



# Annual results 2001

Media presentation

March 21, 2002

## Welcome

- Results – Günther Gose
- Review – Rolf Hüppi
- Q&A
- Buffet lunch

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# Results overview

In USD million	2001	2000
Normalized net income pre Sep. 11 <sup>th</sup> and disposed businesses <sup>1</sup>	1,049	2,008
Insurance losses from Sept. 11 <sup>th</sup>	- 706	--
Results from disposed businesses <sup>2</sup>	5	59
Normalized net income	348	2,067
Asset impairment charges <sup>3</sup>	-517	-41
Actual realized gains <sup>4</sup> versus normalized	-218	+ 290
IAS net income	- 387	2,316

1: Disposed or being disposed: includes Converium and Zurich Scudder Investments

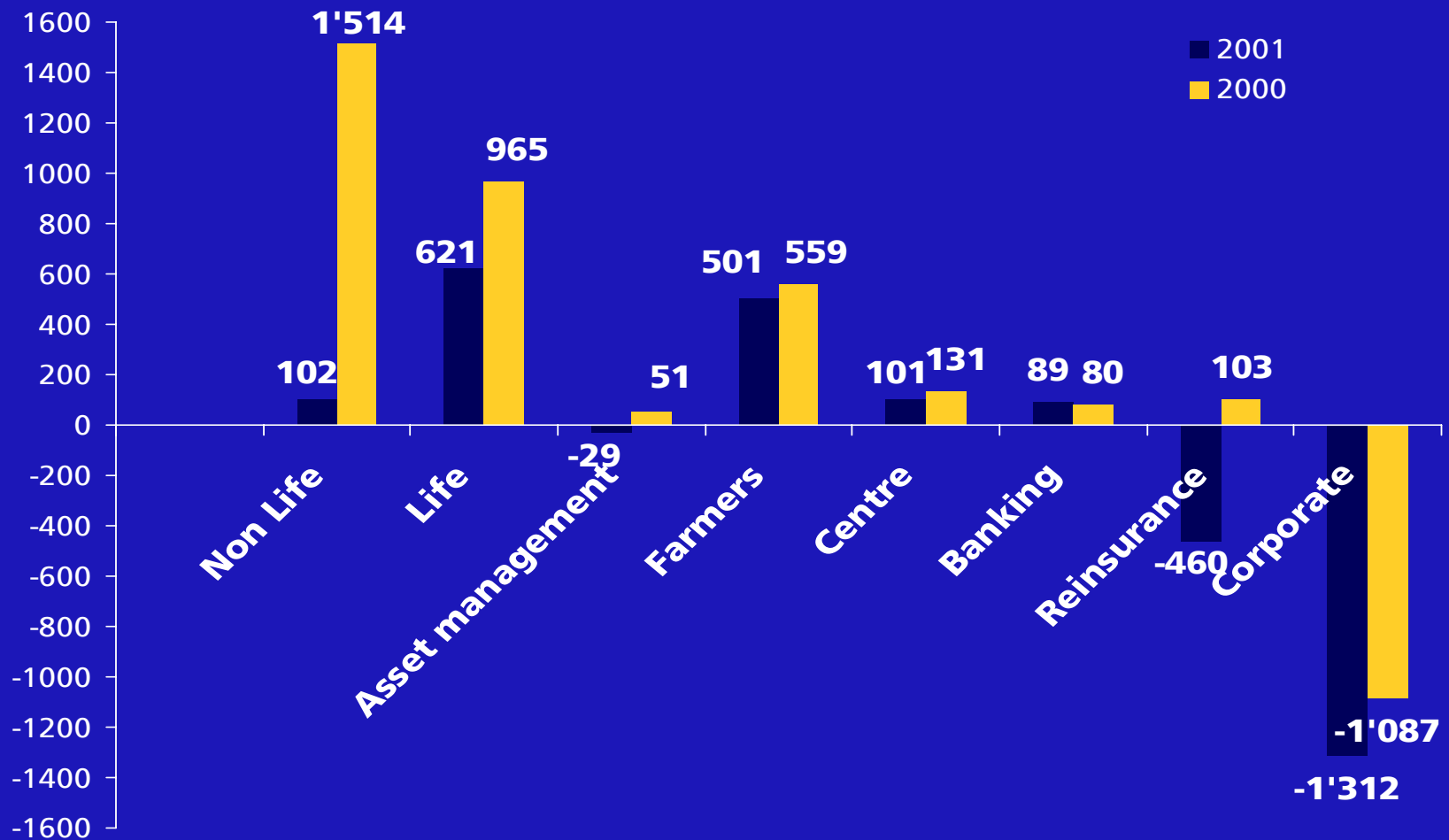
2: Excluding impact of September 11<sup>th</sup> to avoid double counting and including IPO gain

3: After allocation to policyholders and after tax

4: Excluding asset impairment charges and gains on disposals

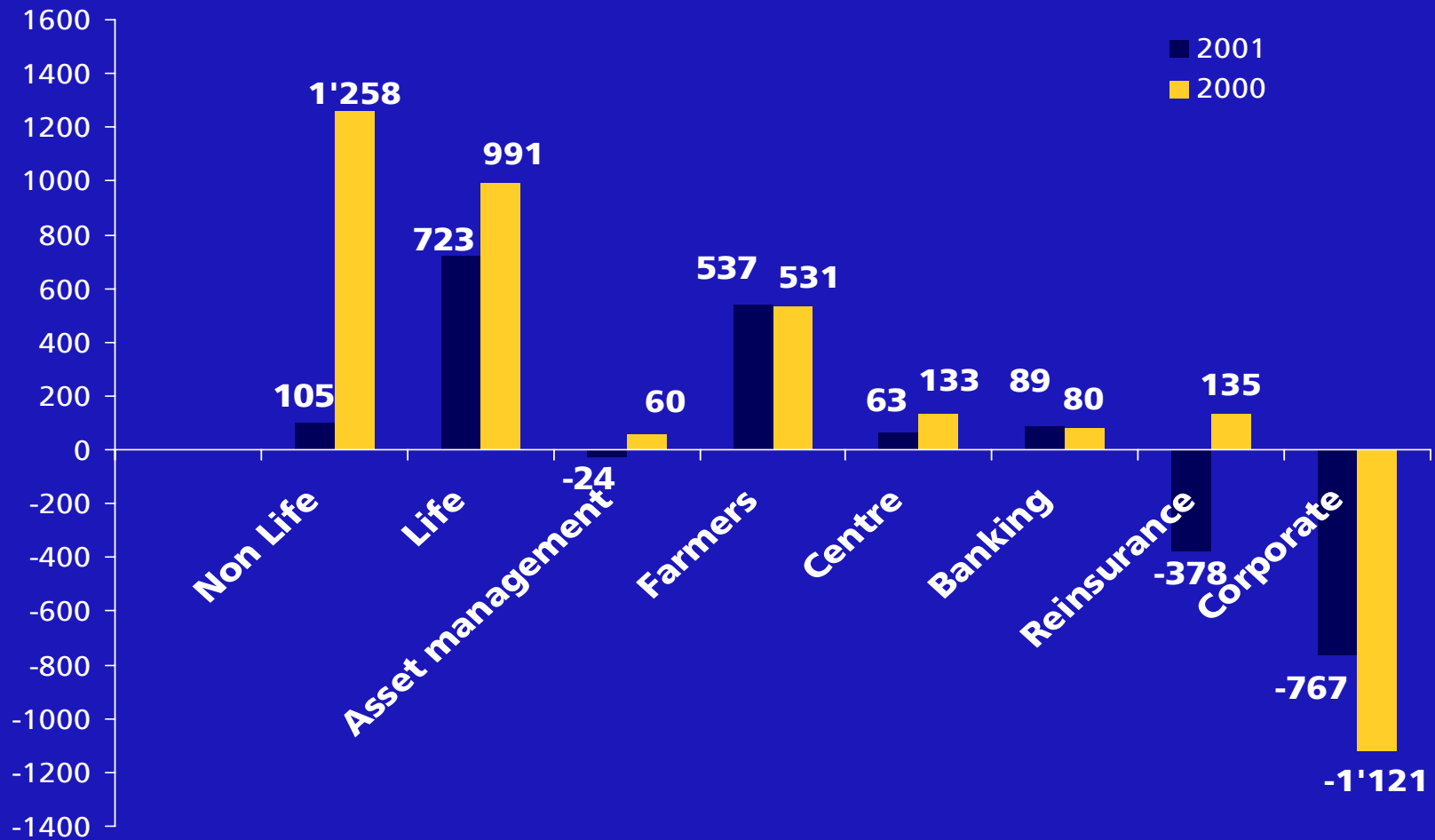
# IAS net income by segment

In USD million



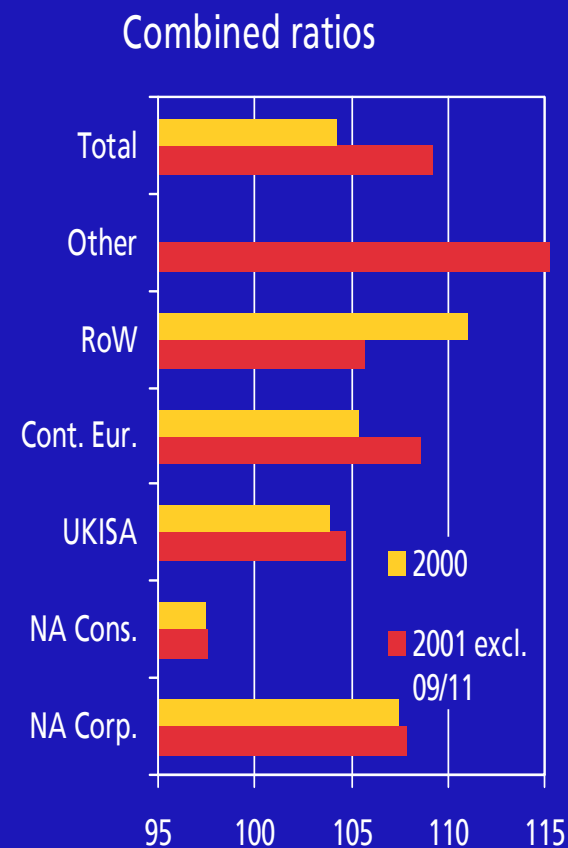
# Normalized income by segment

In USD million



# Strong premium growth achieved, but unacceptable combined ratio in Non-life

In USD millions	2001	2000	% change <sup>1</sup>
GWP	23,345	19,290	+23%
NEP	16,744	14,235	+20%
Loss ratio	84.2%	75.5%	+8.7 pts
Expense ratio	26.4%	28.0%	-1.6 pts
Combined ratio <sup>2</sup>	111.0%	104.2%	+6.8pts
CR excl. Sept. 11 <sup>th</sup>	109.3%	104.2%	+5.1pts
Net income pre 09/11	324	1,514	-78%
Norm. net income	106	1,258	-92%



1) in local currency for premiums

2) including 0.4% and 0.7% of policyholder dividends in 2001 and 2000

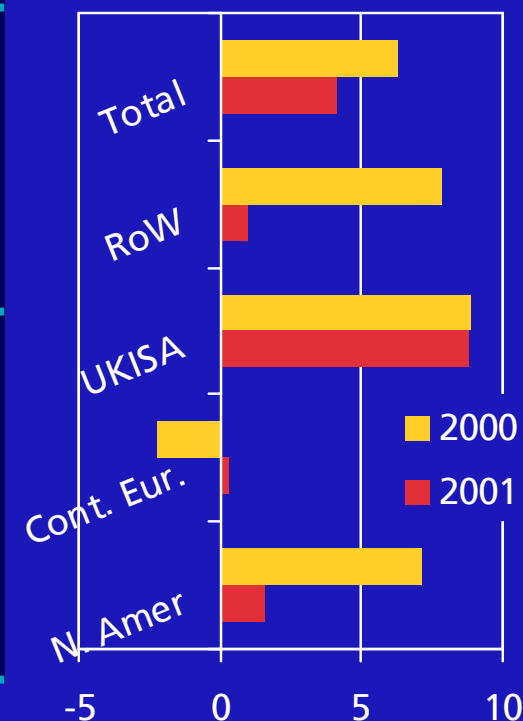
# Deterioration in non-life underwriting result was due to a number of adverse factors

In USD millions	Total	Sept. 11 <sup>th</sup> impact	Other impact
Decline in NL U/W result	1,231	284	
Of which:			
NA Corporate	355	177	Prior year losses
Continental Europe	174	--	Corporate business
Other			
Covariance release (2000)	350		
Group reinsurance (GRI)	352	107	Corp. & industrial
<b>Accident year loss ratio</b>	<b>2001</b>	<b>2000</b>	
Unadjusted	80.2%	80.5%	
Excluding Sept. 11 <sup>th</sup>	78.5%	80.5%	

# Strong business growth recorded in life, but with lower margins

In USD millions	2001	2000	% change <sup>1</sup>
GWP & deposits	17,871	16,296	+13%
IAS net income	621	965	- 34%
Normalized income	723	991	- 27%
New bus. prems. (APE)	2,008	1,915	+10%
New business margins <sup>2</sup>	4.1%	6.3%	-2.2pts
EV operating return	8.7%	11.5%	-2.8pts
Discount Rate <sup>3</sup>	8.5%	8.8%	-0.3pts

New business margins  
in %



1) in local currency

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

3) Beginning of year

# Farmers Management Services recorded good underlying growth

In USD millions	2001	2000	% chg.
Management fees	1,690	1,589	+6.4%
Gross operating income	854	792	+7.8%
Operating margin <sup>1</sup>	50.5%	49.8%	+0.7pts
Investment result <sup>2</sup>	43	199	-78.4%
IAS net income excl. investment result	474	436	+8.7%
IAS reported net income <sup>2</sup>	501	559	-10.4%
Normalized net income <sup>2</sup>	537	531	+1.3%
<b><i>Farmers P&amp;C Group GWP</i></b>	<b>12,762</b>	<b>11,800</b>	<b>8.2%</b>
<b><i>Farmers P&amp;C Group surplus ratio</i></b>	<b>31.2%</b>	<b>33%</b>	<b>-1.8 pts</b>

1) management fees less management expenses / management fees

2) impacted by USD 1.1 billion special dividend paid in Oct.2000 and asset impairment charges

# Centre and ZCM produced strong underlying results

In USD millions	2001	2000	% change <sup>1</sup>
<b>Centre</b>			
IAS net income pre Sep. 11th	161	131	+23%
IAS net income	101	131	-23%
Normalized net income	63	133	-53%
<b>Banking &amp; Capital Markets</b>			
Net income	89	80	+11%
Of which: ZCM	117	60	+95%

1) in local currencies

# Reinsurance results were adversely affected by Sept.11<sup>th</sup>

2001 in USD millions	Converium <sup>1</sup>	Zurich Conv. <sup>2</sup>	Other Retained	Total
GWP	2,109		877	2,986
NEP	1,733		466	2,199
Losses	-1,897	-222	-501	-2,620
<i>of which: Sept. 11<sup>th</sup></i>	<i>-289</i>	<i>-171</i>	<i>0</i>	<i>-460</i>
Other expenses	-705		-68	-773
Investment result	159		29	188
IPO gain <sup>3</sup>	0	298		298
Net income	-430	76	-106	-460

1) Converium's results in Zurich's accounts

2) Converium-related impact on Zurich's accounts, not impacting Converium

3) Pre-tax, net of IPO expenses

# Corporate: cost improvements more than offset by realized losses

In USD millions	2001	2000	change
Net U/W result <sup>1</sup>	-136	-204	68
Investment income	239	217	22
Realized gains	-381	206	-587
Other income	374	326	48
Adm. & oper. Expenses	-725	-991	266
Interest expense	-716	-605	-111
Others	33	-36	69
Net IAS result	-1,312	-1,087	225

1) Net earned premiums – (non-life losses + life insurance benefits + Increase in future life benefits, PH participation + U/W and policy acquisition costs)

Equity was primarily affected by adverse financial markets and foreign exchange rates

in USD millions	2001	2000	change
Pref. Securities	1,096	0	1,096
Common shares	626	626	0
Treasury stock	-3	-2	-1
APIC & Ret.earnings	15,607	16,368	-761
Net unrealized gains	1,567	4,065	-2,498
Cumulative translation	-1,151	-392	-759
<b>Total equity</b>	<b>17,742</b>	<b>20,665</b>	<b>-2,923</b>

# But capitalization remains strong and leverage was reduced

In USD millions	2001	2000	% change
Total capital <sup>1</sup>	22'332	26'364	-15.3%
Subordinated debt	1'500	1'531	-2.0%
Senior debt	3'116	4'087	-23.8%
Senior debt/total capital	14.0%	15.5%	-1.5pts.
Interest expense <sup>2</sup>	430	398	+8.0%
Zurich Insurance Rating <sup>3</sup> - Moody's	Aa2	stable outlook	
Standard & Poor's <sup>3</sup>	AA-	stable outlook	

- 1) Equity + minority interests + senior debt + subordinated debt, excluding banking and capital markets segment
- 2) Excluding interest expense on banking, capital markets and risk financing activities.
- 3) Insurance financial strength rating

# Divestitures will facilitate debt reduction and fund growth

- Zurich will achieve \$5 bn of divestitures

	Consideration	Net proceeds	Capital gains
– Converium	2 bn	~1 bn	0.3 bn
– ZSI/DB (pending)	2 bn	0.7 bn	0.2 bn <sup>1</sup>
– Baloise	1 bn	1.0 bn	0.1 bn
– <b>Total</b>	<b>5 bn</b>	<b>2.7 bn</b>	<b>0.6 bn</b>

- Proceeds will be used to
  - Reduce debt (\$ 1bn , already achieved by Y/E 2001)
  - Fund growth as disposals reduce capital requirements by approximately \$ 1.5 billion
- Further adjustments likely, but expected to be smaller in magnitude

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# 2001 was a disappointing year

## **For Zurich**

- Poor underwriting performance and net IAS loss
- Several profit warnings
- Poor share price performance

## **For the industry**

- September 11<sup>th</sup> was the largest insurance loss in history
- Negative equity returns worldwide
- Prior year adverse loss developments

# But Zurich made a lot of progress

- Strengthened positions in key markets
- Divested \$5 billion
- Reduced debt by \$1 billion
- Reduced GHO costs and non life expense ratio
- Expanded distribution through alliances
- Enhanced service to customers
- Reorganized management structure

# Where Zurich is today

- Focused businesses on non-life, life and asset gathering
- Top 5 market positions in
  - United States
  - United Kingdom
  - Continental Europe
- Strategic Alliances in three key markets
- Strong brand and multi-channel distribution network

# Emphasis on execution

- Focus
  - Strengthen position in key markets
  - Divest where we do not have sustainable or competitive strength
- Growth
  - Upturn in US and UK commercial non-life
  - Favorable long term trend in European life market
- Efficiency
  - Review financial planning, risk assessment and controls
  - Continue cost reduction

# Chairman and CEO roles

- Separation of Chairman and CEO roles
- Nominations committee working on new CEO appointment
- Decision taken by Board of Directors

# Capital position

- Strong capital position at Y/E 2001
- MILES issue and ZSI/DB transaction will further strengthen capital adequacy in 2002
- Expected strong premium growth will require to increase our capacity to underwrite new business
- Several options are available to facilitate this

# Contradictory trends reduce visibility for 2002

- Strong cyclical growth in Non life driven by rate increases in commercial lines, partially offset by increased claims trends
- Favorable long term trend in Life, but margins under pressure
- A fragile economic recovery and volatile financial markets

# Outlook for Zurich in 2002

Zurich has a portfolio of strong businesses and is well positioned to take advantage of favorable conditions in life and non life, but remains cautious in light of the current uncertain risk and economic environment