

# Half Year Results Reporting 2006

## Analysts' presentation

Zurich, August 17, 2006

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Certain statements in this document are forward-looking statements, including, but not limited to, statements that are predicated on or indicate future events, trends, plans or objectives. Forward-looking statements include statements regarding our targeted profit improvement, return on equity targets, expense reductions, pricing conditions, dividend policy and underwriting claims improvements. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results and Zurich Financial Services' plans and objectives to differ materially from those expressed or implied in the forward looking statements (or from past results). Factors such as (i) general economic conditions and competitive factors, particularly in our key markets; (ii) performance of financial markets; (iii) levels of interest rates and currency exchange rates; (iv) frequency, severity and development of insured claims events; (v) mortality and morbidity experience; (vi) policy renewal and lapse rates; and (vii) changes in laws and regulations and in the policies of regulators may have a direct bearing on Zurich Financial Services' results of operations and on whether Zurich Financial Services will achieve its targets. Zurich Financial Services undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise.

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It should be noted, that past performance is not a guide to future performance. Persons requiring advice should consult an independent adviser.

# Agenda



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- Introduction
  - Half Year Results 2006
  - Q&A

James J. Schiro

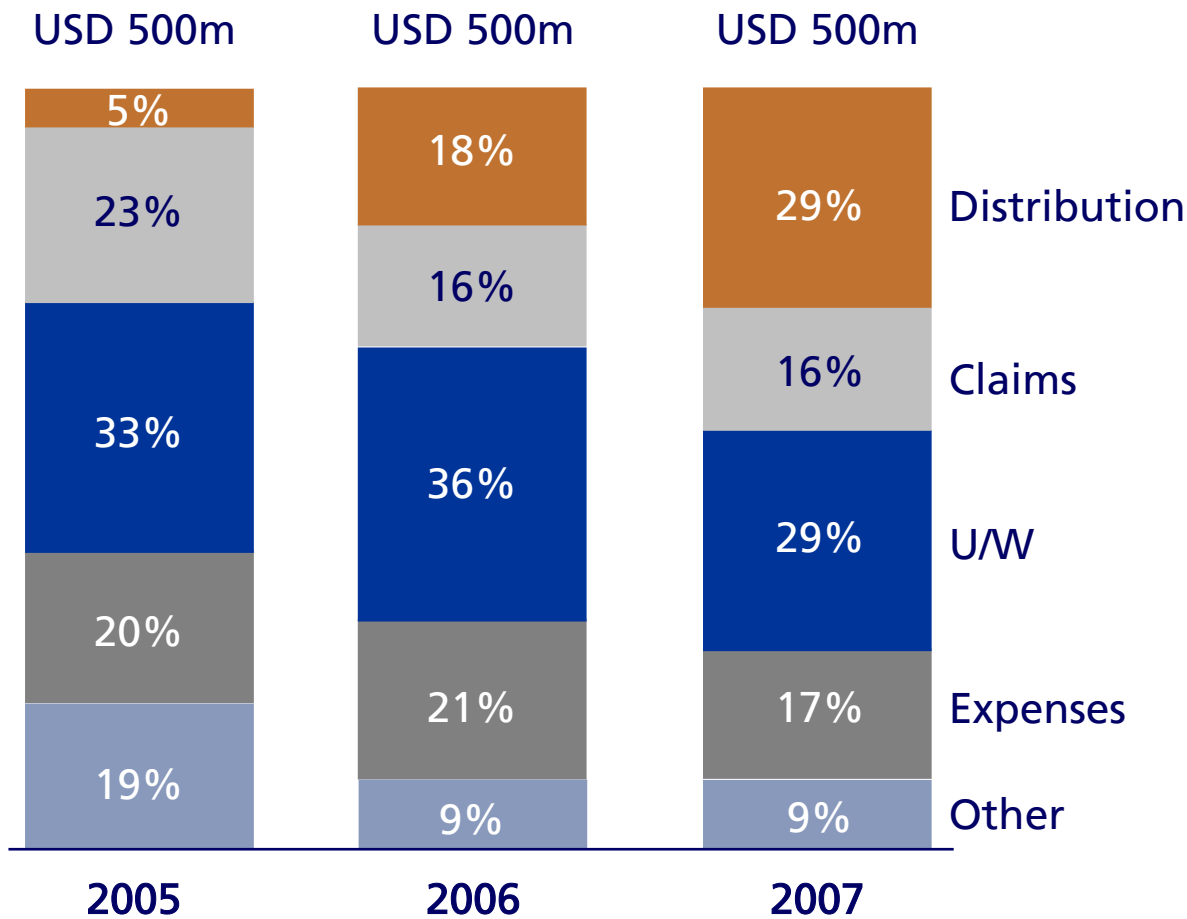
Patrick O'Sullivan

# Introduction

James J. Schiro  
Chief Executive Officer

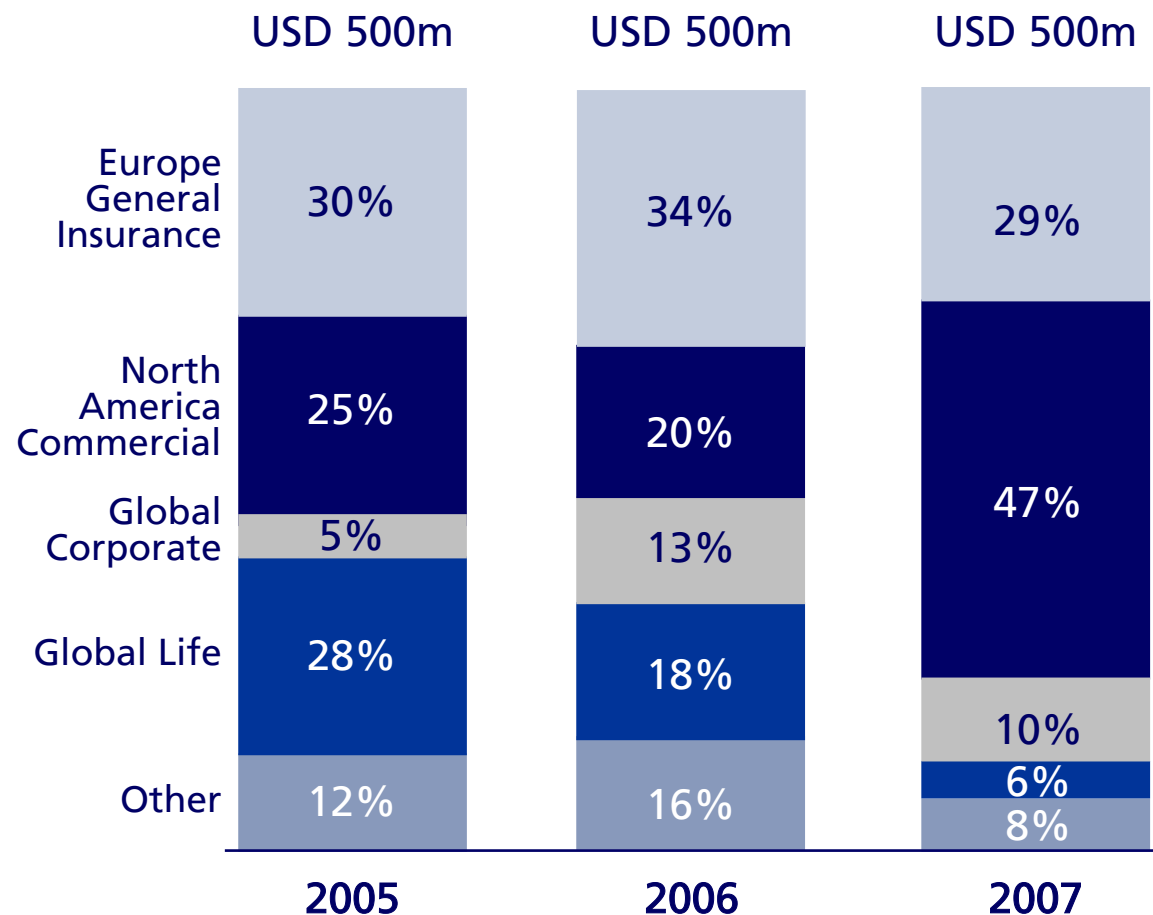
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# The Zurich Way initiatives by function



- The 2006 target is well on track
- More than 200 initiatives in 2006
- Rigorous tracking and execution

# The Zurich Way initiatives by business division



**Expected contributions to key performance indicators for 2006/07**

**General Insurance:**  
Combined ratio: 1.5pts p.a.

**Global Life:**  
APE<sup>1</sup>: 5+% p.a.

<sup>1</sup> Annual Premiums Equivalent

# Half Year Results 2006

Patrick O'Sullivan  
Group Finance Director

August 17, 2006

# Financial highlights



in USD millions

for the six months ended June 30

	2006	2005	Change
Business operating profit	2,847	2,305	24%
Net income attributable to shareholders	1,957	1,799	9%
General Insurance combined ratio	94.8%	96.9%	2.1pts
Life Insurance new business profit margin <sup>1</sup>	17.7%	17.4%	0.3pts
	06/30/06	06/30/05	12/31/05
Return on common shareholders' equity (ROE) <sup>2</sup>	19.0%	18.5%	15.5%
Business operating profit (after tax) ROE <sup>2</sup>	18.8%	16.6%	13.6%

<sup>1</sup> As % of APE (Annual Premiums Equivalent)

<sup>2</sup> Returns for the periods ended June 30, 2006 and 2005 are annualized on a compound basis using the results for the six months ended June 30. Returns for the period ended December 31, 2005 are for the year ended December 31, 2005. ROE is based on net income attributable to common shareholders.



# Business operating profit by segment



in USD millions

for the six months ended June 30

	2006	2005	Change
General Insurance	1,781	1,385	29%
Global Life	557	536	4%
Farmers Management Services	615	609	1%
Other Businesses	298	154	94%
Corporate Functions	-404	-379	-7%
Total	2,847	2,305	24%

# Gross written premiums and policy fees by segment



in USD millions

for the six months ended June 30

	2006	2005	Change	Change in LC <sup>1</sup>
General Insurance	18,477	18,635	-1%	2%
Global Life	5,133	5,460	-6%	-2% <sup>2</sup>
Other Businesses	1,090	1,913	-43%	-43%
Other segments and eliminations	-95	-54	nm	nm
<b>Total</b>	<b>24,605</b>	<b>25,954</b>	<b>-5%</b>	<b>-3%</b>
Life insurance deposits	5,619	4,643	21%	26%
Life GWP, policy fees and ins. deposits	10,752	10,103	6%	11%

<sup>1</sup> Local Currency

<sup>2</sup> After also adjusting for the effects of the redesign of the group life business model in Switzerland, gross written premiums and policy fees in Global Life increased by 2%.

# Global Life

## key performance indicators



in USD millions  
for the six months ended June 30

	2006	2005	Change	Change in LC <sup>4</sup>
Business operating profit	557	536	4%	
Annual Premiums Equivalent (APE)	1,163	1,076	8%	20%
New business profit, after tax	205	187	10%	19%
New business profit margin, after tax <sup>1</sup>	17.7%	17.4%	0.3pts	
EV operating profit <sup>2</sup>	703	n/a	n/a	
EV operating return <sup>3</sup>	10.5%	n/a	n/a	

<sup>1</sup> Based on Annual Premiums Equivalent

<sup>2</sup> European Embedded Value operating profit, after tax

<sup>3</sup> European Embedded Value operating return, after tax and before foreign currency translation effects, annualized

<sup>4</sup> Local Currency

# Global Life

## new business indicators



### Annual Premiums Equivalent and New Business Profit

in USD millions for the six months ended June 30	APE 2006	APE 2005	Change	Change in LC <sup>1</sup>	NBP 2006	NBP 2005	Change
United States	53	54	-2%	-2%	26	43	-40%
United Kingdom	384	367	5%	16%	35	30	17%
Germany	217	252	-14%	-2%	41	45	-9%
Switzerland	44	51	-14%	0%	4	1	nm
Rest of Europe	360	293	23%	40%	74	50	48%
International Businesses	105	59	78%	79%	25	18	39%
<b>Total</b>	<b>1,163</b>	<b>1,076</b>	<b>8%</b>	<b>20%</b>	<b>205</b>	<b>187</b>	<b>10%</b>

<sup>1</sup> Local Currency

# Global Life

## Embedded Value result



for the six months ended June 30, 2006

	USD millions	Return <sup>1</sup>
<b>Opening Embedded Value (EV)</b>	<b>11,680</b>	
Operating profit expected from in-force and net assets <sup>2</sup>	432	7.6%
New business profit <sup>2</sup>	205	
Operating variance and operating assumption changes <sup>2</sup>	-56	
<b>Total operating profit<sup>2</sup></b>	<b>581</b>	<b>10.5%</b>
Economic variance	122	
<b>EV profit<sup>2</sup></b>	<b>703</b>	<b>11.5%</b>
Dividends and capital movements	-39	
<b>Closing EV before currency translation effects</b>	<b>12,344</b>	
Currency translation effects	679	
<b>Closing EV after currency translation effects</b>	<b>13,023</b>	

<sup>1</sup> Annualized returns

<sup>2</sup> After tax

# General Insurance key performance indicators

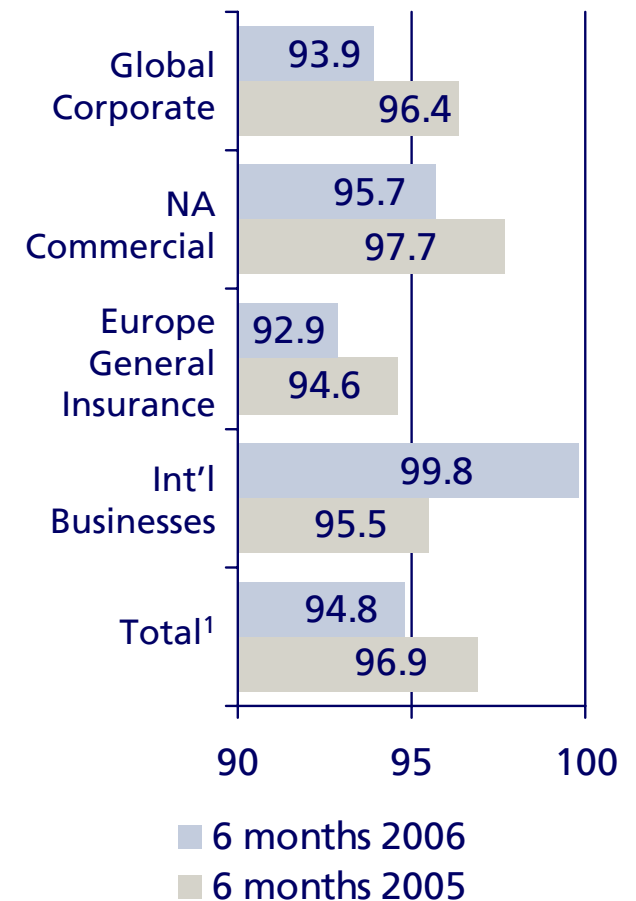


## Business Operating Profit

in USD millions  
for the six months ended June 30

	2006	2005	Change
Global Corporate	364	270	35%
North America Commercial	568	403	41%
Europe General Insurance	781	714	9%
International Businesses	74	116	-36%
Centrally Managed Businesses	-6	-118	95%
<b>Total</b>	<b>1,781</b>	<b>1,385</b>	<b>29%</b>

## Combined ratio (%)



<sup>1</sup> Including Centrally Managed Businesses and inter-segment eliminations

# Update on North America property catastrophe exposure

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- **Reinsurance**
  - No significant change to structure announced at year end
- **Primary rates**
  - Rates for US property lines rose with strong increases in CAT exposed areas
- **Exposure management**
  - Optimized exposure from revised CAT modeling
  - Rebalancing portfolio across range of CAT exposures
    - Florida windstorm, California earthquake
    - Selective underwriting, e.g. age of building
  - Increased deductibles taken by customers

# Farmers Management Services key performance indicators



in USD millions

for the six months ended June 30

	2006	2005	Change
Management fees and other related revenue	1,054	1,020	3%
Business operating profit	615	609	1%
Gross operating margin	51.3%	52.6%	-1.3pts



# Farmers Exchanges<sup>1</sup>

## key performance indicators



in USD millions for the six months ended June 30	2006	2005	Change
Gross written premiums	7,435	7,277	2%
Net underwriting result	228	296	-23%
Combined ratio	95.8%	94.4%	-1.4pts
Adjusted combined ratio <sup>2</sup>	89.1%	87.4%	-1.7pts
Surplus ratio	38.3%	37.4%	0.9pts

<sup>1</sup> Zurich Financial Services has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides management services to the Farmers Exchanges and receives fees for its services.

<sup>2</sup> Adjusted for profit portion of management fees

# Business operating profit Other Businesses and Corporate Functions



in USD millions for the six months ended June 30	2006	2005	Change
General Insurance	1,781	1,385	29%
Global Life	557	536	4%
Farmers Management Services	615	609	1%
Other Businesses	298	154	94%
<i>of which Farmers Re</i>	87	113	-23%
<i>of which Centre</i>	130	10	nm
Corporate Functions	-404	-379	-7%
<b>Total</b>	<b>2,847</b>	<b>2,305</b>	<b>24%</b>

# Investment performance of Group investments



in USD millions

for the six months ended June 30

	2006	2005	Change
Net investment income	3,871	4,030	-4%
Net capital gains on investments and impairments	507	1,001	-49%
<i>of which attributable to shareholders</i>	415	457	-9%
Net investment result	4,378	5,031	-13%
Net investment result in % <sup>1</sup>	2.4%	2.6%	-0.2pts
Movements in net unrealized gains on investments included in total equity <sup>2</sup>	-3,718	1,239	nm
Total investment result	660	6,270	-89%

<sup>1</sup> Not annualized and in % of average investments

<sup>2</sup> Before attribution to policyholders and other

# Closing remarks

James J. Schiro  
Chief Executive Officer

August 17, 2006



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Q&A



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# Appendix

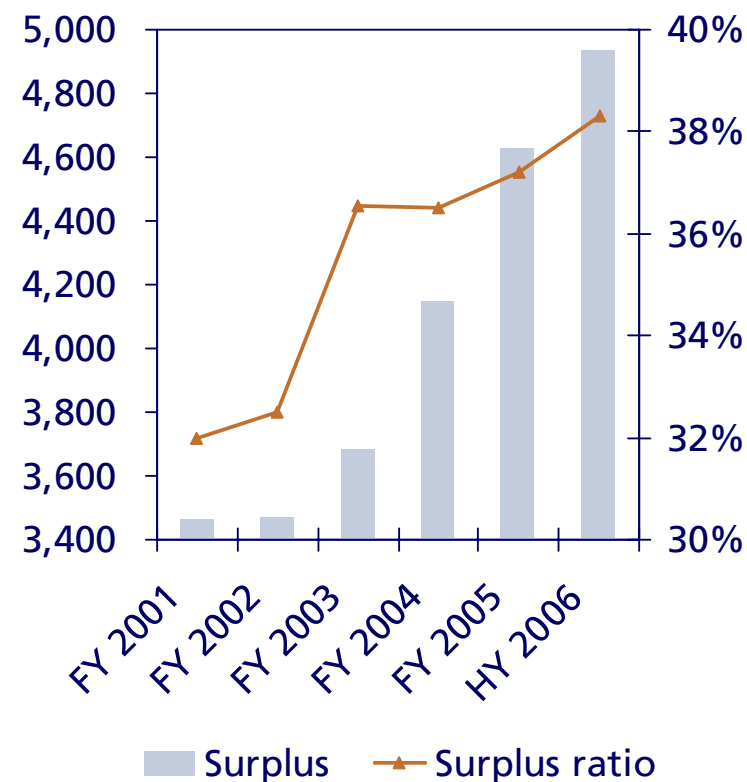
# Farmers Exchanges<sup>1</sup> financial highlights



in USD millions

for the six months ended June 30

	2006	2005
Gross written premiums	7,435	7,277
Net underwriting result	228	296
Net surplus change (YTD)	304	320
Ending surplus	4,934	4,466
Surplus ratio	38.3%	37.4%



<sup>1</sup> Zurich Financial Services has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides management services to the Farmers Exchanges and receives fees for its services.

# Farmers Exchanges

## Gross written premiums by line of business



in USD millions for the six months ended June 30	2006	2005	Change
Auto	3,870	3,858	0%
Homeowners	1,914	1,807	6%
Commercial P&C	596	573	4%
Workers' Compensation	202	263	-23%
Specialty	789	724	9%
Other	64	52	23%
Total	7,435	7,277	2%



# Farmers Exchanges

## Combined ratio by line of business



for the six months ended June 30	2006 <sup>1</sup>	2005 <sup>1</sup>	Change
Auto	99.9%	97.8%	-2.1 pts
Homeowners	88.1%	80.1%	-8.0 pts
Commercial P&C <sup>2</sup>	95.0%	99.6%	4.6 pts
Workers' Compensation	94.7%	96.6%	1.9 pts
Specialty	91.1%	87.2%	-3.9 pts
Total	95.8%	94.4%	-1.4 pts
Adjusted combined ratio <sup>3</sup>	89.1%	87.4%	-1.7 pts

<sup>1</sup> Before quota share treaties with Farmers Re

<sup>2</sup> Excludes earthquake losses

<sup>3</sup> Adjusted for profit portion of management fees

# Farmers Exchanges

## Development of combined ratio



Quarterly combined ratio

