



Half year 2002 results and future plans

Media presentation

September 5, 2002

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Introduction

AGENDA

- Strategic assessment
- Managing our capital base
- Half year 2002 results
- Delivery of operational improvements
- Closing remarks
- Q&A

James Schiro

Chief Executive Officer

Strategic assessment

We undertook a thorough review process

Strategy assessment

- Is the existing strategy the right one in the current environment?

Balance sheet adequacy

- Is the balance sheet presented conservatively?
- Are the reserving levels appropriately conservative?

Capital management

- How can we best manage our capital to fund growth?

Operational improvement

- How can profitability and returns be improved excluding the effects of financial markets?

Communications

- How can we restore our credibility with the financial markets?

Our strategy will be one of greater focus

“We are an insurance based financial services provider with an international network, focused on chosen markets ”



Core product

- Insurance
- Distribution of 3rd party financial services products (as appropriate)

Core geographies

- North America
- UK
- Continental Europe
 - Switzerland
 - Germany
 - Italy
 - Spain

Managing our capital base

We are implementing a USD5bn risk based capital improvement program

Capital raising
USD2.5-3bn

- USD2.0-2.5bn rights offering¹ in October 2002
- Potential USD500m hybrid issue by end 2003

Risk based capital savings
USD2.5 - 2.7bn

- Release of capital from exited businesses
- Selective use of reinsurance
- Revised dividend policy
- Reduction in equity exposure

1) Ordinary capital increase by granting pre-emptive rights to Zurich shareholders

Half year 2002 results

Thomas Buess

Chief Financial Officer

Pre-provision first half results were reasonable given the very difficult operating environment

in USD millions

First half	2002	2001	% change
Total GWP, deposits and policy fees ¹	31,254	28,056	11.4%
Net investment result	3,055	3,716	-17.8%
<i>of which: Realized and unrealized gains/losses</i>	-122	555	<i>nm</i>
Total revenues	20,448	19,035	7.4%
Business operating profit	771	908	-15.1%
Pre-provision net income	683	861	-20.7%
Pre-provision non-life combined ratio	103.3%	105.6%	-2.3ppt

1) GWP and deposits + Farmers Exchanges – Farmers Re

Net income after tax was impacted by special provisions

in USD millions

First half	2002	2001
Pre-provision net income	683	861
Impact of special provisions:		
Reserve strengthening	-1,758	
Goodwill impairments	-727	
Write-off of capitalised software	-227	
Total special provisions	-2,712	
Net income (loss)	-2,029	861

Business operating profit and pre-provision net income by segment was as follows

in USD millions

First half	Business op. profit		Pre-prov. net income	
	2002	2001	2002	2001
Non life	244	271	123	429
Life	338	560	461	411
Farmers	445	408	269	262
Centre	102	50	22	112
Capital Markets & Banking	-48	59	-32	66
Asset Management	10	-87	394	-40
Reinsurance – Discont. ¹	71	26	52	5
Corporate	-391	-379	-606	-384
Total	771	908	683	861

1) 2002 result is from run-off business

Note: Prior year figures restated for new segment reporting

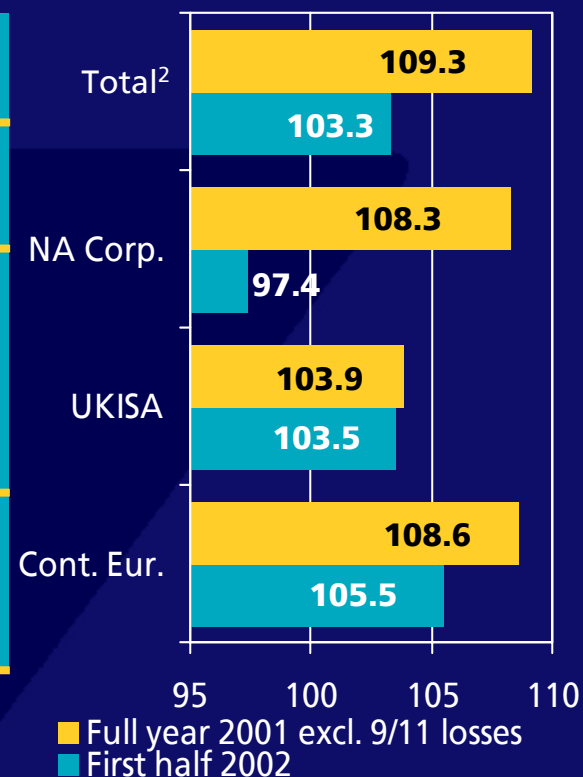
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Strong premium growth led to an improved pre-provision combined ratio in non-life

in USD millions

First half	2002	2001	% change
GWP	14,933	11,444	30.5%
NEP	9,742	7,630	27.7%
Pre-provision loss ratio	77.2%	78.8%	-1.6ppt
Expense ratio ¹	26.1%	26.8%	-0.7ppt
Pre-provision combined ratio	103.3%	105.6%	-2.3ppt
Business op. profit	244	271	-10.0%
Pre-provision net income	123	429	-71.3%

Combined ratios (%)



1) Including 0.3% and 0.4% of policyholder dividends in 2002 and 2001 respectively

2) Also includes NA Consumer, Rest of the World and Group Internal Reinsurance

Note: Prior year figures restated for new segment reporting

Life premiums were boosted by the acquisition of the DB insurance operations

in USD millions

First half	2002	2001	% change
GWP, dep. and pol. fees	9,357	8,876	5.4%
excl. DB insurance ops.	8,684	8,876	-2.2%
Business operating profit	338	560	-40.0%
Pre-provision net income	461	411	12.2%
New bus. premiums (APE)	896	929	-3.6%
New business margins ¹	5.4%	6.5%	-1.1ppt
6 month EV return	-3.6%	0.3%	-3.9ppt
Discount rate ²	8.4%	8.6%	-0.2ppt

New business margins (%)



1) Including revenue generated through the UK sales force from sales of 3rd party and asset management products

2) Beginning of year

3) Includes Rest of the World

Note: Prior year figures restated for new segment reporting

Farmers Management Services reported improved margins

in USD millions

First half	2002	2001	% change
Management fees	885	829	6.8%
Operating margin	51.2%	49.0%	2.2ppt
Investment result	30	60	-50.0%
Business operating profit	445	408	9.1%
Net income	269	262	2.7%

Centre and Capital Markets & Banking results declined

in USD millions

First half	2002	2001	% change
Total Revenues			
Centre	862	892	-3.4%
Capital Markets & Banking	321	446	-28.0%
<i>of which ZCM</i>	245	352	-30.4%
Net income			
Centre	22	112	-80.4%
Capital Markets & Banking	-32	66	nm
<i>of which ZCM</i>	-33	67	nm

Note: Prior year figures restated for new segment reporting

Corporate segment results were impacted by poor investment returns

in USD millions

First half	2002	2001
Net U/W result	-31	-81
Total investment income	8	154
Net admin. and operational expenses ¹	-252	-132
<i>of which:</i>		
<i>GHO</i>	-127	-156
<i>Other admin. and operational expenses</i>	-81	-67
<i>Employee share option plan</i>	-	82
<i>Tax expense/credit</i>	-44	9
Interest expenses ²	-331	-325
Pre-provision net income	-606	-384

1) Net of Other Income, but includes goodwill amortization and tax expenses

2) Includes inter-company and external interest

Investment results were impacted by weak financial markets

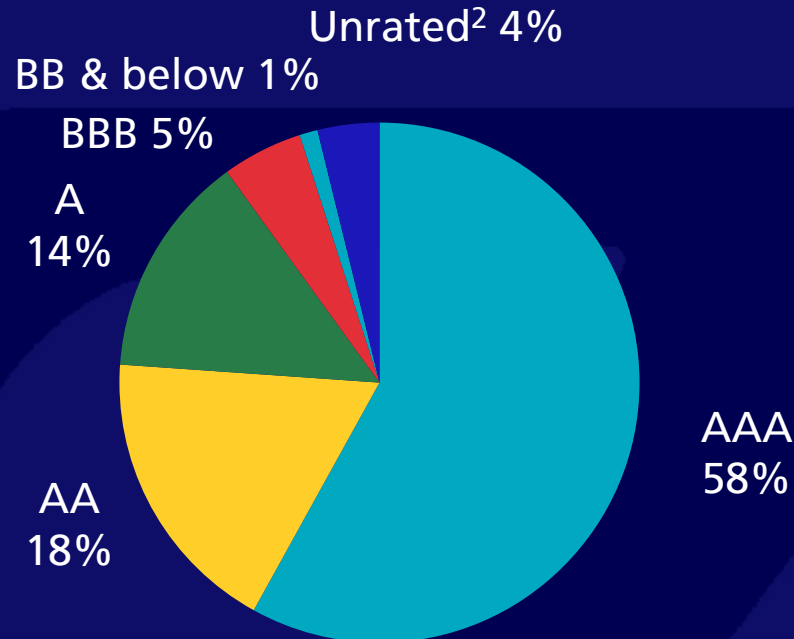
in USD millions

First half	2002	2001	% change
Investment income	3,177	3,161	0.5%
Excluding DB insurance operations	2,933	3,161	-7.2%
Realized and unrealized gains/losses excluding Bâloise ¹	41	534	-92.3%
<i>of which: IAS non-cash asset impairment</i>	-259	-48	<i>nm</i>
Bâloise swap & options	-163	21	<i>nm</i>
Net investment result	3,055	3,716	-17.8%

Disposal gains are not included in realized gains; Baloise swap impact shown separately

99% of the bond portfolio is investment grade...

Bond portfolio ratings¹ distribution as at June 30, 2002

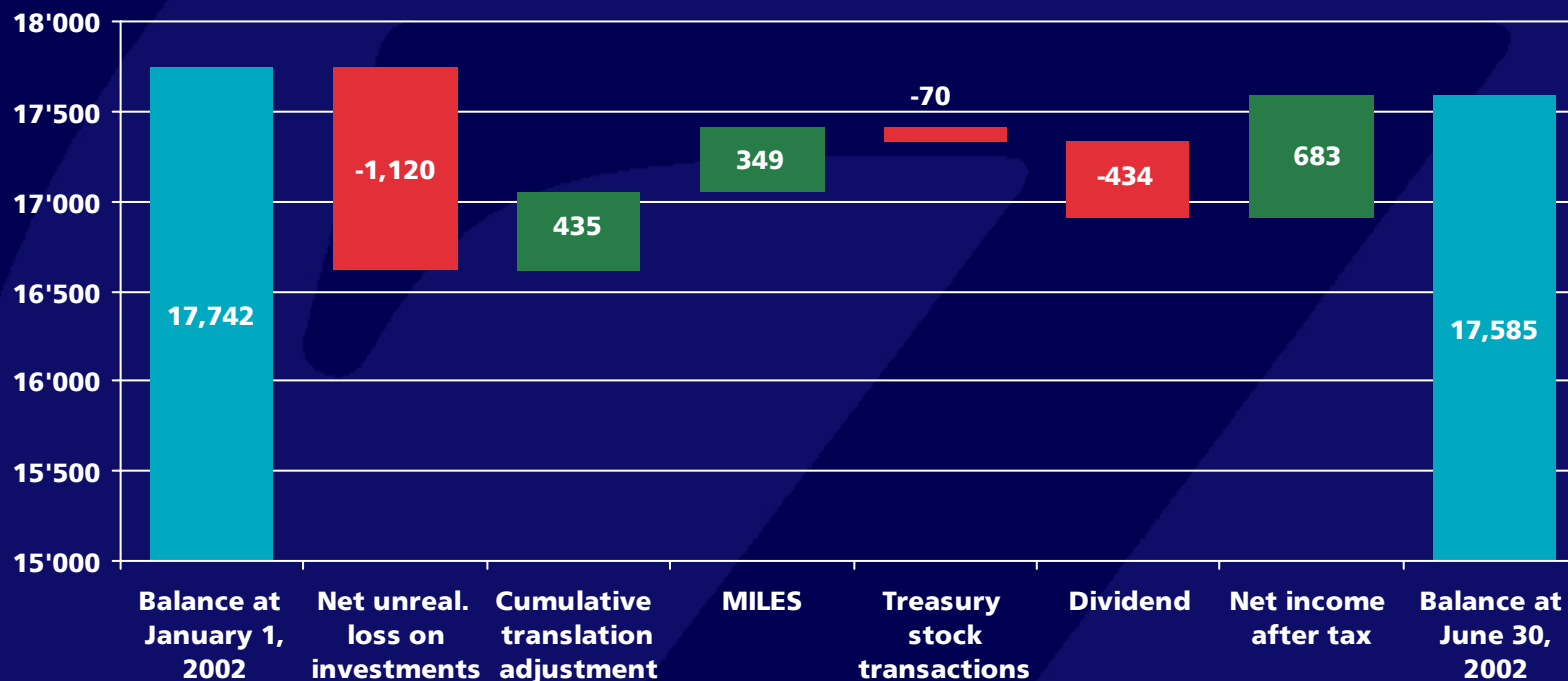


- 1) Lower of Moody's, S&P, or Internal Ratings
- 2) Primarily within Deutscher Herold investment portfolio

Total pre-provision shareholders' equity remained stable

in USD millions

First half



Since June 30, 2002

- Local solvency margins have continuously exceeded regulatory requirements
- The value of the investment portfolio excluding net inflows has returned to June 30 levels, with appreciation of the bond portfolio and currency effects offsetting equity weakness
- Current estimated consolidated solvency after the provisions is approximately 160%¹

1) Calculated according to Swiss Regulatory Decree

We have conducted a thorough review of our reserves...

- Assisted by independent actuaries, Miller, Herbers, Lehmann & Associates (MHL)
 - A leading US non-life actuarial consultancy
 - Former unit of Tillinghast
 - Covered 95% of non-life and reinsurance reserves (excluding Centre) held at December 31, 2001
 - Separate study conducted on asbestos reserves
- Zurich internal review included MHL results and own analyses / claims experience in 2002

...which resulted in reserve strengthening of USD2.0bn before tax

- Based on MHL recommendations, in concurrence with the ZFS Chief Actuary and PwC, we have increased our non-life and reinsurance reserves by USD2.0bn before tax (USD1.8bn after tax), equivalent to 7% of year-end 2001 net reserves
- “We have considered the reserve strengthening undertaken by the ZFSG management as shown above. In our opinion, the ZFSG held reserves that we have reviewed, including the strengthening, are reasonable and above the midpoint of the range of reasonable reserves”

(MHL conclusions)

The reserve strengthening is split as follows

in USD millions

	Before tax	Note
US corporate exposures	922	Incl. internal reinsurance
Covariance effect	400	Less diversified business mix
Asbestos exposures	360	Survival ratio >24
Continental Europe	270	Partially due to ULAE
Other	69	Misc. small business units
Total	2,021	7% of YE 2001 net reserves

In addition, we have examined other assets and have provisioned as

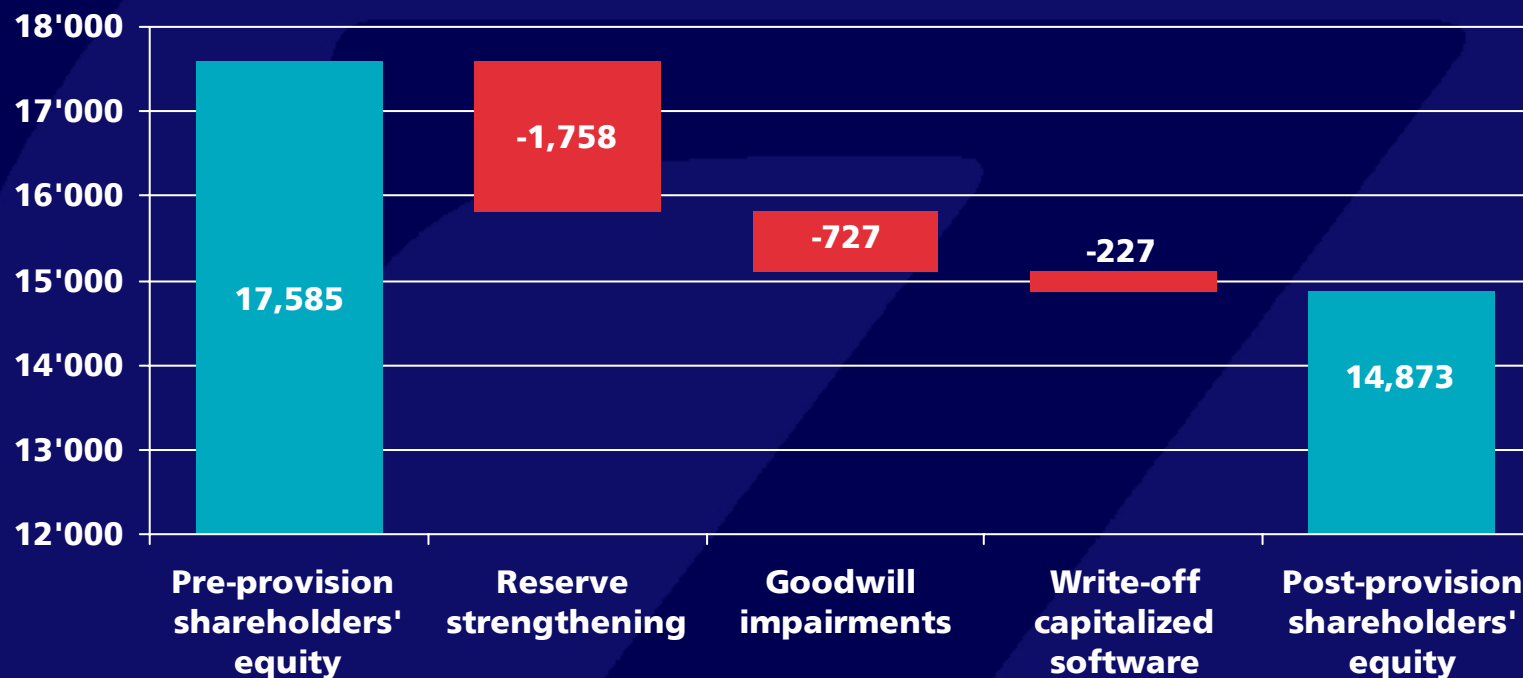
follows

	After tax	Note
Goodwill	727	Based on current value assessments and business strategy
Capitalized software	227	Various e-related programs
Total	954	

Reported shareholders' equity post-provision is as follows

in USD millions

First half



Reporting processes have also been reviewed

- We already follow best practices in many of the areas being scrutinized in the US, e.g. SPVs, expensing stock options and share compensation plans through our income statement
- DAC accounting reviewed and deemed appropriate
- Starting in 2003, we intend to announce full year results by the end of February and report on a quarterly basis thereafter

Delivery of operational improvements

James Schiro

Chief Executive Officer

Our analysis indicates a performance gap in excess of USD 1 bn after tax

Capital market

External best practice

Internal best practice

- Return on consolidated equity of 12% over the medium term
- Benchmarking our main competitors
- ZFS best and second best business units as benchmark

Gap in excess of USD1bn after tax

We focused on the following main levers

Pricing

Underwriting

Claims

Expenses

- Additional price increases, benefiting from hardening markets
- Improve underwriting quality
- Programs to improve claims management
- FTE reduction
- IT cost savings
- Procurement savings
- Savings in group management, e.g. GHO cost reduction

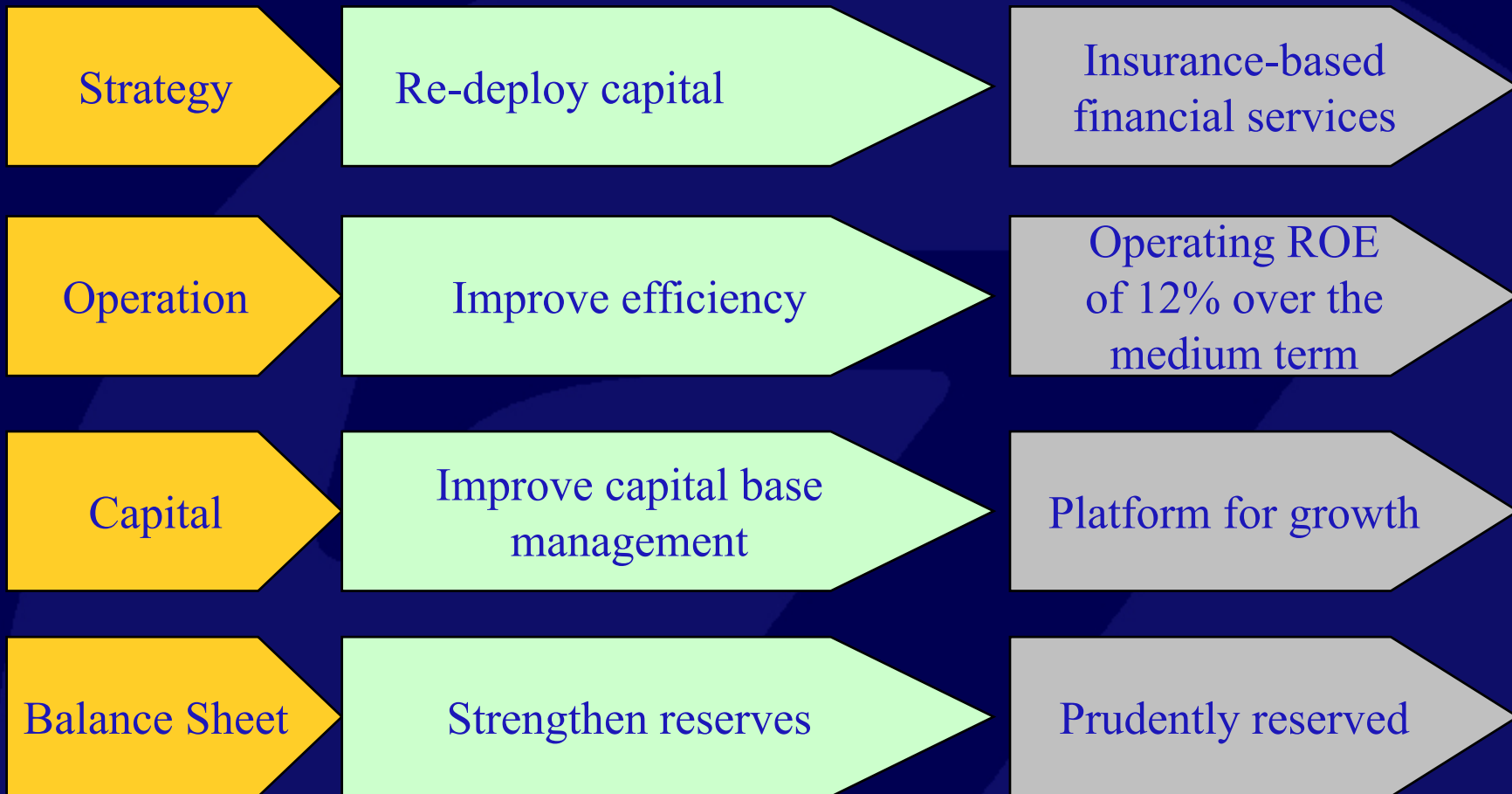
**Focus on
core
insurance
activities**

Discipline in execution is key

- Improvement initiatives
 - Ongoing tracking of milestones and impact
- BD operating performance
 - Monthly tracking
- Group operating performance
 - Quarterly tracking
- John Amore to oversee non-life corporate, Sandy Leitch to oversee life operations on a global basis with reporting to Peter Eckert

An ambitious but achievable program

- Start of a process
- Implementation
- Monitoring of progress
- Profitable growth



Q&A