farmers P&C Group Companies, a prominent writer of personal lines and small commercial lines business. "Farmers" is the Group's main market brand for personal insurance in the United States. While premiums are written and claims are paid by the Farmers P&C Group Companies, which we do not own, FGI provides management services to the Farmers P&C Group Companies and receives management fees for these services. These fees amounted to 13% of the Farmers P&C Group Companies' gross earned premiums in both the first half of 2002 and 2001.

Key figures – Farmers Management Services (before eliminations) in USD millions	**Half years ended 30 June** **2002**	2001	Change
Management fees and other related revenue	**885**	829	7%
Management expenses and other related expenses	**432**	423	2%
Gross operating profit	**453**	406	12%
Gross operating margin	**51.2%**	49.0%	2.2pts
Net investment income and realized capital gains	**30**	60	– 50%
Net income	**269**	262	3%
Gross premiums written by the Farmers P&C Group Companies	**6,866**	6,296	9%

Management fees and other related revenue, which primarily consists of management fees from the Farmers P&C Group Companies, increased 7% from USD 829 million to USD 885 million, benefiting from improved conditions in the personal insurance market in the United States. Gross written premiums of the Farmers P&C Group Companies increased 9% in the first half of 2002, substantially as a result of premium rate increases. Management expenses and other related expenses increased 2%, reflecting strict attention to cost controls. As a result, gross operating profit increased a strong 12% in the first half of 2002 and the operating margin improved to 51.2%. However, investment income of USD 30 million decreased 50% due to lower fixed maturity yields and an additional USD 8 million impairment of equity securities due to the continued downturn in the United States equity markets.

Capital Markets & Banking

The Capital Markets & Banking segment includes our operations in retail and investment banking and capital markets. Zurich Capital Markets (ZCM), the most significant operation in this segment, serves a global clientele including financial institutions, hedge funds, funds-of-funds, pension funds, foundations, and ultra high net worth individuals. As a leading provider of innovative financial products and services, ZCM offers credit structures and asset-based financing, instruments to manage investment risk, customized strategies to structure and manage financial assets, hedge fund investment vehicles and administrative services for hedge funds and hedge fund investors. In each area ZCM provides tailored solutions for clients seeking to enhance or modify investment returns, improve asset liquidity, or increase the efficiency of portfolio administration.

Rüd Blass & Cie is a Swiss private bank specializing in securities trading, investment counseling and asset management for both institutional and private investors.

Our main retail banking operations are Zurich Invest Bank in Switzerland, Dunbar Bank and Zurich Bank in the United Kingdom. On 16 January 2002, Halifax Bank of Scotland purchased 49.9% of the share capital of Zurich Bank, an Internet-based bank.

Dunbar Bank provides a range of banking and related services to individuals and companies, and specializes in commercial property lending. It is based in London and has six branches throughout the United Kingdom. It also offers a range of investment products through the Group's UK distribution channels.

Zurich Invest Bank was launched in May 1999 as one of the first Swiss banks without cost-intensive branch offices. Transactions can be carried out through the in-house contact center via phone, mail and also via the Internet.

Key figures – Capital Markets & Banking (before eliminations) in USD millions	**Half years ended 30 June** **2002**	2001	Change
Net investment income	**312**	143	118%
Net realized and unrealized capital gains recognized in income	**31**	176	– 82%
Other income	**– 61**	83	NA
Total revenues	**321**	446	– 28%
Other operating and administrative expenses	**173**	144	20%
Interest expense	**117**	171	– 32%
Net (loss)/income	**– 32**	66	NA

In the first half of 2002 the Capital Market & Banking segment recorded a loss of USD 32 million, compared to net income of USD 66 million in 2001. Capital Markets related activities recognized a loss of USD 40 million, compared to net income of USD 81 million yielding a USD 121 million reduction. Offsetting this reduction was a USD 26 million improvement in retail banking, including a gain of USD 16 million (USD 11 million after tax) on the sale of 49.9% of Zurich Bank UK in January 2002 to Halifax Bank of Scotland.

Capital Markets total revenues declined by USD 133 million from USD 375 million in the first half of 2001 to USD 242 million. Market conditions contributed to an overall slowdown in transaction origination. Total expenses were USD 18 million lower because of substantially reduced interest expense due to lower rates, but were offset by increased staffing costs mainly in New York and Australia.

Centre

Centre is the Group's insurance-based risk financing specialist that creates customized solutions to meet the risk-based and finance-based needs of its customers. Centre creates and acquires asset and liability positions that are not generally available in the insurance or capital markets. Structured asset positions are assumed through various forms of credit enhancement and liability positions are assumed primarily through structured insurance and reinsurance programs in the life and non-life insurance markets. Established in 1988, Centre operates in eleven locations around the world and is a global enterprise.

In the first half of 2002, Centre built on its existing businesses by concluding numerous transactions in areas such as European leveraged loan Collateralized Debt Obligations, United States real estate, and structured property and casualty insurance and reinsurance worldwide. In addition, transactions were closed for clients as diverse as a Japanese consumer loan company, an Australian property developer, several European banks and an American long-term care insurer.

Key figures – Centre (before eliminations) in USD millions	**Half years ended 30 June** **2002**	2001	Change
Total revenues	**862**	892	– 3%
Net income	**22**	112	– 80%

Total revenues decreased slightly, despite strong growth in total net earned premiums and policy fees of USD 120 million due to a reduction of USD 133 million in net realized capital gains. In the first half of 2002 net realized capital gains showed a loss of USD 71 million compared with gains of USD 62 million in 2001.

Total benefits, losses and expenses increased by USD 45 million or 5.8% to USD 825 million from USD 780 million. Benefits, losses and loss administration and underwriting expenses increased due to the higher premium volume while administrative expenses remained flat.

As a result of the above items, net income decreased 80% in the first half of 2002 compared with 2001.

Reinsurance – discontinued

During 2001, we restructured our third-party reinsurance business known as Zurich Re into a new entity, Converium, wholly owned by the Group. On 11 December 2001, the Group disposed of its holding of the share capital of Converium by way of an Initial Public Offering and exited the third-party reinsurance business.

Reinsurance became a discontinued operation and the segment's results include the run-off of certain liabilities retained by the Group as a result of the restructuring of operations into Converium. These liabilities consist

primarily of the run-off of business written prior to 1 January 1987 and indemnities given to Converium, mainly relating to losses arising from the September 11 and Unicover exposures.

Key figures – Reinsurance (before eliminations) in USD millions	**Half years ended 30 June** **2002**	 2001
Net earned premiums and policy fees	**– 1**	1,028
Underwriting result, before special provision	**16**	– 55
Net investment income and realized capital gains	**82**	132
Interest expenses	**– 59**	– 10
Net (loss)/income	**– 202**	5

The 2002 half year figures are not comparable to the 2001 half year figures which include the reinsurance operations relating to Converium prior to the spin-off.

The net loss of USD 202 million in the first half of 2002 included a USD 254 million special provision for reserve strengthening primarily related to US asbestos exposures. Results were positively impacted by net investment income and realized capital gains of USD 82 million. Total benefits, losses and expenses included interest expense of USD 59 million which was largely offset by positive foreign exchange net gains and adjustments from account reviews in the first half of 2002.

Corporate

Our Corporate segment includes Group holding companies, central expenses at Group Head Office (GHO), central financing vehicles and certain businesses in run-off.

Key figures – Corporate (before eliminations) in USD millions	**Half years ended 30 June** **2002**	 2001	 Change
Total revenues	**229**	369	– 38%
Total benefits, losses and expenses, of which	**– 1,255**	– 746	68%
– Other operating and administrative expenses, excluding related special provisions and GHO expenses	**– 185**	– 112	65%
– Group Head Office expenses	**– 127**	– 156	– 19%
– Interest expense	**– 331**	– 325	2%
– Special provisions	**– 463**	–	NA
Net loss	**– 1,009**	– 384	163%
Net underwriting loss on run-off business, before special provision	**– 31**	– 81	– 62%

The Corporate segment reported a loss of USD 1,009 million for the six months ended 30 June 2002, compared with a loss of USD 384 million for the same period in 2001. The loss increased by USD 625 million. This increase was mainly caused by special provisions of USD 463 million consisting of a provision for reserve strengthening (USD 165 million before tax), provision for goodwill impairment (USD 61 million) and provision for E-business and other assets write-downs (USD 237 million before tax).

In previous years part of the effect of potential surpluses in the reserves arising in the overall portfolio was reflected in the Corporate segment as part of the Group's reserving actions. In the period ended 30 June 2002, that effect has been reassessed in light of the actuarial impact of the Group's exiting of the third-party reinsurance business and its focus on core markets, particularly in the commercial business line, which led to the reserve strengthening of USD 165 million before tax.

Total revenues were reduced by unrealized losses on investments due to write-downs amounting to USD 163 million for the Balôise derivative and option investments. In addition, a loss of USD 14 million was recognized on the sale of Zurich Payroll Solutions Limited.

In the first six months of 2001 there was also a one-time benefit resulting from the reduced valuation of the employee share option plan liability which reduced other operating expenses by USD 82 million. GHO expenses decreased by 19% to USD 127 million reflecting the continued effort to control expenses at GHO.

Investment Performance

Zurich Financial Services Group's well diversified portfolio of high quality and liquid securities and high quality real estate is invested in accordance with local regulation and business requirements under the guidance of centrally controlled investment management and local investment and asset-liability committees. The Group utilizes both affiliated and unaffiliated investment managers for its portfolios.

The Group's own investments excluding unit-linked assets increased by 26% to USD 155.9 billion from USD 123.6 billion at year-end 2001. The increase in investments was mainly due to the completed acquisitions of the life operations of Deutsche Bank in Germany, Italy, Portugal and Spain in April and May 2002. Also, the weakening of the US dollar with respect to the UK pound sterling (– 5.1%), Swiss franc (– 10.8%) and euro (– 10.2%) increased investments. More than 90% of our total investments are denominated in one of these four currencies. Favorable bond markets further increased our investments.

The increase of invested assets was partially offset by worldwide declining stock markets as indicated by the S&P 500, DJ EuroStoxx, FTSE100 and SPI which declined by 13%, 16%, 9% and 5%, respectively during the first half of 2002. Write-downs for asset impairments amounted to USD 292 million pre-tax compared to USD 48 million in the first half 2001. Net realized and unrealized capital gains (excluding impairments) included in income decreased from USD 603 million in the first half 2001 to USD 170 million in first half 2002. Net unrealized gains on investments included in shareholders' equity decreased from USD 1,567 million at 31 December 2001 to USD 447 million at the end of June 2002.

Investment income remained flat at USD 3.2 billion compared to the first half of 2001 reflecting the increased asset base in a reduced interest rate environment.

The total return on our investment portfolios for the half year ended June 2002, based on the sum of investment income, net realized and unrealized capital gains included in income and the change in gross unrealized gains and losses, expressed as a percentage of average invested assets, was 0.9%.

The asset allocation of our invested assets has mainly been influenced by the acquisition of life operations in Continental Europe, declining stock markets, the weak US dollar and our investment strategy of reallocating Swiss equities to Swiss bonds.

Equity securities have been categorized to separately show common stock in which we have full equity market risk exposure. The other categories are the common stock portfolio backing participating with-profit policyholder contracts, trading equity portfolios in the Capital Markets & Banking segment; and fixed maturities; real estate and short-term unit trusts all accounted for as equities.

The common stock allocation as of 30 June 2002 amounts to 11.8% and would be 1% less without taking into account our newly acquired life operations.

	Total at		
	30/6/2002	31/12/2001	30/6/2001
Total (in USD millions)	**155,934**	123,648	121,951
Fixed maturities	**58.1%**	56.4%	56.9%
Equity securities			
– Common stock, including equity unit trusts	**11.8%**	12.1%	13.9%
– Unit trusts (fixed maturities, real estate, short term investments)	**1.2%**	1.2%	1.2%
– Common stock portfolios backing participating with-profit policyholder contracts	**2.2%**	3.0%	2.9%
– Trading equity portfolios at Zurich Capital Markets & Banking	**4.5%**	4.8%	4.2%
Investments held by investment companies	**0.9%**	0.9%	0.9%
Real estate held for investment	**4.5%**	4.6%	4.5%
Mortgage loans	**5.2%**	3.7%	3.5%
Policyholder, collateral and other loans	**4.4%**	4.6%	2.5%
Investments in associates	**0.6%**	0.7%	0.7%
Short-term investments, cash and cash equivalents	**5.7%**	7.0%	7.8%
Other investments	**0.9%**	1.0%	1.0%
Total	**100.0%**	100.0%	100.0%

Half Year Consolidated Financial Statements

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Half Year Consolidated Statement of Income (unaudited)

for the half years ended 30 June

in USD millions

	Notes	2002	2001
Revenues			
Gross written premiums and policy fees		**20,727**	17,515
Less premiums ceded to reinsurers		**– 3,803**	– 2,688
Net written premiums and policy fees		**16,924**	14,827
Net change in reserves for unearned premiums		**– 1,774**	– 1,588
Net earned premiums and policy fees		**15,150**	13,239
Farmers management fees and other related revenue		**885**	829
Asset management fee income		**442**	738
Net investment income	6	**3,177**	3,161
Net realized capital gains on investments	6	**56**	817
Net unrealized capital losses on investments	6	**– 178**	– 262
Gain on disposal of businesses	4	**463**	–
Other income		**453**	513
Total revenues		**20,448**	19,035
Benefits, losses and expenses			
Non-life losses and loss adjustment expenses	8	**– 9,839**	– 7,201
Death and other life insurance benefits		**– 3,355**	– 3,080
Increase in future life policyholders' benefits		**– 1,099**	– 633
Policyholder dividends and participation in profits		**– 185**	– 157
Underwriting and policy acquisition costs		**– 2,788**	– 2,311
Other operating and administrative expenses		**– 3,397**	– 3,280
Interest expense on debt	9	**– 324**	– 382
Other interest expense		**– 396**	– 445
Amortization of goodwill and other intangible assets		**– 893**	– 208
Total benefits, losses and expenses		**– 22,276**	– 17,697
Operating (loss)/income		**– 1,828**	1,338
Net income tax expense	11	**– 138**	– 435
Net (loss)/income before minority interests		**– 1,966**	903
Net income applicable to minority interests		**– 63**	– 42
Net (loss)/income		**– 2,029**	861
in USD			
Basic earnings per share		**– 24.34**	10.30
Diluted earnings per share		**– 24.34**	10.26

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

Half Year Consolidated Balance Sheet (unaudited)

in USD millions

Assets	Notes	30/6/2002	31/12/2001	30/6/2001
Investments				
Fixed maturities, of which:		**90,616**	69,732	69,387
Held-to-maturity		***1,009***	*733*	*660*
Available-for-sale		***87,388***	*66,845*	*66,643*
Trading		***2,219***	*2,154*	*2,084*
Equity securities, of which:		**30,668**	26,059	27,108
Available-for-sale		***20,117***	*16,292*	*18,261*
Trading		***10,551***	*9,767*	*8,847*
Investments held by investment companies		**1,339**	1,153	1,043
Investments in associates		**897**	833	902
Real estate held for investment		**7,071**	5,741	5,481
Mortgage loans		**8,037**	4,569	4,266
Policyholder, collateral and other loans		**6,822**	5,746	3,045
Other investments		**1,415**	1,181	1,198
Short-term investments		**1,329**	1,403	1,419
Cash and cash equivalents		**7,740**	7,231	8,102
Total investments		**155,934**	123,648	121,951
Other assets				
Receivables from policyholders		**2,663**	2,071	2,229
Receivables from agents, brokers and intermediaries		**4,930**	3,187	3,721
Other receivables		**5,051**	6,375	4,326
Accrued investment income		**1,886**	1,462	1,402
Reinsurance assets		**20,494**	18,312	15,054
Deferred policy acquisition costs		**10,402**	9,384	8,995
Real estate held for own use and fixed assets		**3,070**	2,859	2,745
Intangible assets, of which:		**3,237**	4,659	4,879
Goodwill		***823***	*1,059*	*1,046*
Present value of profits of acquired insurance contracts (PVP)		***1,248***	*986*	*1,173*
Other intangible assets		***34***	*1,461*	*1,485*
Attorney-in-fact relationships		***1,132***	*1,153*	*1,175*
Deferred income tax		**3,844**	3,195	4,529
Other assets		**1,757**	1,602	2,762
Mortgage loans given as collateral	4	**3,632**	–	–
Separate account (unit-linked) assets		**58,803**	54,851	52,814
Total other assets		**119,769**	107,957	103,456
Total assets		**275,703**	231,605	225,407

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

Liabilities and shareholders' equity	Notes	30/6/2002	31/12/2001	30/6/2001
Liabilities				
Reserves for losses and loss adjustment expenses, gross	8	**42,498**	37,221	35,300
Reserves for unearned premiums, gross	7	**12,321**	9,644	10,146
Future life policyholders' benefits, gross	7	**71,658**	46,910	43,877
Policyholders' contract deposits and other funds, gross	7	**18,057**	17,644	17,340
Other insurance reserves		**3,566**	2,850	2,857
Funds held under reinsurance contracts		**4,011**	2,960	3,102
Obligation to repurchase securities		**3,257**	3,400	1,994
Deferred income tax		**5,233**	5,171	7,025
Accrued expenses		**2,480**	2,576	2,484
Deferred front-end fees		**2,422**	2,407	2,319
Debt related to capital markets & banking and risk financing activities	9	**7,293**	6,381	5,726
Senior debt	9	**2,943**	3,187	4,287
Subordinated debt	9	**1,500**	1,500	1,531
Other liabilities		**17,067**	13,129	11,746
Collateralized loans	4	**3,632**	–	–
Separate account (unit-linked) liabilities		**60,357**	55,905	53,913
Total liabilities		**258,295**	210,885	203,647
Minority interests, of which:		**2,535**	2,978	2,480
Preferred securities		*2,265*	*2,560*	*2,046*
Other		*270*	*418*	*434*
Shareholders' equity				
Preferred securities	10	**1,096**	1,096	1,096
Common stock	10	**626**	626	626
Deferred exchangeable equity	10	**349**	–	–
Treasury stock		**– 5**	– 3	– 1
Additional paid-in capital (capital reserve)		**7,638**	7,706	7,763
Net unrealized gains on investments	6	**447**	1,567	1,995
Cumulative translation adjustment	3	**– 716**	– 1,151	– 1,413
Retained earnings		**5,438**	7,901	9,214
Common stockholders' equity		**13,777**	16,646	18,184
Total shareholders' equity		**14,873**	17,742	19,280
Total liabilities and shareholders' equity		**275,703**	231,605	225,407

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

Half Year Consolidated Statement of Cash Flows (unaudited)

for the half years ended 30 June

in USD millions

	2002	2001
Cash flows from operating activities		
Operating (loss)/income	**– 1,828**	1,338
Adjustments for:		
Net realized capital gains on investments	**– 56**	– 817
Net unrealized capital losses on investments	**178**	262
Gain on disposal of businesses	**– 463**	–
Equity in income of investments in associates	**7**	19
Interest credited to policyholder contract deposits	**300**	257
Universal life and investment contract policy fee income	**– 177**	– 188
Depreciation and amortization	**1,267**	438
Share-based compensation expense	**4**	– 99
Changes in operational assets and liabilities:		
Deferred policy acquisition costs	**– 13**	315
Reinsurance assets	**– 1,757**	– 1,710
Other receivables and payables	**– 191**	– 865
Reserves for unearned premiums	**1,966**	1,913
Reserves for losses and loss adjustment expenses	**2,176**	1,549
Future life policyholders' benefits	**970**	187
Other policyholders' funds	**– 62**	1,008
Other insurance reserves	**695**	– 525
Separate account (unit-linked) assets and liabilities	**525**	– 256
Net changes in all other operational assets and liabilities	**301**	– 672
Cash provided by operating activities	**3,842**	2,154
Income taxes paid	**– 257**	– 319
Net cash provided by operating activities	**3,585**	1,835
Cash flows from investing activities		
Proceeds from sales and maturities of investments in fixed maturities	**24,159**	26,579
Purchases of fixed maturities	**– 28,605**	– 26,671
Proceeds from sales of equity securities	**18,428**	11,906
Purchases of equity securities	**– 18,939**	– 13,904
Proceeds from sales of investment real estate	**374**	72
Additions to real estate held for investment	**– 24**	– 3
Proceeds from sales of other investments	**6,410**	3,719
Purchases of other investments	**– 6,326**	– 3,505
Net decrease in short-term investments	**136**	194
Net additions to fixed assets	**– 432**	– 402
Acquisitions of companies, net of cash acquired	**– 759**	–
Disposals of companies, net of their cash balances	**2,362**	–
Investments in associates, net	**– 53**	156
Dividends from associates	**6**	10
Net cash used in investing activities	**– 3,263**	– 1,849

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

	2002	2001
Cash flows from financing activities		
Deposits on universal life and investment contracts	**563**	1,013
Withdrawals from universal life and investment contracts	**– 599**	– 905
Net payments/proceeds from sale and repurchase agreements	**– 275**	44
Dividends paid to shareholders	**– 434**	– 851
Proceeds from issuance of deferred exchangeable equity	**349**	–
Redemption/issuance of preferred securities and preferred stock by subsidiaries	**– 443**	947
Proceeds from issuance of debt	**4,099**	3,898
Payments on debt outstanding	**– 3,217**	– 1,079
Net cash provided by financing activities	**43**	3,067
Effect of exchange rate changes on cash and cash equivalents	**144**	– 218
Change in cash and cash equivalents	**509**	2,835
Cash and cash equivalents at 1 January	**7,231**	5,267
Cash and cash equivalents at 30 June	**7,740**	8,102
Supplemental disclosures of operating cash flow information		
Other interest income received	**2,442**	2,728
Dividend income received	**342**	397
Other interest expense paid	**– 572**	– 614

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

Half Year Consolidated Statement of Shareholders' Equity (unaudited)

for the half years ended 30 June

in USD millions, except number of shares

	Number of common shares issued	Preferred securities	Common stock	Deferred exchangeable equity
Balance, 31 December 2000, as previously reported	83,886,001	–	626	–
Implementation of accounting standard SIC 12 "Consolidation – Special Purpose Entities"	–	–	–	–
Restatement of preference securities dividends	–	–	–	–
Balance, 31 December 2000, restated	83,886,001	–	626	–
Implementation of accounting standard IAS 40 "Investment Property"	–	–	–	–
Change in net unrealized gains on investments (excluding translation adjustments)	–	–	–	–
Translation adjustments	–	–	–	–
Change in net gains and losses not recognized in the income statement	–	–	–	–
Net issuance of common stock	–	–	–	–
Net issuance of preferred securities	–	1,096	–	–
Treasury stock transactions	–	–	–	–
Net income	–	–	–	–
Dividends	–	–	–	–
Balance, 30 June 2001	83,886,001	1,096	626	–
Balance, 31 December 2001	83,886,001	1,096	626	–
Change in net unrealized gains on investments (excluding translation adjustments)	–	–	–	–
Translation adjustments	–	–	–	–
Change in net gains and losses not recognized in the income statement	–	–	–	–
Issuance of deferred exchangeable equity (MILES)	–	–	–	349
Exchange of deferred exchangeable equity into common stock	130	–	–	–
Treasury stock transactions	–	–	–	–
Net loss	–	–	–	–
Dividends	–	–	–	–
Balance, 30 June 2002	**83,886,131**	**1,096**	**626**	**349**

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

Treasury stock (nominal value)	Additional paid-in capital	Net unrealized gains on investments	Cumulative translation adjustment	Retained earnings	Total shareholders' equity
– 2	7,712	4,076	– 387	8,649	20,674
–	–	– 11	– 5	16	–
–	–	–	–	– 9	– 9
– 2	7,712	4,065	– 392	8,656	20,665
–	–	– 548	–	548	–
–	–	– 1,123	–	–	– 1,123
–	–	– 399	– 1,021	–	– 1,420
–	–	– 2,070	– 1,021	548	– 2,543
–	36	–	–	–	36
–	–	–	–	–	1,096
1	15	–	–	–	16
–	–	–	–	861	861
–	–	–	–	– 851	– 851
– 1	7,763	1,995	– 1,413	9,214	19,280
– 3	7,706	1,567	– 1,151	7,901	17,742
–	–	– 1,295	–	–	– 1,295
–	–	175	435	–	610
–	–	– 1,120	435	–	– 685
–	–	–	–	–	349
–	–	–	–	–	–
– 2	– 68	–	–	–	– 70
–	–	–	–	– 2,029	– 2,029
–	–	–	–	– 434	– 434
– 5	**7,638**	**447**	**– 716**	**5,438**	**14,873**

Half Year Schedule of Industry Segment Data (unaudited)

for the half years ended 30 June

in USD millions

	Non-life Insurance		Life Insurance		Asset Management		Farmers Management Services	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001
Direct written premiums and policy fees	**13,302**	10,601	**4,962**	4,298	**–**	–	**–**	–
Assumed written premiums	**1,631**	843	**34**	33	**–**	–	**–**	–
Gross written premiums and policy fees	**14,933**	11,444	**4,996**	4,331	**–**	–	**–**	–
Less premiums ceded to reinsurers	**– 3,491**	– 2,481	**–371**	– 382	**–**	–	**–**	–
Net written premiums and policy fees	**11,442**	8,963	**4,625**	3,949	**–**	–	**–**	–
Net change in reserves for unearned premiums	**– 1,700**	– 1,333	**8**	6	**–**	–	**–**	–
Net earned premiums and policy fees	**9,742**	7,630	**4,633**	3,955	**–**	–	**–**	–
Farmers management fees and other related revenue	**–**	–	**–**	–	**–**	–	**885**	829
Asset management fee income	**–**	–	**2**	4	**464**	776	**–**	–
Net investment income	**814**	905	**1,853**	1,727	**13**	21	**35**	45
Net realized capital gains on investments	**– 5**	315	**290**	324	**– 3**	19	**– 5**	15
Net unrealized capital losses on investments	**4**	24	**– 211**	– 368	**– 1**	13	**–**	–
Gain on disposal of businesses	**–**	–	**5**	–	**456**	–	**–**	–
Other income	**221**	182	**191**	139	**74**	7	**–**	–
Total revenues	**10,776**	9,056	**6,763**	5,781	**1,003**	836	**915**	889
Inter-segment	**– 58**	117	**52**	– 37	**– 7**	– 3	**– 94**	– 71
Non-life losses and loss adjustment expenses	**– 9,057**	– 5,907	**– 77**	– 41	**–**	–	**–**	–
Death and other life insurance benefits	**– 63**	– 103	**– 2,977**	– 2,333	**–**	–	**–**	–
Increase in future life policyholders' benefits	**–**	–	**– 1,125**	–1,069	**–**	–	**–**	–
Policyholder dividends and participation in profits	**– 31**	– 32	**– 37**	– 36	**–**	–	**–**	–
Underwriting and policy acquisition costs	**– 1,654**	– 1,271	**– 1,024**	– 731	**–**	–	**–**	–
Other operating and administrative expenses	**– 1,193**	– 984	**– 641**	– 584	**– 496**	– 834	**– 432**	– 423
Interest expense on debt	**– 84**	– 53	**– 48**	– 60	**– 8**	– 4	**– 21**	– 21
Other interest expense	**– 23**	– 83	**– 324**	– 308	**–**	–	**–**	– 1
Amortization of goodwill and other intangible assets	**– 134**	– 8	**– 643**	– 117	**– 28**	– 51	**– 21**	– 21
Total benefits, losses and expenses	**– 12,239**	– 8,441	**– 6,896**	– 5,279	**– 532**	– 889	**– 474**	– 466
Operating (loss)/income	**– 1,463**	615	**– 133**	502	**471**	– 53	**441**	423
Net income tax expense	**94**	– 181	**37**	– 91	**– 69**	15	**– 172**	– 161
Net (loss)/income before minority interests	**– 1,369**	434	**– 96**	411	**402**	– 38	**269**	262
Net income applicable to minority interests	**– 5**	– 5	**– 1**	–	**– 8**	– 2	**–**	–
Net (loss)/income	**– 1,374**	429	**– 97**	411	**394**	– 40	**269**	262

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

Capital Markets & Banking 2002	Capital Markets & Banking 2001	Centre 2002	Centre 2001	Reinsurance – discontinued 2002	Reinsurance – discontinued 2001	Corporate 2002	Corporate 2001	Eliminations 2002	Eliminations 2001	Total 2002	Total 2001
1	–	**107**	146	**13**	78	**18**	15	**36**	– 49	**18,439**	15,089
–	15	**677**	545	**363**	1,298	**351**	115	**– 768**	– 423	**2,288**	2,426
1	15	**784**	691	**376**	1,376	**369**	130	**– 732**	– 472	**20,727**	17,515
–	–	**– 38**	– 35	**– 376**	– 192	**– 257**	– 70	**730**	472	**– 3,803**	– 2,688
1	15	**746**	656	**–**	1,184	**112**	60	**– 2**	–	**16,924**	14,827
1	5	**– 86**	– 116	**– 1**	– 156	**3**	6	**1**	–	**– 1,774**	– 1,588
2	20	**660**	540	**– 1**	1,028	**115**	66	**– 1**	–	**15,150**	13,239
–	–	**–**	–	**–**	–	**–**	–	**–**	–	**885**	829
21	24	**–**	–	**–**	–	**1**	1	**– 46**	– 67	**442**	738
312	143	**201**	217	**81**	159	**167**	151	**– 299**	– 207	**3,177**	3,161
– 100	105	**– 71**	62	**1**	– 27	**– 51**	4	**–**	–	**56**	817
131	71	**7**	1	**–**	– 1	**– 108**	– 1	**–**	– 1	**– 178**	– 262
16	–	**–**	–	**–**	–	**– 14**	–	**–**	–	**463**	–
– 61	83	**65**	72	**– 1**	– 2	**119**	148	**– 155**	– 116	**453**	513
321	446	**862**	892	**80**	1,157	**229**	369	**– 501**	– 391	**20,448**	19,035
– 17	– 19	**– 37**	2	**– 67**	82	**– 273**	– 462	**501**	391	**–**	–
–	– 7	**– 281**	– 301	**– 231**	– 869	**– 237**	– 111	**44**	35	**– 9,839**	– 7,201
–	–	**– 263**	– 589	**–**	– 12	**– 6**	– 7	**– 46**	– 36	**– 3,355**	– 3,080
– 2	–	**25**	440	**–**	– 7	**–**	–	**3**	3	**– 1,099**	– 633
–	–	**– 62**	– 84	**– 6**	17	**– 49**	– 22	**–**	–	**– 185**	– 157
– 2	– 7	**– 89**	– 83	**–**	– 212	**– 19**	– 7	**–**	–	**– 2,788**	–2,311
– 173	– 144	**– 97**	– 105	**34**	– 63	**– 549**	– 268	**150**	125	**– 3,397**	– 3,280
– 110	– 168	**– 14**	– 10	**– 42**	– 5	**– 329**	– 324	**332**	263	**– 324**	– 382
– 7	– 3	**– 41**	– 45	**– 17**	– 5	**– 2**	– 1	**18**	1	**– 396**	– 445
–	–	**– 3**	– 3	**–**	– 2	**– 64**	– 6	**–**	–	**– 893**	– 208
– 294	– 329	**– 825**	– 780	**– 262**	– 1,158	**– 1,255**	– 746	**501**	391	**– 22,276**	– 17,697
27	117	**37**	112	**– 182**	– 1	**– 1,026**	– 377	**–**	–	**– 1,828**	1,338
– 11	– 16	**– 15**	–	**– 20**	6	**18**	– 7	**–**	–	**– 138**	– 435
16	101	**22**	112	**– 202**	5	**– 1,008**	– 384	**–**	–	**– 1,966**	903
– 48	– 35	**–**	–	**–**	–	**– 1**	–	**–**	–	**– 63**	– 42
– 32	66	**22**	112	**– 202**	5	**– 1,009**	– 384	**–**	–	**– 2,029**	861

Half Year Schedule of Industry Segment Data (unaudited)

as at 30 June

in USD millions

	Non-life Insurance		Life Insurance		Asset Management		Farmers Management Services	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001
Fixed maturities	**21,343**	18,275	**59,419**	40,325	**13**	49	**151**	191
Equity securities	**6,386**	6,177	**15,756**	12,363	**50**	192	**151**	239
Investments held by investment companies	**17**	–	**51**	–	**–**	–	**50**	–
Real estate held for investment	**1,962**	1,380	**4,397**	3,402	**177**	98	**106**	83
Short-term investments and cash and cash equivalents	**4,221**	2,908	**3,777**	4,667	**121**	342	**266**	369
Other investments	**4,641**	5,553	**10,873**	6,438	**–**	10	**919**	798
Total investments	**38,570**	34,293	**94,273**	67,195	**361**	691	**1,643**	1,680
Reinsurance assets	**15,880**	11,290	**1,393**	1,502	**–**	–	**390**	215
Deferred policy acquisition costs	**1,593**	1,251	**8,692**	7,372	**–**	–	**–**	–
Intangible assets	**208**	162	**1,572**	1,747	**92**	1,514	**1,132**	1,175
Deferred income tax	**1,278**	1,199	**1,350**	2,030	**16**	19	**102**	116
Mortgage loans given as collateral	**–**	–	**3,632**	–	**–**	–	**–**	–
Other assets	**11,302**	9,897	**63,248**	55,244	**1,964**	2,085	**880**	745
Total segment assets after consolidation of investments in affiliates	**68,831**	58,092	**174,160**	135,090	**2,433**	4,309	**4,147**	3,931
Underwriting reserves, gross	**48,226**	36,925	**88,099**	59,362	**–**	–	**–**	–
Deferred income tax	**1,243**	1,452	**2,977**	3,959	**22**	269	**612**	634
Debt related to capital markets & banking and risk financing activities	**–**	–	**–**	–	**–**	–	**–**	–
Senior debt	**4,091**	3,165	**935**	2,894	**327**	105	**–**	–
Subordinated debt	**–**	–	**–**	–	**–**	–	**500**	500
Collateralized loans	**–**	–	**3,632**	–	**–**	–	**–**	–
Other liabilities	**8,762**	7,822	**69,049**	59,510	**1,955**	1,884	**695**	506
Total segment liabilities	**62,322**	49,364	**164,692**	125,725	**2,304**	2,258	**1,807**	1,640
Minority interests:								
Preferred securities	**–**	–	**–**	–	**–**	–	**–**	–
Other	**105**	55	**–**	19	**17**	269	**–**	–
Segment equity	**6,404**	8,673	**9,468**	9,346	**112**	1,782	**2,340**	2,291
For the half years ended 30 June								
Net cash provided by operating activities	**2,412**	1,261	**728**	1,747	**– 752**	– 203	**97**	271
Net cash used in investing activities	**– 2,473**	– 110	**267**	– 525	**2,806**	– 68	**– 86**	180
Net cash provided by financing activities	**672**	16	**– 581**	273	**– 22**	– 23	**30**	– 235
Purchases of real estate held for own use, fixed assets, goodwill and other intangible assets	**150**	188	**683**	136	**148**	41	**36**	45
Depreciation of real estate held for own use and fixed assets	**112**	78	**57**	27	**17**	58	**43**	32
Interest income	**690**	730	**1,582**	1,478	**9**	17	**31**	41

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

Capital Markets & Banking		Centre		Reinsurance – discontinued		Corporate		Eliminations		Total	
2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
1,176	2,653	**6,947**	6,689	**185**	2,328	**2,469**	1,286	**– 1,087**	– 2,409	**90,616**	69,387
6,991	5,088	**455**	475	**67**	661	**812**	1,912	**–**	1	**30,668**	27,108
76	88	**–**	–	**–**	–	**1,144**	954	**1**	1	**1,339**	1,043
–	–	**71**	–	**–**	13	**359**	506	**– 1**	– 1	**7,071**	5,481
1,760	1,906	**635**	742	**629**	258	**3,715**	3,035	**– 6,055**	– 4,706	**9,069**	9,521
4,728	1,433	**385**	492	**2,411**	1,431	**2,363**	1,614	**– 9,149**	– 8,358	**17,171**	9,411
14,731	11,168	**8,493**	8,398	**3,292**	4,691	**10,862**	9,307	**– 16,291**	– 15,472	**155,934**	121,951
–	–	**1,634**	1,568	**4,169**	2,401	**683**	703	**– 3,655**	– 2,625	**20,494**	15,054
6	1	**156**	132	**–**	233	**4**	5	**– 49**	1	**10,402**	8,995
4	–	**82**	86	**–**	35	**149**	160	**– 2**	–	**3,237**	4,879
157	92	**303**	376	**11**	221	**627**	476	**–**	–	**3,844**	4,529
–	–	**–**	–	**–**	–	**–**	–	**–**	–	**3,632**	–
659	246	**607**	686	**951**	1,341	**1,149**	1,365	**– 2,600**	– 1,610	**78,160**	69,999
15,557	11,507	**11,275**	11,246	**8,423**	8,922	**13,474**	12,016	**– 22,597**	– 19,706	**275,703**	225,407
5	36	**4,823**	5,323	**5,990**	6,410	**1,076**	990	**– 3,685**	– 2,383	**144,534**	106,663
13	65	**206**	297	**–**	175	**161**	173	**– 1**	1	**5,233**	7,025
7,124	5,593	**285**	133	**–**	–	**–**	–	**– 116**	–	**7,293**	5,726
–	–	**212**	246	**311**	130	**13,214**	13,199	**– 16,147**	– 15,452	**2,943**	4,287
–	–	**–**	–	**–**	–	**1,010**	1,031	**– 10**	–	**1,500**	1,531
–	–	**–**	–	**–**	–	**–**	–	**–**	–	**3,632**	–
5,698	3,375	**5,107**	4,608	**2,232**	1,006	**2,300**	1,576	**– 2,638**	– 1,872	**93,160**	78,415
12,840	9,069	**10,633**	10,607	**8,533**	7,721	**17,761**	16,969	**– 22,597**	– 19,706	**258,295**	203,647
1,963	1,753	**–**	–	**–**	–	**302**	293	**–**	–	**2,265**	2,046
133	84	**4**	4	**–**	3	**11**	–	**–**	–	**270**	434
621	601	**638**	635	**– 110**	1,198	**– 4,600**	– 5,246	**–**	–	**14,873**	19,280
– 1,677	– 713	**715**	– 72	**67**	133	**2,611**	856	**– 616**	– 1,445	**3,585**	1,835
– 766	– 1,372	**– 323**	– 45	**59**	65	**– 2,344**	– 412	**– 403**	438	**– 3,263**	– 1,849
2,394	2,202	**– 478**	44	**– 1**	– 24	**– 1,487**	909	**– 484**	– 95	**43**	3,067
3	11	**13**	23	**–**	6	**164**	75	**–**	–	**1,197**	525
4	2	**5**	5	**–**	6	**136**	22	**–**	–	**374**	230
290	123	**208**	245	**80**	98	**170**	150	**– 340**	– 255	**2,720**	2,627

Notes to the Half Year Consolidated Financial Statements (unaudited)

1. Basis of preparation

The half year report has been prepared in accordance with International Accounting Standard (IAS) 34, ''Interim Financial Reporting,'' and in accordance with the accounting policies set out in the notes to the Zurich Financial Services Group (''the Group'') Annual Report 2001. These half year consolidated financial statements should be read in conjunction with the Group Annual Report 2001. The Group auditors have carried out a review of these half year consolidated financial statements, which are unaudited. Their report is set out on page 40.

2. Reclassifications of half year 2001 financial statements

Certain reclassifications have been made to prior periods' amounts and segment disclosures as adopted in 2001 and utilized in 2002. These reclassifications have no effect on previously reported net income.

Table 2
Reclassifications of half year 2001 financial statements

Income statement – key figures in USD millions	Originally stated	**2001 Reclassified**
Net realized capital gains on investments	555	**817**
Net unrealized capital losses on investments	–	**– 262**

3. Foreign currency translation and transactions

Table 3 summarizes the principal exchange rates which have been used for translation purposes (USD per foreign currency unit). The net losses on foreign currency transactions included in the consolidated statement of income were USD 46 million and USD 14 million for the half years ended 30 June 2002 and 2001, respectively.

Table 3

Principal exchange rates	**Balance sheet**			**Statements of income and cash flows**	
	30/6/2002	31/12/2001	30/6/2001	**2002**	2001
Australian dollar	**0.5670**	0.5111	0.5107	**0.5342**	0.5224
UK pound sterling	**1.5331**	1.4529	1.4166	**1.4436**	1.4405
Canadian dollar	**0.6637**	0.6272	0.6599	**0.6351**	0.6521
Euro	**0.9918**	0.8897	0.8496	**0.8968**	0.8980
Swiss franc	**0.6753**	0.6015	0.5576	**0.6106**	0.5867

The weakening of the US dollar during the half year resulted in a reduction of USD 435 million in the negative cumulative translation adjustment, from USD 1,151 million as at 31 December 2001 to USD 716 million as at 30 June 2002, with a corresponding increase in shareholders' equity.

4. Changes in scope of consolidation, businesses acquired or disposed of

The Group conducts regular strategic, operational and financial reviews of its businesses to most effectively deploy its capital. As a result of these reviews, the Group may take a number of actions relating to its businesses. Such actions may include strategic acquisitions, disposals, market repositioning and alliances, spin-offs and other actions. The Group's significant transactions during the half year ended 30 June 2002 are as follows:

Acquisitions

In April 2002, the Group acquired Deutsche Bank's insurance operations in Germany by purchasing 76.43% of Versicherungsholding der Deutschen Bank AG (VHDB) which includes the Deutscher Herold Group, Bonnfinanz and Deutsche Gesellschaft für Vermögensberatung. The transaction also includes the right to purchase the remaining minority shares in the future.

On 14 May 2002, the Group acquired Deutsche Bank's life insurance operations in Italy, Spain and Portugal.

In connection with the above mentioned acquisitions, and on the same dates, the Group and Deutsche Bank entered into cooperation agreements in respect of a number of European countries, to offer their respective products through their existing distribution networks.

The following is a summary of the fair value of assets and liabilities acquired from Deutsche Bank:

Table 4.1
Fair value of assets and liabilities acquired
in USD millions

Investments	20,652
Cash and cash equivalents	543
Goodwill	472
Present value of profits of acquired insurance contracts	313
Other assets	4,913
Mortgage loans given as collateral	3,632
Gross underwriting reserves	– 19,762
Collateralized loans	– 3,632
Other liabilities	– 5,699
Minority interests	– 166
Purchase price	**1,266**

The acquisitions have been recorded using the purchase method and goodwill will be amortized using the straight-line method over its estimated economic life. Goodwill is reviewed for recoverability on a periodic basis, including goodwill in the year that it is acquired. Any amounts deemed not recoverable are written off and charged as an expense in the income statement. A provision for impairment of USD 157 million was recorded in the first half of 2002 relating to the goodwill resulting from this transaction.

Mortgage loans given as collateral/collateralized loans

As part of the Deutscher Herold transaction, the Group acquired various mortgage loans. Deutscher Herold had previously sold these loans to credit institutions while retaining the related credit and interest risks. Accordingly, the loans are recorded as ''Mortgage loans given as collateral'' and the liability to credit institutions as ''Collateralized loans''.

Disposals

During the first half of 2002, the Group completed sales of several businesses, as discussed below. The aggregate net gain on disposals was USD 463 million before tax (USD 369 million after tax).

On 5 April 2002, the Group sold 100% of Zurich Scudder Investments, Inc., after buy-out of all minority interests, to Deutsche Bank for USD 2.5 billion. The Threadneedle business, previously part of Zurich Scudder Investments, Inc., was retained by the Group.

Additionally, on 14 May 2002 the Group sold to Deutsche Bank its asset management businesses in Germany and Italy.

Table 4.2
Profit on disposal of asset management companies to Deutsche Bank
in USD millions

Consideration received for sale	2,603
Less: net assets disposed	– 2,123
Costs related to the disposal	– 49
Profit on disposal before tax	431
Net assets disposed consisted of:	
Investments other than cash and cash equivalents	168
Cash and cash equivalents	372
Other assets	2,139
Liabilities	– 556
Net assets disposed	**2,123**

In January 2002, the Group sold a 49.9% interest in Zurich Bank, UK to Halifax Bank of Scotland, for a pre-tax gain of USD 16 million.

In February 2002, the Group sold its controlling interest in Zurich Payroll Solutions Limited to ADP Inc., recognizing a loss on disposal of USD 14 million before tax.

In March 2002, the Group sold 100% of Zurich Life Insurance Company of Canada to Manufacturers Life Insurance Company recognizing a profit on disposal of USD 5 million before tax.

In May 2002, the Group sold Zurich Afore, Zurich's private retirement fund management company in Mexico, to the Principal Financial Group recognizing a profit on disposal of USD 25 million before tax.

5. Segment information

Table 5
Gross written premiums and policy fees by geographic area (before inter-segment eliminations)

in USD millions	Non-life Insurance 2002	Non-life Insurance 2001	Life Insurance 2002	Life Insurance 2001
North America Corporate	**6,823**	5,179	**60**	75
North America Consumer	**100**	300	**628**	614
Continental Europe, of which:	**4,252**	3,483	**3,161**	2,389
Switzerland	***847***	*1,089*	***1,790***	*1,602*
UKISA	**2,297**	1,866	**796**	965
Rest of the World	**855**	749	**349**	288
Other (including some Group reinsurance operations and inter-regional eliminations)	**606**	– 133	**2**	–
Total	**14,933**	11,444	**4,996**	4,331

6. Investment income

Table 6.1
Net investment income

in USD millions	2002	2001
Fixed maturities	**2,273**	2,050
Equity securities	**360**	471
Real estate	**225**	210
Mortgage, policyholder, collateral and other loans	**283**	246
Investments in associates	**– 7**	– 19
Short-term investments	**28**	41
Cash and cash equivalents	**86**	169
Other	**50**	121
Total investment income	**3,298**	3,289
Investment expenses	**– 121**	– 128
Total	**3,177**	3,161

Table 6.2
Net realized capital gains on investments

in USD millions	2002	2001
Fixed maturities:		
Realized capital gains	**373**	428
Realized capital losses	**– 432**	– 97
Equity securities:		
Realized capital gains	**971**	1,159
Realized capital losses	**– 655**	– 719
Real estate	**– 6**	19
Mortgage, policyholder, collateral and other loans	**25**	1
Derivative instruments	**39**	120
Write-down of impaired investments	**– 292**	– 48
Other	**33**	– 46
Total	**56**	817

Table 6.3
Net unrealized capital losses on investments (included in income)

in USD millions	2002	2001
Fixed maturities, trading	**11**	– 3
Equity securities, trading	**– 34**	– 291
Investments held by investment companies	**84**	11
Real estate	**42**	54
Mortgage, policyholder, collateral and other loans	**2**	28
Derivative instruments	**– 283**	– 61
Total	**– 178**	– 262

Table 6.4
Net unrealized gains on investments (included in shareholders' equity)
in USD millions

	Net change for the half years ended 30 June				
	2002	2001	**30/6/2002**	31/12/2001	30/6/2001
Fixed maturities, available-for-sale	**52**	– 466	**2,355**	1,789	1,514
Equity securities, available-for-sale	**– 2,467**	– 1,851	**– 862**	1,793	2,636
Real estate	**37**	– 846	**55**	– 4	–
Other investments	**– 29**	– 52	**55**	85	13
Less amounts of net unrealized investment gains/(losses) attributable to:					
Life policyholder dividends and other policyholder liabilities	**660**	813	**– 784**	– 1,334	– 1,295
Life deferred acquisition costs	**120**	42	**– 56**	– 162	– 126
Deferred income tax	**243**	684	**– 394**	– 589	– 735
Minority interests	**89**	5	**78**	– 11	– 12
Foreign currency effect	**175**	– 399	**–**	–	–
Total	**– 1,120**	– 2,070	**447**	1,567	1,995

7. Underwriting reserves

Table 7
in USD millions

	Non-life Insurance		Life Insurance		Farmers Management Services		Capital Markets & Banking		Centre		Reinsurance – discontinued	
	30/6/2002	30/6/2001	**30/6/2002**	30/6/2001	**30/6/2002**	30/6/2001	**30/6/2002**	30/6/2001	**30/6/2002**	30/6/2001	**30/6/2002**	30/6/2001
Gross												
Reserves for losses and loss adjustment expenses	**35,986**	27,687	**427**	381	**–**	–	**3**	33	**2,512**	2,925	**5,575**	5,315
Reserves for unearned premiums	**11,436**	8,627	**260**	211	**–**	–	**–**	3	**485**	507	**416**	966
Future life policyholders' benefits	**62**	52	**69,893**	41,871	**–**	–	**2**	–	**1,826**	1,891	**–**	135
Policyholders' contract deposits and other funds	**742**	559	**17,519**	16,899	**–**	–	**–**	–	**–**	–	**– 1**	– 6
Total underwriting reserves	**48,226**	36,925	**88,099**	59,362	**–**	–	**5**	36	**4,823**	5,323	**5,990**	6,410
Ceded												
Reserves for losses and loss adjustment expenses	**12,781**	8,830	**107**	108	**–**	–	**–**	–	**237**	257	**3,370**	1,464
Reserves for unearned premiums	**2,026**	1,544	**41**	37	**–**	–	**–**	–	**18**	26	**315**	70
Future life policyholders' benefits	**– 1**	–	**794**	873	**181**	101	**–**	–	**188**	199	**–**	16
Policyholders' contract deposits and other funds	**4**	3	**278**	294	**209**	114	**–**	–	**–**	–	**– 1**	–
Total ceded reserves	**14,810**	10,377	**1,220**	1,312	**390**	215	**–**	–	**443**	482	**3,684**	1,550
Net												
Reserves for losses and loss adjustment expenses	**23,205**	18,857	**320**	273	**–**	–	**3**	33	**2,275**	2,668	**2,205**	3,851
Reserves for unearned premiums	**9,410**	7,083	**219**	174	**–**	–	**–**	3	**467**	481	**101**	896
Future life policyholders' benefits	**63**	52	**69,099**	40,998	**– 181**	– 101	**2**	–	**1,638**	1,692	**–**	119
Policyholders' contract deposits and other funds	**738**	556	**17,241**	16,605	**– 209**	– 114	**–**	–	**–**	–	**–**	– 6
Net underwriting reserves	**33,416**	26,548	**86,879**	58,050	**– 390**	– 215	**5**	36	**4,380**	4,841	**2,306**	4,860

Table 7 (continued)

in USD millions	Corporate 30/6/2002	Corporate 30/6/2001	Eliminations 30/6/2002	Eliminations 30/6/2001	Total 30/6/2002	Total 30/6/2001
Gross						
Reserves for losses and loss adjustment expenses	**578**	666	**– 2,583**	– 1,707	**42,498**	35,300
Reserves for unearned premiums	**145**	34	**– 421**	– 202	**12,321**	10,146
Future life policyholders' benefits	**347**	290	**– 472**	– 362	**71,658**	43,877
Policyholders' contract deposits and other funds	**6**	–	**– 209**	– 112	**18,057**	17,340
Total underwriting reserves	**1,076**	990	**– 3,685**	– 2,383	**144,534**	106,663
Ceded						
Reserves for losses and loss adjustment expenses	**240**	197	**– 2,358**	– 1,533	**14,377**	9,323
Reserves for unearned premiums	**137**	23	**– 421**	– 202	**2,116**	1,498
Future life policyholders' benefits	**162**	131	**– 487**	– 374	**837**	946
Policyholders' contract deposits and other funds	**–**	–	**– 209**	– 113	**281**	298
Total ceded reserves	**539**	351	**– 3,475**	– 2,222	**17,611**	12,065
Net						
Reserves for losses and loss adjustment expenses	**338**	469	**– 225**	– 174	**28,121**	25,977
Reserves for unearned premiums	**8**	11	**–**	–	**10,205**	8,648
Future life policyholders' benefits	**185**	159	**15**	12	**70,821**	42,931
Policyholders' contract deposits and other funds	**6**	–	**–**	1	**17,776**	17,042
Net underwriting reserves	**537**	639	**– 210**	– 161	**126,923**	94,598

8. Reserves for losses and loss adjustment expenses

Table 8
Reserves for losses and loss adjustment expenses

in USD millions	2002	2001
At 1 January		
Gross reserves for losses and loss adjustment expenses	**37,221**	35,736
Reinsurance recoverable	**– 13,605**	– 8,668
Net reserves for losses and loss adjustment expenses	**23,616**	27,068
Losses and loss adjustment expenses incurred		
Current year	**7,388**	6,812
Prior years	**2,451**	389
Total	**9,839**	7,201
Losses and loss adjustment expenses paid		
Current year	**– 1,973**	– 1,717
Prior years	**– 4,829**	– 5,172
Total	**– 6,802**	– 6,889
Acquisitions and disposals of companies and businesses	**253**	42
Reclassification to future life policyholders' benefits	**–**	– 121
Foreign currency translation effects	**1,215**	– 1,324
At 30 June		
Net reserves for losses and loss adjustment expenses	**28,121**	25,977
Reinsurance recoverable	**14,377**	9,323
Gross reserves for losses and loss adjustment expenses	**42,498**	35,300

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 results of operations in the period in which estimates are changed. In the first half of 2002, the Group performed non-life reserve reviews utilizing data derived from recent experience and other data and considered the results of an independent actuarial study which was completed in August 2002. As a result of these reviews, a provision of USD 2,021 million pre-tax (USD 1,758 million after tax) was recorded relating to adverse developments of risks insured in prior years, particularly for asbestos claims and in the US for casualty specialty lines, as well as general liability, automobile and workers' compensation. The provision also reflected the effects of the changing risk profile of the Group following the Converium spin-off and the increasing focus on our core markets.

9. Debt

Table 9.1

in USD millions	30/6/2002	31/12/2001	30/6/2001
Debt related to capital markets & banking and risk financing activities			
Zurich Capital Markets	**6,787**	5,763	5,142
Dunbar Bank p.l.c.	**337**	347	451
Centre Solutions (Bermuda) Ltd.	**169**	271	133
Total debt related to capital markets & banking and risk financing activities	**7,293**	6,381	5,726
Senior debt			
Zurich Finance (USA), Inc. (EMTN issues)	**996**	935	901
Zurich International (Bermuda) Ltd.	**338**	298	–
Zurich Reinsurance Centre Holdings Inc.	**–**	–	197
Kemper Corp.	**226**	229	229
Zurich Holding Company of America (loans payable)	**–**	–	100
Zurich Insurance Company	**770**	935	1,894
Zurich Financial Services (UKISA)	**120**	196	248
INZIC AG	**–**	–	429
Other	**493**	594	289
Total senior debt	**2,943**	3,187	4,287
Subordinated debt			
Zurich Holding Company of America (Capital Securities)	**1,000**	1,000	1,031
Farmers Group, Inc. (QUIPS)	**500**	500	500
Total subordinated debt	**1,500**	1,500	1,531
Total	**11,736**	11,068	11,544

Debt related to capital markets & banking and risk financing activities

Zurich Capital Markets increased total debt by approximately USD 1 billion from 31 December 2001 to 30 June 2002 of which USD 0.7 billion is related to additional outstandings under the Commercial Paper Programmes. These increases were used to fund asset growth in their structured products business in 2002.

Table 9.2
Interest expense on debt

in USD millions	2002	2001
Debt related to capital markets & banking and risk financing activities	**112**	168
Senior debt	**149**	153
Subordinated debt	**63**	61
Total	**324**	382

10. Shareholders' equity

Table 10.1
Issued common stock

in USD millions as at 30 June	2002	2001
Issued common stock, CHF 10 par value	**626**	626

Table 10.2
Common and treasury stock

number of shares as at 30 June	2002	2001
Authorized, contingent and issued common stock, CHF 10 par value	**99,386,001**	94,386,001
Issued common stock, CHF 10 par value	**83,886,131**	83,886,001
Thereof: Issued common stock entered into the Commercial Register of the Canton of Zurich	**83,886,001**	83,886,001
Thereof: Treasury stock	**793,110**	294,254

Table 10.3
Preferred securities

in USD millions as at 30 June	2002	2001
Preferred securities USD 1,000 par value, net of issuance cost	**1,096**	1,096

Table 10.4
Deferred exchangeable equity (MILES)

in USD millions	2002	2001
MILES: 75,000 certificates issued, issue amount	**349**	–
MILES: 74,995 certificates remaining as at 30 June, deferred exchangeable equity amount	**349**	–

In January 2002, Zurich Financial Services issued 75,000 SMIC MILES (Market Index-Linked Exchangeable Securities) at a price of CHF 8,031 each, totalling CHF 602,325,000 (issue amount). Under the terms of these instruments, investors may exchange MILES into newly issued Zurich Financial Services shares at any time up to and including 25 Trading Days before 28 January 2005. The number of shares to which each MILES holder is entitled is determined by reference to the SMIC Index and the market price of the shares. Unless previously exchanged, the MILES will be mandatorily exchanged into new shares at expiration.

The maximum number of new shares, to be issued from contingent capital of Zurich Financial Services, is limited to 3 million shares or 40 shares per each MILES, unless the issuer exercises its mandatory exchange right: Zurich Financial Services may at any time on or after 31 July 2002 until 25 Trading Days before 28 January 2005 exchange the MILES in whole or in two equal parts for shares at a value calculated by reference to the closing price of the SMIC Index and the volume weighted average price of the shares in accordance with the terms and conditions.

As the Group will have no obligation to repay the issue amount, the issue amount of the MILES securities has been accounted for as a class of equity of the Group. In the case of an exchange, the amount exchanged will be reclassified as common stock. As at 30 June 2002, 5 MILES had been exchanged for 130 Zurich Financial Services shares which are fully entitled to dividends. As at 4 September 2002, a further 73,079 MILES had been exchanged into 2,441,402 newly issued Zurich Financial Services shares, leaving a balance of 1,916 MILES certificates outstanding.

The registration of these shares in the Commercial Register will take place during the second half of the year 2002.

11. Income tax

Table 11
Net income tax expense for the half years ended 30 June

in USD millions	2002	2001
Current	**466**	511
Deferred	**– 328**	– 76
Total	**138**	435

The Group provides taxes according to the tax laws of each jurisdiction in which it operates.

The Group, as a proxy for 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 benefit attributable to policyholder earnings was USD 137 million and USD 77 million for the half years ended 30 June 2002 and 2001, respectively. In addition, deferred income tax on policyholders' separate account unrealized investment gains 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.

12. Impairment of assets

The carrying values of goodwill associated with certain business acquisitions have been determined to be not fully recoverable due to lower than expected future cash flows from the businesses and a provision of USD 727 million has been recorded in the first half of 2002. This provision includes write-offs of goodwill for the North American life business of USD 462 million, the Deutscher Herold life business of USD 157 million (see Note 4) and the North American non-life business of USD 108 million.

Costs of systems purchased from outside vendors and developed internally are deferred and amortized over the expected periods benefited up to 5 years. Based on analyses undertaken in the first half of 2002, it has been determined that costs, amounting to USD 237 million (USD 227 million after tax), should be written off. These costs are related to certain E-business initiatives that have been discontinued and to other assets that have reduced continuing value.

The Group reviews investments for the recoverability of its carrying values. In the first half of 2002, the Group recorded an impairment charge of USD 292 million (USD 48 million in the first half year of 2001).

Review Report by the Group Auditors

To the Board of Directors and Shareholders of Zurich Financial Services

We have reviewed the half year consolidated financial statements (balance sheet, statement of income, statement of cash flows, statement of shareholders' equity, schedules and notes on pages 21 to 39) of Zurich Financial Services as of and for the six months ended 30 June 2002 and 30 June 2001. These financial statements are the responsibility of the Board of Directors. Our responsibility is to issue a report on these half year consolidated financial statements based on our review.

We conducted our reviews in accordance with the International Standard on Auditing applicable to review engagements and standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in the United States, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated half year financial statements for them to be in conformity with International Accounting Standards and Swiss Law.

PricewaterhouseCoopers AG

CM Stooke W Eriksen–Grundbacher

Zurich, 4 September 2002

Statistical Data per Region

for the half years ended 30 June

in USD millions

	North America Corporate		North America Consumer		Continental Europe	
	2002	2001	**2002**	2001	**2002**	2001
Non-life Insurance						
Gross written premiums and policy fees	**6,823**	5,179	**100**	300	**4,252**	3,483
Net earned premiums and policy fees	**3,594**	2,797	**100**	300	**2,898**	2,375
Net losses incurred and insurance benefits	**– 3,371**	– 2,216	**– 67**	– 213	**– 2,514**	– 1,791
Policyholder dividends and participation in profits	**– 5**	– 5	**–**	–	**– 27**	– 26
Total net technical expenses	**– 805**	– 701	**– 30**	– 80	**– 786**	– 657
Net underwriting result	**– 587**	– 125	**3**	7	**– 429**	– 99
Net investment income	**261**	312	**20**	18	**273**	334
Net realized capital (losses)/gains on investments	**– 30**	91	**– 3**	3	**18**	78
Net unrealized capital gains on investments	**–**	–	**–**	–	**2**	19
Net non-technical result	**– 3**	– 38	**–**	–	**– 100**	– 43
Amortization of goodwill and other intangible assets	**– 113**	– 4	**–**	–	**– 18**	– 3
Operating (loss)/income	**– 472**	236	**20**	28	**– 254**	286
Net income tax benefit/(expense)	**146**	– 30	**– 6**	– 9	**– 34**	– 105
Net (loss)/income before minority interests	**– 326**	206	**14**	19	**– 288**	181
Net income applicable to minority interests	**1**	–	**–**	–	**– 1**	– 1
Net (loss)/income	**– 325**	206	**14**	19	**– 289**	180
Ratios, as % of net earned premiums and policy fees:						
Net loss ratio	**93.8%**	79.2%	**67.4%**	70.9%	**86.7%**	75.4%
Policyholder dividends and participation in profits ratio	**0.1%**	0.2%	**–**	–	**1.0%**	1.2%
Net expense ratio	**22.4%**	25.1%	**30.2%**	26.6%	**27.1%**	27.6%
Net combined ratio	**116.3%**	104.5%	**97.6%**	97.5%	**114.8%**	104.2%
Gross written premiums and policy fees, of which:	**6,823**	5,179	**100**	300	**4,252**	3,483
Accident and health	**125**	108	**–**	–	**545**	525
Automobile	**977**	844	**–**	–	**1,734**	1,441
Fire and other property	**1,313**	891	**–**	–	**827**	710
General liability	**1,994**	1,493	**–**	–	**516**	430
Other non-life lines	**2,071**	1,487	**–**	–	**395**	303
Assumed reinsurance	**343**	356	**100**	300	**235**	74
Investments, of which:	**11,887**	10,961	**810**	809	**13,534**	11,397
Fixed maturities	**76.6%**	76.3%	**89.6%**	88.0%	**52.0%**	47.1%
Equity securities	**12.0%**	14.5%	**8.4%**	9.9%	**18.0%**	22.9%
Real estate	**0.1%**	0.1%	**–**	–	**13.2%**	10.6%
Short-term investments and cash and cash equivalents	**9.1%**	7.3%	**2.0%**	2.1%	**7.9%**	11.9%
Other investments	**2.2%**	1.8%	**–**	–	**8.9%**	7.5%
Total	**100.0%**	100.0%	**100.0%**	100.0%	**100.0%**	100.0%

[1] "Other" includes some Group reinsurance operations and inter-regional eliminations.

UKISA 2002	UKISA 2001	Rest of the World 2002	Rest of the World 2001	Other[1] 2002	Other[1] 2001	Total 2002	Total 2001
2,297	1,866	**855**	749	**606**	– 133	**14,933**	11,444
1,664	1,372	**478**	442	**1,008**	344	**9,742**	7,630
– 1,410	– 1,144	**– 343**	– 289	**– 1,415**	– 357	**– 9,120**	– 6,010
–	–	**–**	–	**1**	– 1	**– 31**	– 32
– 412	– 308	**– 184**	– 180	**– 296**	– 87	**– 2,513**	– 2,013
– 158	– 80	**– 49**	– 27	**– 702**	– 101	**– 1,922**	– 425
144	160	**33**	38	**83**	43	**814**	905
17	88	**– 7**	–	**–**	55	**– 5**	315
1	4	**–**	–	**1**	1	**4**	24
– 38	– 30	**15**	3	**– 94**	– 88	**– 220**	– 196
– 1	– 1	**–**	–	**– 2**	–	**– 134**	– 8
– 35	141	**– 8**	14	**– 714**	– 90	**– 1,463**	615
– 5	– 32	**– 4**	– 5	**– 3**	–	**94**	– 181
– 40	109	**– 12**	9	**– 717**	– 90	**– 1,369**	434
– 1	– 2	**– 2**	– 3	**– 2**	1	**– 5**	– 5
– 41	107	**– 14**	6	**– 719**	– 89	**– 1,374**	429
84.8%	83.3%	**71.7%**	65.4%	**140.4%**	104.0%	**93.6%**	78.8%
–	–	**0.1%**	0.1%	**–**	–	**0.3%**	0.4%
24.8%	22.5%	**38.4%**	40.6%	**29.3%**	25.5%	**25.8%**	26.4%
109.6%	105.8%	**110.2%**	106.1%	**169.7%**	129.5%	**119.7%**	105.6%
2,297	1,866	**855**	749	**606**	– 133	**14,933**	11,444
62	62	**53**	79	**–**	–	**785**	774
873	824	**334**	324	**–**	–	**3,918**	3,433
707	498	**246**	163	**–**	–	**3,093**	2,262
439	272	**72**	53	**–**	–	**3,021**	2,248
142	129	**122**	107	**– 245**	– 143	**2,485**	1,883
74	81	**28**	23	**851**	10	**1,631**	844
7,408	6,253	**1,322**	1,291	**3,609**	3,582	**38,570**	34,293
48.3%	51.9%	**55.8%**	40.1%	**4.5%**	1.9%	**55.3%**	53.3%
28.3%	27.6%	**13.4%**	13.6%	**5.1%**	–	**16.7%**	18.0%
0.8%	0.7%	**4.7%**	5.7%	**1.0%**	1.0%	**5.1%**	4.0%
5.6%	4.4%	**21.8%**	28.0%	**37.6%**	2.7%	**10.9%**	8.5%
17.0%	15.4%	**4.3%**	12.6%	**51.8%**	94.4%	**12.0%**	16.2%
100.0%	100.0%	**100.0%**	100.0%	**100.0%**	100.0%	**100.0%**	100.0%

Statistical Data per Region

for the half years ended 30 June

in USD millions

	North America Corporate		North America Consumer		Continental Europe	
	2002	2001	**2002**	2001	**2002**	2001
Life Insurance						
Gross written premiums, policy fees and insurance deposits	**60**	75	**1,925**	2,481	**3,479**	2,593
Gross written premiums and policy fees	**60**	75	**628**	614	**3,161**	2,389
Net earned premiums and policy fees	**45**	53	**375**	387	**3,136**	2,372
Asset management fee income	**–**	–	**–**	–	**2**	3
Net investment income	**17**	27	**357**	374	**1,031**	840
Net realized capital gains on investments	**– 2**	1	**– 19**	32	**365**	172
Net unrealized capital losses on investments	**–**	–	**–**	–	**21**	8
Other income and gain on disposal of businesses	**6**	1	**38**	28	**78**	12
Total revenues	**66**	82	**751**	821	**4,633**	3,407
Net losses incurred and insurance benefits	**– 27**	– 34	**– 197**	– 178	**– 3,418**	– 2,642
Policyholder dividends and participation in profits	**– 1**	– 2	**– 2**	– 2	**– 244**	– 276
Underwriting and policy acquisition costs	**– 12**	–	**– 37**	– 53	**– 238**	– 168
Other operating and administrative expenses	**– 14**	– 13	**– 124**	– 130	**– 253**	– 115
Interest expense	**– 1**	– 3	**– 217**	– 218	**– 111**	– 94
Amortization of goodwill and other intangible assets	**–**	–	**– 436**	– 60	**– 162**	–
Total benefits, losses and expenses	**– 55**	– 52	**– 1,013**	– 641	**– 4,426**	– 3,295
Operating (loss)/income	**11**	30	**– 262**	180	**207**	112
Net income tax benefit/(expense)	**– 2**	– 5	**– 40**	– 53	**– 73**	– 49
Net (loss)/income before minority interests	**9**	25	**– 302**	127	**134**	63
Net income applicable to minority interests	**–**	–	**–**	–	**–**	–
Net (loss)/income	**9**	25	**– 302**	127	**134**	63
Gross written premiums and policy fees, of which:	**60**	75	**628**	614	**3,161**	2,389
Individual life						
Single premiums	**18**	19	**39**	46	**530**	292
Periodic premiums	**25**	37	**311**	283	**948**	550
Group life						
Single premiums	**–**	1	**–**	–	**687**	688
Periodic premiums	**–**	–	**–**	–	**887**	785
Accident, health and other	**17**	18	**8**	8	**54**	52
Policy fees on unit-linked and other investment-type products	**–**	–	**270**	277	**55**	22
Investments, of which:	**338**	839	**10,988**	11,018	**59,436**	35,003
Fixed maturities	**86.7%**	79.7%	**83.2%**	83.2%	**60.0%**	53.6%
Equity securities	**2.4%**	3.2%	**1.8%**	2.5%	**17.8%**	21.0%
Real estate	**–**	–	**0.8%**	0.9%	**5.6%**	6.1%
Short-term investments and cash and cash equivalents	**7.7%**	4.9%	**1.9%**	1.1%	**3.4%**	9.5%
Other investments	**3.2%**	12.2%	**12.3%**	12.3%	**13.2%**	9.8%
Total	**100%**	100%	**100%**	100%	**100%**	100%

[1] "Other" includes some Group reinsurance operations and inter-regional eliminations.

UKISA		Rest of the World		Other[1]		Total	
2002	2001	**2002**	2001	**2002**	2001	**2002**	2001
3,153	3,096	**695**	593	**45**	38	**9,357**	8,876
796	965	**349**	288	**2**	–	**4,996**	4,331
761	886	**311**	256	**5**	1	**4,633**	3,955
–	–	**–**	–	**–**	1	**2**	4
394	426	**48**	57	**6**	3	**1,853**	1,727
– 40	107	**– 14**	11	**–**	1	**290**	324
– 232	– 376	**–**	–	**–**	–	**– 211**	– 368
60	86	**14**	11	**–**	1	**196**	139
943	1,129	**359**	335	**11**	7	**6,763**	5,781
– 358	– 438	**– 189**	– 149	**10**	– 2	**– 4,179**	– 3,443
220	255	**– 10**	– 12	**–**	1	**– 37**	– 36
– 648	– 447	**– 88**	– 64	**– 1**	1	**– 1,024**	– 731
– 229	– 244	**– 21**	– 82	**–**	–	**– 641**	– 584
– 41	– 52	**– 1**	– 2	**– 1**	1	**– 372**	– 368
– 44	– 52	**– 1**	– 5	**–**	–	**– 643**	– 117
– 1,100	– 978	**– 310**	– 314	**8**	1	**– 6,896**	– 5,279
– 157	151	**49**	21	**19**	8	**– 133**	502
170	29	**– 18**	– 7	**–**	– 6	**37**	– 91
13	180	**31**	14	**19**	2	**– 96**	411
–	–	**– 1**	–	**–**	–	**– 1**	–
13	180	**30**	14	**19**	2	**– 97**	411
796	965	**349**	288	**2**	–	**4,996**	4,331
121	141	**63**	51	**–**	–	**771**	549
186	184	**166**	77	**–**	–	**1,636**	1,131
–	24	**8**	2	**–**	–	**695**	715
3	6	**20**	40	**–**	–	**910**	831
26	31	**54**	80	**2**	–	**161**	189
460	579	**38**	38	**–**	–	**823**	916
20,434	17,950	**2,261**	1,891	**816**	494	**94,273**	67,195
61.5%	57.0%	**65.9%**	65.0%	**35.0%**	56.5%	**63.0%**	60.0%
22.6%	24.8%	**13.0%**	11.8%	**9.1%**	11.1%	**16.7%**	18.4%
4.7%	6.2%	**1.5%**	1.7%	**–**	–	**4.7%**	5.1%
4.6%	5.2%	**5.4%**	7.6%	**53.0%**	23.1%	**4.0%**	6.9%
6.6%	6.8%	**14.2%**	13.9%	**2.9%**	9.3%	**11.6%**	9.6%
100.0%	100.0%	**100.0%**	100.0%	**100.0%**	100.0%	**100.0%**	100.0%

Statistical Data per Region

for the half years ended 30 June

in USD millions

	North America Consumer[1, 2]	
	2002	2001
Life – Embedded value results		
Gross new business premiums including deposits, of which:	**586**	1,269
Annual premiums	**107**	126
Single premiums	**479**	1,143
Gross new business annual premium equivalent (APE)	**155**	240
Embedded value information:		
Opening embedded value	**3,526**	3,495
New business profit, post tax	**16**	24
Profit from in-force business and net assets including changes in assumptions, post tax	**25**	140
Embedded value profit, post tax	**41**	164
Dividends and capital movements	**– 224**	– 153
Closing embedded value before foreign currency translation effects	**3,343**	3,506
Foreign currency translation effects	**–**	– 3
Closing embedded value after foreign currency translation effects, of which:	**3,343**	3,503
Shareholder net assets	**1,656**	1,819
Value of business in-force	**1,687**	1,684
Post-tax return on opening embedded value before foreign currency translation effects	**1.2%**	4.7%
Hurdle rate	**4.3%**	4.5%
Embedded value economic assumptions:		
Discount rate	**8.5%**	9.0%
Pre-tax investment returns:		
Fixed interest	**6.6%**	6.6%
Equities	**9.0%**	9.2%
Property	**–**	–
Expense inflation	**2.1%**	1.9%
Attributed tax rate	**35.4%**	35.5%
New business profit margin (APE)	**10.1%**	9.8%

For footnotes [1, 2, 3, 4] and [5] please refer to page 48.

The embedded value profit in the above table is post tax.

The embedded value represents the shareholders' interest, excluding any value from future new business, in the existing life insurance business. It is the total of the shareholders' interest in the net assets of the life business and the present value of the projected releases to shareholders arising from the business in-force less a charge for the cost of capital supporting the solvency requirements of the business.

The discount rate used to value the in-force business in each country reflects long-term government bond rates at the valuation date plus a risk margin.

The assumptions for mortality, persistency and expenses reflect recent and expected experience.

Post-tax profit from new business is the value added at the discount rate by new business written in the year. It is shown after the cost of solvency capital and is valued at point of sale. (see Additional footnote 5).

Gross new business annual premium equivalent (APE) is calculated as new annual premiums plus 10% of single premiums.

External Review: For the first time B&W Deloitte, consulting actuaries, have undertaken a limited review of the half year figures 2002 for the main life companies of the Zurich Financial Services Group in the US, UK, Switzerland and Germany that was conducted on the basis of data provided by the Zurich Financial Services Group. During this review, nothing has come to B&W's attention that would indicate that the embedded value results of Zurich Financial Services Group as of June 30, 2002 are unreasonable.

Continental Europe[3, 4]		UKISA[5]		Rest of the World		Total	
2002	2001	**2002**	2001	**2002**	2001	**2002**	2001
892	648	**1,910**	1,906	**339**	394	**3,727**	4,217
190	110	**209**	249	**75**	78	**581**	563
702	538	**1,701**	1,657	**264**	316	**3,146**	3,654
260	164	**379**	415	**102**	110	**896**	929
2,225	2,900	**4,350**	4,573	**546**	556	**10,647**	11,524
0	– 12	**26**	38	**7**	10	**49**	60
– 361	– 225	**– 103**	35	**10**	28	**– 429**	– 22
– 361	– 237	**– 77**	73	**17**	38	**– 380**	38
410	– 41	**85**	– 237	**15**	17	**286**	– 414
2,274	2,622	**4,358**	4,409	**578**	611	**10,553**	11,148
261	– 260	**252**	– 242	**20**	– 44	**533**	– 549
2,535	2,362	**4,610**	4,167	**598**	567	**11,086**	10,599
1,151	1,189	**1,760**	1,456	**308**	196	**4,875**	4,660
1,384	1,173	**2,850**	2,711	**290**	371	**6,211**	5,939
– 16.2%	– 8.2%	**– 1,7%**	1.6%	**3.1%**	6.8%	**– 3.6%**	0.3%
4.1%	4.0%	**4.0%**	4.1%	**5.5%**	5.7%	**4.2%**	4.3%
8.2%	8.3%	**8.0%**	8.1%	**11.0%**	11.4%	**8.4%**	8.6%
4.8%	4.7%	**5.0%**	5.0%	**5.7%**	6.3%	**5.2%**	5.3%
8.0%	8.0%	**7.5%**	7.5%	**8.4%**	8.2%	**7.8%**	7.8%
5.6%	5.7%	**7.0%**	7.0%	**7.8%**	8.4%	**5.9%**	6.2%
1.5%	1.9%	**3.2%**	3.2%	**3.2%**	2.6%	**2.2%**	2.4%
26.1%	25.1%	**29.2%**	29.2%	**26.2%**	21.1%	**30.1%**	30.0%
– 0.2%	– 7.3%	**7.0%**	9.2%	**6.6%**	9.1%	**5.4%**	6.5%

Statistical Data per Region

for the half years ended 30 June

in USD millions

Operating & Economic Profits

Life – Embedded value results continued

Additional footnotes to main table

1. North American premiums include new single premiums from Structured Settlement and Equity Indexed Annuity products in Farmers Life. In the results presented at mid-year 2001, these premiums were not shown as new business. The following table details the historical view of new business premiums for comparison:

	North America Consumer		Total	
	2002	2001	**2002**	2001
Gross new business premiums including deposits, of which:	**498**	1,163	**3,639**	4,111
Annual premiums	**107**	126	**581**	563
Single premiums	**391**	1,037	**3,058**	3,548
Gross new business annual premium equivalent (APE)	**146**	230	**887**	918

2. North America Consumer includes value from the immaterial level of life business in North America Corporate.

3. For additional information, Switzerland (part of Continental Europe) is shown below.

	Switzerland	
	2002	2001
Gross new business premiums including deposits	**394**	313
Gross new business annual premium equivalent (APE)	**75**	74
Embedded value information:		
Opening embedded value	**1,025**	1,643
New business profit, post tax	**– 5**	– 11
Profit from in-force business and net assets including changes in assumptions, post tax	**– 280**	– 233
Embedded value profit, post tax	**– 285**	– 244
Dividends and capital movements	**10**	– 15
Closing embedded value before foreign currency translation effects	**750**	1,384
Foreign currency translation effects	**90**	– 141
Closing embedded value after foreign currency translation effects, of which:	**840**	1,243
Shareholder net assets	**371**	659
Value of business in-force	**469**	584
Post-tax return on opening embedded value before foreign currency translation effects	**– 27.8%**	– 14.8%
Embedded value economic assumptions:		
Discount rate	**7.5%**	7.5%
New business profit margin (APE)	**– 7.2%**	– 14.6%

4. The Deutscher Herold and former Deutsche Bank insurance companies transactions generated an additional new business premium (APE) of USD 95 million with associated new business value of USD 3 million. These figures are based on production from the transaction dates in April and May and do not allow for expected synergies to emerge from these transactions. The embedded value of these companies as at 30 June 2002 was USD 441 million.

5. To enable comparison of our UKISA new business results with those of our competitors in the UK market, the following figures have been provided:

	UKISA	
	2002	2001
Gross new business annual premium equivalent (APE)	**453**	516
New business profit, pre-tax, (before effect of solvency)	**51**	75
New business profit margin (APE)	**11.2%**	14.5%

The new business profit here is shown pre tax and pre cost of solvency. In addition, the value generated from the sale of Threadneedle products through our UK Life Distribution channel is also included.

6. Subsequent to 30 June 2002, in view of the continuing volatility in equity investments, management in some of the Zurich Financial Services Group life companies have taken action in respect of their investment strategy. These actions may affect the assumptions for future embedded value calculations. However, no estimates in respect of this have been made as yet.

Zurich Financial Services registered shares

	30/06/2002	31/12/2001
Number of shares issued with a nominal value of CHF 10[1]	**83,886,131**	83,886,001
Number of dividend-bearing shares with a nominal value of CHF 10	**83,886,131**	83,886,001
Number of potentially dilutive shares	**87,342,833**	84,158,836
Market capitalization (in CHF millions at end of period price)	**25,208**	32,674
Stock market price	**in CHF**	in CHF
End of period value	**300.50**	389.50
Period high	**420.50**	1,000
Period low	**275**	258
Per share data	**in CHF**	in CHF
Diluted earnings per share	**– 39.87**	– 7.80
Average number of outstanding shares	**83,347,402**	83,562,446
Book value per share	**256.38**	329.90
Gross dividend	**—**	8.00

Additional data (as at 30 June 2002)

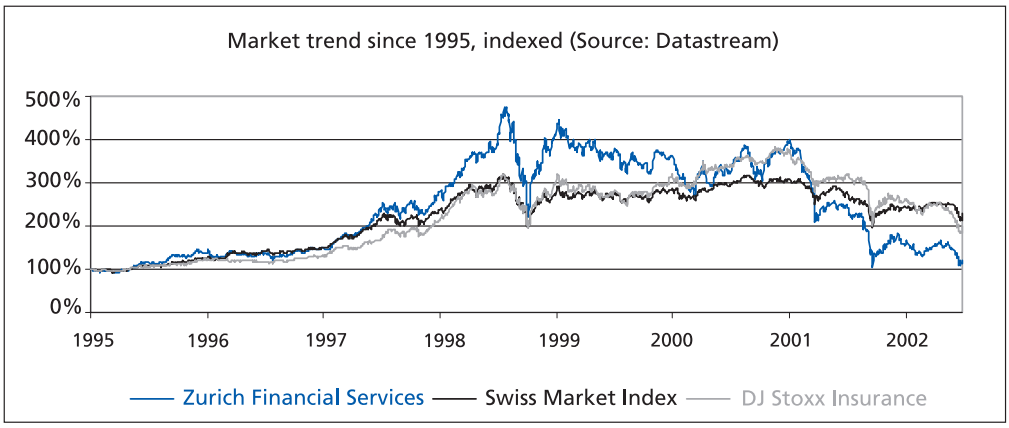
Authorized share capital	6.0 million shares with a nominal value of CHF 10	Issuance of new shares, also in partial amounts, is permitted for general business expansion until 1 June 2004[2]. The shareholders' pre-emptive rights may be restricted or withdrawn – for the take-over of an enterprise, of parts of an enterprise or of participations or if issuing shares for the financing including refinancing of such transactions, or – in connection with the quotation of shares on foreign stock exchanges.
Contingent share capital	7,999,870 million shares[3, 4] with a nominal value of CHF 10	Issuance of new shares relating to the exercise of conversion and/or option rights granted in connection with the issuance of bonds or similar debt instruments by Zurich Financial Services or one of its Group companies in national or international capital markets and/or by exercising option rights which are granted to shareholders. The shareholders' pre-emptive rights may be restricted or withdrawn under certain conditions.
	1.5 million shares with a nominal value of CHF 10	Issuance of shares to employees of Zurich Financial Services and Group companies. The shareholder pre-emptive rights are excluded.

[1]Pursuant to the 2002 Articles of Zurich Financial Services and the registration in the Commercial Register of the Canton of Zurich as of 30 June 2002, the number of shares issued with a nominal value of CHF 10 each amount to 83,886,001.

[2]Based on the resolution of the Annual General Meeting on 16 May 2002. As of 30 June 2002, no shares have been issued from the authorized capital.

[3]Pursuant to the 2002 Articles of Zurich Financial Services and the registration in the Commercial Register of the Canton of Zurich as of 30 June 2002, the contingent share capital of the company amounts to 8 million shares with a nominal value of CHF 10 each.

[4]As of 30 June 2002, 130 shares of the contingent capital with a nominal value of CHF 10 each were issued by exchanging 5 MILES. Between 1 July and 4 September 2002, the company issued an additional 2,441,402 shares of Zurich Financial Services. The adaptation of the share capital in the Commercial Register of the Canton of Zurich will follow within the timeframe required by law.



Stock listings

Place	Nature	Official Symbol	Virt-x (Reuters / Bloomberg)	Exchange
Zurich	primary listing	ZURN	ZURZn.VX / ZURN VX	—
London	secondary listing	ZURN.L	ZURZq.L / ZURN LI	1 : 1
New York	ADR	ZFSVY	ZFSVY.PK / ZFSVY US	10 : 1

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Private Investors	Share Register, Zurich Financial Services, Switzerland Telephone: +41 (0)1 625 28 32 E-mail: shareholder.services@zurich.com
Inquiries of CDI holders within the Zurich Financial Services corporate nominee service	Lloyds TSB Registrars The Causeway, Worthing West Sussex, BN99 6DA, United Kingdom Nominee Service helpline: 0870 600 3979 Lloyds TSB share dealing helpline: 0870 242 4244 (from outside the UK: +44 1903 854261) Web site: www.shareview.co.uk
General CDI Inquiries	CRESTCo Limited 33 Cannon Street London EC4M 5SB, United Kingdom CREST Service Desk: 0845 964 5648 Web site: www.crestco.co.uk
Swiss Custody Service	Rüd, Blass & Cie AG, Bankgeschäft Selnaustrasse 32 CH-8039 Zurich, Switzerland Telephone: +41 (0)1 217 23 99
American Depositary Receipts	Zurich Financial Services has an American Depositary Receipt program with The Bank of New York (BNY). For more information call BNY's ADR Services Center in the USA +1-888-bny-adrs or outside the USA on +1-610-312-5315. ADR holder assistance may also be obtained from BNY at www.adrbny.com
Corporate Citizenship/ Responsibility Inquiries	Group Corporate Responsibility & Compliance Zurich Financial Services, Switzerland Telephone: +41 (0)1 625 28 74 E-mail: zurich.basics@zurich.com

The Half Year Report 2002 may be downloaded from the Web site: http://www.zurich.com

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