

Corporate Governance Report

Zurich Financial Services is committed to effective governance for the benefit of its shareholders, customers and counterparties, employees and other stakeholders based on the principles of fairness, transparency and accountability. Structures, rules and processes are designed to provide for proper organization and conduct of the business within the Group and to define the powers and responsibilities of its corporate bodies and employees.

This report describes the Group's approach to corporate governance. It includes the information required by the 2002 Directive on Information Relating to Corporate Governance of the SWX Swiss Exchange. It also explains how, in 2004, the Group complied with the Swiss Code of Best Practice for Corporate Governance, issued in 2002 by the Swiss Business Federation. In light of the introduction of a more prescriptive corporate governance framework in Switzerland, it has now been decided that Zurich Financial Services, as a Swiss company, will continue to report its compliance with the Swiss rules and practice on corporate governance and remuneration. The Group no longer has a company with a primary listing in the UK, following unification of the corporate structure in 2001, so that compliance with the UK Combined Code is no longer required. Zurich Financial Services believes that the current Swiss rules on corporate governance and remuneration represent international standard corporate governance principles, which are appropriate for Zurich Financial Services and its shareholders. The Internal Control Statement on page 129, however, is in accordance with the UK Turnbull Guidance.

This report follows the recommended structure outlined by the Directive of the SWX Swiss Exchange, except for the chapter on compensation, shareholdings and loans, which is newly included in a separate report, the "Remuneration Report", following this Corporate Governance Report.

Group structure and shareholders

Operational Group structure

Zurich Financial Services, the Group's holding company, is a Swiss corporation, organized in accordance with the laws in Switzerland. The Group is managed reflecting both line of business and geography.

The Group's primary business segments are General Insurance and Life Insurance. While General Insurance substantially writes all lines of property and casualty and specialty business, Life Insurance offers a broad range of life insurance, annuity and investment-type policies to individuals and groups. For reporting purposes, Farmers Management Services, Other Businesses and Corporate Center represent further business segments. Farmers Management Services consists of the management services provided by Farmers Group, Inc. and its subsidiaries to Farmers Exchanges, which the Group manages but does not own. Other Businesses includes capital markets and banking activities, the Centre operations and centrally managed insurance operations, while Corporate Center consists of Group holding and financing companies, operations at the headquarters in Zurich and alternative investments.

At the beginning of 2004, the Group was divided into four geographical business divisions: North America Corporate; North America Consumer, including Latin America¹; Continental Europe; and United Kingdom, Ireland, Southern Africa (UKISA), including Asia Pacific¹. Changes to the Group's geographical structure that were announced in March and April 2004, will only become effective in the financial reporting in 2005. As a result of these changes, which include the regrouping of the businesses in Europe and further alignment of the Group's businesses, the Group is geographically divided into the following business divisions: North America, Europe, International Businesses and Centrally Managed Businesses.

A detailed review of the respective business segment and division results and activities during 2004 can be found in the sections Group Financial Review and Segmental Financial Analysis starting on page 33.

The Group's significant subsidiaries are listed on pages 109 to 110.

With the exception of Zurich Financial Services, with a primary listing on the SWX Swiss Exchange and a secondary listing on the London Stock Exchange, there are no other listed principal operating subsidiaries in the Group. Certain Group companies have listed debt issues under the Euro Medium Term Note Programme, preferred share issues and other financial instruments. For further information on the share listings of Zurich Financial Services, see the Shareholder Information on page 142.

¹ Latin America and Asia Pacific were allocated to the Rest of the World geographical segment for IFRS reporting purposes.

Significant shareholders

On November 15, 2002, Zurich Financial Services was notified by Brandes Investment Partners L.P., San Diego, California, USA ("Brandes") that as of November 11, 2002, Brandes beneficially held 11,831,383 registered shares or 8.22% of the voting rights in Zurich Financial Services (7,600,409 registered shares of Zurich Financial Services and 42,309,740 American Depositary Receipts of Zurich Financial Services representing 4,230,974 registered shares of Zurich Financial Services) on behalf of Brandes' clients. In the period since, Zurich Financial Services has not received a notification from Brandes regarding any change in their holding of Zurich Financial Services shares in accordance with Art. 20 of the Swiss Federal Act on Stock Exchanges and Securities Trading. Brandes has not applied for inscription into the share register of Zurich Financial Services.

Except as set out above, Zurich Financial Services is not aware of any person, who as of December 31, 2004, directly or indirectly, has an interest as beneficial owner in the registered shares of Zurich Financial Services representing 5% or more of its issued registered shares. It is also not aware of any persons who, as of December 31, 2004, directly or indirectly, alone or with others, exercise or are party to any arrangements to exercise control over Zurich Financial Services.

Cross-shareholdings

Zurich Financial Services has no interest in any other company exceeding 5% of the voting rights of that other company, where that other company has an interest in Zurich Financial Services exceeding 5% of the voting rights in Zurich Financial Services.

Capital structure

Share capital

As of December 31, 2004, the ordinary share capital of Zurich Financial Services amounted to CHF 936,045,207.50 divided into 144,006,955 fully paid registered shares with a nominal value of CHF 6.50 each. The Board of Directors will propose to the shareholders at the Annual General Meeting on April 19, 2005 to reduce the nominal value per registered share by CHF 4.00 from CHF 6.50 to CHF 2.50.

Authorized and contingent share capital

As of December 31, 2004, Zurich Financial Services had authority to increase the share capital by CHF 39,000,000 representing 6,000,000 registered shares with a nominal value of CHF 6.50 each not later than June 1, 2005. It also had a contingent share capital of CHF 35,631,882 representing 5,481,828 registered shares with a nominal value of CHF 6.50 each. Moreover, there is an additional contingent share capital of CHF 9,750,000 representing 1,500,000 registered shares with a nominal value of CHF 6.50 each, which may be issued to employees of the Group.

Changes of share capital

At the Annual General Meeting on April 16, 2004, shareholders approved a share capital reduction in the form of a nominal value reduction of each registered share from CHF 9 to CHF 6.50. As a result of this reduction, the share capital was reduced by CHF 360,017,387.50 from CHF 1,296,062,595 to a new total of CHF 936,045,207.50. The authorized capital was reduced to CHF 39,000,000 and the contingent capital was reduced to CHF 35,631,882 and CHF 9,750,000, respectively.

For further information on the capital structure and the authorized and contingent capital, see note 21 on pages 95 to 97. For information on changes of share capital during 2004 and 2003, see pages 68 to 69 and page 137. For information on changes of capital during 2002, see the Annual Report 2003 of Zurich Financial Services, pages 52 to 53 and page 118.

Shares and participation certificates

Zurich Financial Services shares are registered shares with a nominal value of CHF 6.50 each. The registered shares are fully paid and non-assessable. Pursuant to Article 14 of the Articles of Incorporation, each registered share carries one vote at the shareholder meetings and entitles the registered holder to exercise all other membership rights in respect of such share, provided registration in the share register is effected. Some interests in shares are held by investors in the form of CREST Depository Interests (CDIs)¹ or American Depositary Receipts (ADRs)².

Bonus certificates

Zurich Financial Services has no bonus certificates issued.

¹ As part of the unification of the holding structure in 2000, former holders of Allied Zurich p.l.c. ordinary shares received Zurich Financial Services shares, delivered in the form of CREST Depository Interests, or CDIs, in CREST, the system for the paperless settlement of trades in securities and the holding of uncertificated securities in the United Kingdom. CREST Depository holds the registered shares in trust and issued dematerialized depository interests representing entitlements to Zurich Financial Services registered shares known as CDIs. As CDI holders are not the legal owners of the registered shares represented by the CDIs, they are not able to directly enforce or exercise rights that a holder of registered shares can. CDI holders will, however, have a beneficial interest in the registered shares represented by the CDIs and be allowed as such to give instructions to CREST Depository on the exercise of certain non-economic rights attached to the registered shares. Each CDI represents one Zurich Financial Services registered share.

² Zurich Financial Services has established an American Depositary Share, or ADS, level 1 program in the United States. Under the program, The Bank of New York issues the ADSs. Each ADS represents the right to receive one-tenth of one registered Zurich Financial Services share. Each ADS also represents securities, cash or other property deposited with The Bank of New York but not distributed to ADS holders. ADSs are traded over the counter (OTC) and evidenced by American Depositary Receipts, or ADRs. ADS holders are not treated as one of Zurich Financial Services' shareholders and are not able to directly enforce or exercise shareholder rights, which are governed by Swiss law. The Bank of New York as depository may only exercise voting rights with respect to instructions received from beneficial owners of ADRs.

Limitations on transferability and nominee registrations

The Articles of Incorporation do not provide for limitations on transferability except as to formalities for the transfer of undocumented shares.

Registration as a shareholder requires a declaration that the shareholder has acquired the shares in his or her own name and for his or her own account. Nominees holding Zurich Financial Services' registered shares may for the benefit of, or as nominee for, another person be registered for up to 200,000 registered shares with voting rights notwithstanding that the Nominee does not disclose the identity of the beneficial owner. A Nominee is, however, entitled to be registered as shareholder with voting rights of more than 200,000 registered shares if the Nominee undertakes to disclose the identity of each beneficial owner and to inform the beneficial owners about corporate actions, to consult as to the exercise of voting rights and pre-emptive rights, to transfer dividends and to act in the interests and in accordance with the instructions of the beneficial owner.

There are special provisions relating to the registration of, and exercise of rights attaching to, registered shares by CREST International Nominees Ltd. on behalf of CDI holders, including Lloyds TSB Corporate Nominee Limited, and by The Bank of New York in connection with the Zurich Financial Services' ADR program.

Convertible bonds and options

Zurich Financial Services had no public convertibles or options outstanding as of December 31, 2004. For information on employee share option plans see note 23 on pages 99 to 101 as well as pages 138 and 139.

Board of Directors

Members of the Board of Directors as of December 31, 2004				Year of initial appointment	Expiration of current term of office
Name	Nationality	Age	Position held		
Lodewijk van Wachem	Dutch	73	Chairman Chairman of the Nominations Committee Member of the Remuneration Committee	1993 ¹	2005
Philippe Pidoux	Swiss	61	Vice-Chairman Member of the Nominations Committee Member of the Audit Committee	1997 ¹	2006
Thomas Escher	Swiss	56	Director Member of the Audit Committee	2004	2006
Rosalind Gilmore	British	67	Director Member of the Remuneration Committee Member of the Audit Committee	1998 ¹	2005
Dana Mead	American	69	Director Member of the Nominations Committee Chairman of the Remuneration Committee	1997 ¹	2005
Armin Meyer	Swiss	55	Director Member of the Nominations Committee Member of the Remuneration Committee	2001	2007
Vernon Sankey	British	55	Director Member of the Nominations Committee Member of the Remuneration Committee	1998 ¹	2006
Gerhard Schulmeyer	German/ American	66	Director Member of the Remuneration Committee Chairman of the Audit Committee	1998 ¹	2005
Rolf Watter	Swiss	46	Director Member of the Audit Committee	2002	2007

¹ Mr. van Wachem has served on the board of Zurich Insurance Company since 1993, Mr. Pidoux and Mr. Mead since 1997. In 1998, after the merger between B.A.T Financial Services and Zurich Insurance Company (the "Merger"), they assumed office as members of one or more boards of the then Group holding structure consisting of Zurich Group Holding (then called Zurich Financial Services), Allied Zurich p.l.c. and Zurich Allied AG. The Group structure was re-organized in October 2000 ("Unification"). Mrs. Gilmore, Mr. Sankey and Mr. Schulmeyer were also members of one or several boards of the Group holding structure that was established with the Merger. Since Unification they have all served on the Board of Zurich Financial Services.

All Directors are non-executive, independent of management, and have never held an executive position in the Group. With the exception of Thomas Escher, who joined the Board on April 16, 2004, all of the Directors have served on the Board throughout the year 2004. Markus Granzol resigned from the Board of Directors with effect as of the Annual General Meeting held on April 16, 2004.

As of April 16, 2004, all Directors are also members of the board of directors of Zurich Insurance Company. Previously, only Messrs. Mead, Meyer, Pidoux, van Wachem and Watter were members of the board of directors of Zurich Insurance Company. Mr. van Wachem also serves as chairman of that board.

Fritz Gerber is the Honorary Chairman of Zurich Financial Services. He was chairman of Zurich Insurance Company between 1977 and 1995 and its chief executive officer between 1977 and 1991. In recognition of his leadership and services to that company, he was appointed Honorary Chairman. Such designation does not confer board membership or any director duties or rights, nor does it entitle him to any director's fees.

Biographies

Lodewijk Christiaan van Wachem graduated from Delft University of Technology in the Netherlands and joined the Royal Dutch/Shell Group in 1953, working in Latin America, Africa, the Far East and Europe. He became a director of Royal Dutch Shell Group in 1977, president in 1982 and chairman of the committee of managing directors in 1985. He served in that capacity until 1992, when he was appointed chairman of the supervisory board of the Royal Dutch Petroleum Company. He held this function until 2002. Until 2002 he also served on the supervisory boards of Akzo Nobel, BMW and Bayer as well as on the board of IBM. He is currently chairman of the supervisory board of Royal Philips Electronics N.V., and of Global Crossing Ltd., as well as a member of the board of ATCO (Canada) Ltd. and of the executive board of Rand Europe.

Philippe Olivier Pidoux graduated from the University of Lausanne, Switzerland, with a doctorate in law, and also holds a master's degree in comparative jurisprudence from the University of Texas. He is partner in the law firm Bourgeois, Muller, Pidoux & Associates in Lausanne, Switzerland. Mr. Pidoux was a member of the Government of the Canton of Vaud from 1986 until 1994, and a member of the Swiss Parliament between 1983 and 1999. From 1991 until 2003 he was a member of the board and as of 1999 vice chairman of the Swiss National Bank. He is chairman of Publigroupe AG.

Thomas Konrad Escher graduated in electrical engineering and in business administration from the Swiss Federal Institute of Technology (ETH) and joined IBM corporation in 1974 as a marketing representative in New York. In 1985, he became a director of IBM Europe S.A., in Paris. In 1990, he took over as general manager of IBM Distribution and Support S.A. in Paris and Rome. In 1992, he became director of management consulting and chief information officer of IBM Switzerland and in 1995, general manager of IBM International Center for Asset Management in Zug. From 1996 until 1998, he was member of the executive management of Swiss Bank Corporation responsible for several regions in Switzerland and for information technology. In 1998, after the merger of Swiss Bank Corporation and Union Bank of Switzerland, he became head of IT in the division private clients and business banking of UBS AG as a member of the Group Managing Board. Since July 2002 he heads IT in the wealth management and business banking division. Mr. Escher is chairman of the Zurich Economic Society. He serves as a member of the board of several UBS companies and of the executive committee of the Institute of Information Management of the University of St.Gallen, Switzerland.

Rosalind Edith Jean Gilmore graduated with a BA degree from London University and an MA degree from Cambridge University. Her career included twenty-six years in the UK Treasury where she held various senior appointments, specializing in international and domestic monetary policy and the structure of the UK financial sector. She also worked in the World Bank and as marketing director for the UK Girobank. She completed her Government career as executive chairman (First Commissioner) of the regulatory commission for the UK mortgage and savings industry. She was a director of the UK Securities and Investments Board, and member of the Lloyds of London Regulatory Board and of the Banking Advisory Committee of the European Union. She has held a variety of part time directorships in the public, academic and corporate sectors (including BAT Industries), and is now a director of Trades Union Fund Managers Ltd., of the Leadership Foundation, Inc. (Washington DC), of Cranfield University (working with its Business School) and of the Royal College of Music; and is on investment, remuneration and audit committees. She has honorary fellowships in both her former universities.

Dana George Mead graduated from the US Military Academy at West Point and has a PhD from Massachusetts Institute of Technology. After serving in the US Army from 1957 to 1978, he held various senior management positions and was a member of the board of International Paper Company in New York. In 1992, he was appointed president and member of the board of directors of Tenneco Inc., becoming its chairman and chief executive officer two years later. After a spin-off of Tenneco subsidiaries in 1999, he was chairman of Tenneco Automotive and Pactiv Corporation until March 2000. He serves on the board of Pfizer Inc. He also heads the Business Advisory Council for the United Nations Office for Project Services. He is chairman of the MIT Corporation. Mr. Mead is president of the Royal Shakespeare Company (RSC) America and a member of the board of RSC London. He also serves on the board of the Boys and Girls Clubs of America.

Armin Meyer graduated with a PhD in electrical engineering from the Swiss Federal Institute of Technology (ETH) and joined BBC Brown Boveri Ltd in 1976 as a development engineer. In 1980, he became head of research and development for industrial motors and in 1984, he took over as head of the international business unit for electrical power generators. In 1988, he became president of ABB Drives Ltd. and in 1992, president of ABB Power Generation Ltd. From 1995 until 2000, he was executive vice president of ABB Ltd. and a member of that group's executive committee. In 1997, he became a member of the board of directors of Ciba Specialty Chemicals at the time of its spin-off from Novartis, and has been its chief executive officer and chairman since 2001. He is a member of the foundation board of the International Institute for Management Development, IMD, in Lausanne, Switzerland, and of the board of the European Chemical Industry Council (Cefic) in Brussels, Belgium.

Vernon Louis Sankey graduated with a MA degree from Oriel College, Oxford, and joined Reckitt and Colman in the UK in 1971, subsequently working in France, Denmark and the US. He was appointed to the board of directors in 1989 and was chief executive officer from 1991 to 1999 of that company. He was chairman of Gala Group Holdings p.l.c. until February 5, 2003, and is chairman of The Really Effective Development Company Ltd., and deputy chairman of Photo-Me International p.l.c. He is also a director of Pearson p.l.c., Cofra AG, Taylor Woodrow p.l.c., a board member of the UK's Food Standards Agency and an advisor to a number of other companies.

Gerhard Hans Schulmeyer graduated from Frankfurt Technical College with a BSc in electronic engineering and from the University of Frankfurt with a BSc in international business. He also holds an MSc in Management Science from the Massachusetts Institute of Technology. After holding various management positions with Braun, Sony Wega and Motorola, he became in 1989 president and chief executive officer of ABB USA and member of the executive board of ABB Ltd. From 1994 until 1998, he was president and CEO of Siemens Nixdorf in Germany, and between 1999 and December 2001, he was president and CEO of Siemens Corporation in the US. Since January 2002, he has been Professor of Practice at the Sloan School of Management of the Massachusetts Institute of Technology. He is a non-executive director on the public boards of Alcan Inc., Ingram Micro Inc. and Korn/Ferry International. He is also a member of the advisory board of Banco Santander Central Hispano, a board member of the German Industrial Investment Council, and a member of the foundation board of the US National Chamber Foundation.

Rolf Urs Watter graduated from the University of Zurich with a doctorate in law and holds a master of laws degree from Georgetown University in the US. He is admitted to the bar of the Canton of Zurich. Since 1994 he has been a partner in the law firm Baer and Karrer in Zurich and is a member of its executive board. He also teaches as a part time professor at the University of Zurich's Law School. He is non-executive chairman of the parent company of the Cablecom Group (and its operating entity Cablecom GmbH) and the designated chairman of Forbo Holding AG (and its subsidiary Forbo Finanz AG) and a member of the boards of directors of Syngenta AG, UBS Alternative Portfolio AG and A.W. Faber-Castell (Holding) AG. In addition, he serves on the board of the Swiss Lawyers Association and is a member of the SWX Admission Board and of the Disclosure Commission of Experts of the SWX Swiss Exchange.

The business address for each Board member is Mythenquai 2, 8002 Zurich, Switzerland.

None of the Directors had a material interest in a contract of significance with Zurich Financial Services or any subsidiary during the year 2004 or a service contract with any member of the Group with a notice or contract period of one year or more or with provisions for predetermining compensation on termination in amount which equals or exceeds one year's salary and benefit in kind.

Cross-involvement

There are no arrangements whereby any of the Directors of Zurich Financial Services serve on another company's board in return for Zurich Financial Services agreeing that any of that other company's directors serve on the Board of Zurich Financial Services.

Elections and terms of office

The Articles of Incorporation require that the Board shall consist of not less than seven and not more than 13 members. The ordinary term of office is three years. On the expiration of their terms of office, Directors may be re-elected immediately. The Articles of Incorporation require elections to be organized in such a way as to ensure that no more than four Directors complete their term of office at any one general shareholder meeting. The election of a member of the Board is effected on an individual basis. Directors are elected by a majority of the votes cast. Zurich Financial Services rules provide that no individual of 70 years of age or more shall be nominated as a Director. Exceptions may, however, be made under special circumstances. Such exception has been duly made in the case of Mr. van Wachem and is being proposed with a view to the re-election of Mr. Mead.

At the Annual General Meeting to be held on April 19, 2005, Mr. van Wachem will retire from the Board of Directors with effect as of the Annual General Meeting after having served the Group for 12 years.

At the same date, the term of office of Mrs. Gilmore and Messrs. Mead and Schulmeyer will expire and they have been nominated for re-election by the nominations committee. Mrs. Gilmore and Mr. Mead will stand for re-election for a term of two years and Mr. Schulmeyer will stand for re-election for a term of three years.

Manfred Gentz has been nominated as a member of the Board of Directors of Zurich Financial Services with a term of three years. Upon election, the Board intends to elect Mr. Gentz as Chairman, succeeding Mr. van Wachem.

Manfred Gentz, 63, German, studied law at the universities of Berlin and Lausanne and graduated with a doctorate in law from the Berlin Free University. In 1970 he joined Daimler-Benz AG where he held various positions. In 1983, he was appointed member of the Board of Management of Daimler-Benz AG, responsible at first for Human Resources. From 1990 to 1995 he was chief executive officer of Daimler-Benz Interservices (debis) in Berlin and subsequently became chief financial officer of Daimler-Benz AG in 1995. In December 1998, Mr. Gentz was appointed to the Board of Management of DaimlerChrysler AG, where he was in charge of Finance and Controlling until December 2004. From 1987 to 1995 Mr. Gentz served on the Board of Supervisors of Agrippina Versicherung AG and since 1996 he has been on the Board of Supervisors of Zürich Beteiligungs-Aktiengesellschaft (Deutschland). In 1985 he was elected to the Board of Supervisors of Hannoversche Lebensversicherung AG, which appointed him proxy chairman in 1990. He will relinquish this position as well as the position on the Board of Supervisors of Zürich Beteiligungs-Aktiengesellschaft (Deutschland) prior to election to the Board of Zurich Financial Services. In addition to serving on the Board of Supervisors of adidas-Salomon, the German Stock Exchange (Deutsche Börse AG) and DWS Investment GmbH, he is chairman of ICC (International Chamber of Commerce), Germany, the Aspen Institute Berlin and the Hanns Martin Schleyer Foundation. He is active in a number of scientific and cultural institutions.

The Board is chaired by the Chairman, or in his absence the Vice-Chairman, and comprises only non-executive members. It has a program of issues that is presented at its meetings throughout the year. The Board is regularly informed of developments regarding the Group and is provided with timely information in a form and of a quality appropriate for it to discharge its duties in accordance with the standards of care set out in Article 717 of the Swiss Code of Obligations. Board members are also subject to rules and regulations to avoid conflicts of interest and the use of inside information. Given the separation of roles of the Chairman and the Chief Executive Officer ("CEO") and the fact that the Board of Directors is wholly non-executive, there is no requirement for a "lead" director to be appointed under the Swiss Code of Best Practice. Were the roles not separated, the Vice-Chairman would assume the role of lead director to ensure an orderly evaluation process of the Chairman and of the Chief Executive Officer and to serve as a contact to whom concerns of the other members of the Board could be communicated. The CEO attends the Board meetings ex officio, and, upon invitation by the CEO, members of the Group Executive Committee ("GEC") as well as other executives attend the Board meetings. The Board is required to meet at least six times per year, however, during 2004 it has held 10 meetings of which two were by teleconference.

The Board may appoint committees for specific areas from among its members and establish terms of reference and rules with respect to delegated authority and the reporting-back. The Board has the following standing committees, which regularly report to the Board and submit proposals for resolutions to the Board.

The nominations committee, composed of five Board members, is entrusted with the succession planning with respect to the Board and the CEO and the review of proposals by the CEO regarding appointments to the GEC and Group Management Board ("GMB"). It proposes the principles for the nomination and the ongoing qualification of members of the Board and makes proposals to the Board on the composition of the Board, and the appointment of the Chairman, the Vice-Chairman and the CEO. Final decisions on nominations and appointments are made by the Board. The nominations committee met six times (of which one was by teleconference) during 2004 and particularly addressed the nomination and ongoing qualifications of the members of the Board of Directors and the succession planning for members of the GEC and the GMB. It regularly reports to the Board.

The remuneration committee comprises six members of the Board and proposes to the Board the principles of remuneration for the Group and the level of directors' fees. Based on the remuneration principles, it determines the remuneration of the CEO and approves the remuneration of the members of the GEC and the GMB. The committee is also involved in determining the metrics and reviewing performance as it relates to amounts available for the senior management short-term and long-term incentive plans. The remuneration committee met six times in 2004. It regularly reports to the Board. Details of the Group's remuneration principles are given in the Remuneration Report on page 130.

Internal organizational structure

The audit committee has five members, all of whom meet relevant requirements with respect to independence and qualification. The audit committee charter provides that the audit committee as a whole should have (i) an understanding of IFRS and financial statements, (ii) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves, (iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to those of Zurich Financial Services, or experience actively supervising one or more persons engaged in these activities, (iv) an understanding of internal controls and procedures for financial reporting, and (v) an understanding of audit committee functions. The audit committee met eight times in 2004 (of which one was by teleconference). It serves as a focal point for communication and oversight regarding financial accounting and reporting, internal control, actuarial, compliance and risk management among Management, the internal and external auditors, group chief actuary, corporate risk management, legal and compliance functions. The audit committee is responsible for reviewing the Group's auditing process (including establishing the basic principles relating to and making proposals with respect to the auditing of Zurich Financial Services and the Group) and reviews the internal control systems. The external auditors, the internal auditors and appropriate members of the GEC, the GMB and other executives attend such meetings in order to, among other things, discuss the auditors' reports, to review and assess the auditing concept and the examination process, and to coordinate the activities of external and internal auditors. The audit committee reviews the standards of internal control, including the activities, plans, organization and the quality of internal audit, corporate risk management and group compliance. It also discusses on a regular basis with the external auditors the quality of the Group's financial and accounting function and any recommendations that the external auditors may have. Topics considered during such discussions include strengthening internal financial controls, the selection of accounting principles, and management reporting systems. The audit committee also reviews the annual, half year and quarterly financial results of the Group before submission to the Board. It is responsible for making a nomination to the Board regarding the proposal for election of the external auditors by shareholders, for approving of the remuneration and overseeing the work of the external auditors. The audit committee reviews, at least annually, the qualifications, performance and independence of the external auditors. It establishes guidelines for the retention of the external auditors for any permissible non-audit services and reviews any matters that may impair their objectivity and independence. It also annually reviews the staffing, scope and general extent of the external auditors' examination and suggests, if desired, areas requiring special emphasis. Statements regarding internal control and the procedures in place regarding internal control according to the UK Turnbull Guidance are given below. The audit committee regularly reports to the Board.

Areas of responsibility of the Board and the Management

In addition to determining the overall strategy of the Group and the supervision of senior management, the Board addresses key matters in the area of strategy, finance, structure and organization and business development (subject to the matters reserved for the shareholder meeting by law). The Board approves the Group strategic plan and the annual financial plans developed by Management and reviews and approves the annual, half year and quarterly financial statements of Zurich Financial Services and of the Group. It establishes guidelines for overall business policies and capital allocation and approves major changes in the Group's business activities, including major lending and borrowing transactions, and major business developments such as acquisitions or disposals of business or assets, investments or new businesses, mergers, joint ventures and co-operations. The Board also considers other matters of strategic importance to the Group.

Subject to the powers reserved to the Board set out above, the Board has delegated the management of the Group to the CEO. The CEO and, under his supervision, the GEC, are responsible for the development and execution of the strategic and financial plans approved by the Board. The CEO has specific powers and duties relating to strategic, financial and other matters as well as to the structure and organization and manages, supervises and coordinates the activities of the members of the GEC. The CEO develops and implements management tools for the Group and represents the overall interests of the Group as against third parties. The CEO holds delegated authority to approve certain acquisitions and divestments of businesses and assets, investments and the establishment of new businesses, mergers, joint ventures or co-operations.

Information and control instruments vis-à-vis the Group Executive Committee and Group Management Board

The Board supervises Management and monitors its performance through reporting and controlling processes. Regular reporting by the CEO and other executives to the Board includes appropriate information and updates, including key data for the core businesses, financial information, existing and threatening risks, and updates on developments in important markets and with regard to major competitors as well as other significant events.

Furthermore, the Group has adopted a coordinated and formalized approach to risk management and control. The process and the results of this approach are described below under "Internal Control Statement."

The internal audit function and the external auditors also assist the Board in exercising its controlling and supervisory duties. The audit serves, in addition to the review of the financial reporting processes, to assess the suitability, reliability and functioning of the business organization with regard to technical and personnel matters and to examine the efficiency of the control systems. In addition, the internal audit function also reviews the compliance with the Group's business and statutory requirements and regulations.

Group Executive Committee

Management Board

To the extent not reserved to the Board, Management is delegated to the CEO. The CEO, and under his supervision, the GEC is responsible for dealing with strategic, financial and business policy issues of Group-wide relevance, including consolidated performance, capital allocation and mergers and acquisitions.

The GEC is headed by the CEO and includes the Chief Operating Officer, the Group Finance Director, the Chief Investment Officer and the heads of the global business segments – General Insurance and Life. In addition the heads of the following business divisions are members of the GEC: North America Consumer, North America Commercial, Global Corporate and Europe General Insurance.

As of January 1, 2005, a standing committee of the GEC is the GEC Finance and Balance Sheet Committee, chaired by the CEO. This committee attends to key financial matters resulting from implementation of the strategy, the developments of the financial environment and the financial condition of the Group and is charged with approving specific transactions or business changes not reflected in the Group financial plan that impact the Group's balance sheet under delegations approved by the Board of Directors.

Further special committees, with a member of the GEC presiding, are established to facilitate the coordination and alignment of recommendations to the CEO for approval on specific subject matters that often are of cross-divisional and cross-functional nature: the Group Finance Committee and the Asset Liability Management/Investment Committee. The Group Finance Committee is chaired by the Group Finance Director and the ALM/Investment Committee is chaired by the Chief Investment Officer. The Group Finance Committee monitors the implementation of finance related matters decided by the Board, the CEO and/or the GEC and gives recommendations for future course of action, while the ALM/Investment Committee monitors and deals with issues relating to investment decisions.

The members of the GEC as of December 31, 2004, were as follows:

Name	Nationality	Age	Position held
James J. Schiro	American	59	Chief Executive Officer
Peter Eckert	Swiss	60	Chief Operating Officer
Patrick O'Sullivan	Irish	55	Group Finance Director
David Wasserman	American	50	Chief Investment Officer and Head of Group Strategic Planning
John Amore	American	56	Chief Executive Officer General Insurance
Paul van de Geijn	Dutch	58	Chief Executive Officer Global Life Insurance
Martin Feinstein	American	56	Chief Executive Officer Farmers Group, Inc.
Axel Lehmann	Swiss	45	Chief Executive Officer North America Commercial
Geoff Riddell	British	49	Chief Executive Officer Global Corporate
Dieter Wemmer	German	48	Chief Executive Officer Europe General Insurance

With the exception of Messrs. Riddell and Wemmer, who joined the GEC on November 1, 2004, all other members of the GEC served throughout the year 2004. Mr. Feinstein will retire as Chief Executive Officer of Farmers Group Inc. and as a member of the GEC effective March 31, 2005. He will be succeeded in his role as Chief Executive Officer of Farmers Group Inc. and as a member of the GEC by Paul Hopkins.

All members of the GEC are employed under contracts which include a notice period of one year or less. For further information on termination benefits, see page 127.

Biographies

James J. Schiro graduated from St. John's University, New York, with a Bachelor of Business Administration degree. He is also an honorary Doctor of Commercial Science of the same university. After qualifying as a certified public accountant, he joined Price Waterhouse in 1967 and held various management positions before becoming chairman and senior partner of the US firm in 1994. From 1995 to 1998, he integrated the US and European and other global operations of Price Waterhouse and was elected chief executive officer of the new company. After the merger of Price Waterhouse and Coopers & Lybrand in 1998, he became global chief executive officer of PricewaterhouseCoopers. He joined Zurich in March 2002 as Chief Operating Officer-Group Finance and was appointed Chief Executive Officer of the Group two months later. He is a member of the board of directors of PepsiCo. He is also vice-chairman of the Swiss American Chamber of Commerce and a member of the Business Council of the World Economic Forum, a member of the board of trustees of the Lucerne Festival in addition to serving as vice-chairman of the American Friends of the Lucerne Festival. Furthermore, he is a member of the Foundation Board of IMD, Lausanne, as well as a member of the boards of trustees of St John's University, New York, and the Institute of Advanced Study in Princeton, New Jersey.

Peter Eckert graduated with a Diploma in Business Administration and worked in various areas of both insurance and reinsurance before joining Zurich in 1980, in charge of the Group's Portuguese subsidiary, Companhia de Seguros Metrópole SA, Lisbon. In 1988 he was appointed chief executive officer of Zurich's operations in Australia. He was consecutively appointed to the former Group Executive Board in 1991, and two years later became CEO for Zurich Switzerland. In July 2001, he became head of the Continental Europe business division and in March 2002, he was appointed Chief Operating Officer. Mr. Eckert is currently vice-chairman of the board of Deutsche Bank (Suisse) S.A. He is a member of the board of "economiesuisse" and a member of the board of the foundation "Avenir Suisse". He was previously a member of the boards of the respective insurance associations in Portugal, Australia and Switzerland. From 1995 to 2004, he was a member of the Presidential Council of the European Insurance Association (CEA), being its president from 1998 to 2000.

Patrick H. O'Sullivan graduated from Trinity College, Dublin, with a degree in business studies. He qualified with Arthur Andersen as a chartered accountant, followed by a Master of Science degree in accounting and finance from the London School of Economics. After qualifying he joined the Bank of America, working in London, Miami, Los Angeles and Frankfurt. In 1988 he joined the US investment bank Goldman Sachs as financial controller for Europe, and in 1990 moved to Financial Guaranty Insurance Company, a wholly-owned subsidiary of GE Capital. He was appointed to the FGIC board in 1993. The following year he joined BZW (former investment banking subsidiary of Barclays Bank p.l.c.) as head of International Banking & Structured Finance, and in 1996 he became BZW's chief operating officer. He joined Eagle Star Insurance Company as chief executive in 1997, and was appointed chief executive officer of Zurich's UK general insurance business the following year. He became Group Finance Director of Zurich Financial Services in December 2002.

David L. Wasserman graduated from Brown University, Providence (USA), with a degree in applied mathematics and economics. He began his career as an actuary, first with Aetna Insurance Company and later with the Insurance Services Office. In 1982 he joined KPMG Peat Marwick and was appointed Principal in 1987. He joined Zurich in 1991 and for nine years held various positions with Centre Group, latterly as chief executive officer. He became senior managing director of Zurich Global Assets in January 2001, and CEO of the Global Asset business division the following year. He was appointed Chief Investment Officer of Zurich Financial Services in April 2002 and was also appointed Head of Group Strategic Planning in July 2002.

John J. Amore graduated with a degree in management from Embry-Riddle Aeronautical University, Daytona Beach (USA), and with an MBA in Finance from New York University. Before joining Zurich, he was vice-chairman of the Commerce and Industry Insurance Company, a member company of American International Group (AIG). He later became chief executive officer of the Zurich U.S. Specialties business unit and was appointed chief executive officer of Zurich US in December 2000. He was CEO of Zurich's North America Corporate business division until August 31, 2004. In April 2004 he was appointed CEO of the General Insurance business segment. Mr. Amore is vice chairman of the board of directors of the American Insurance Association.

Paul van de Geijn graduated in business law from Leiden University in the Netherlands in 1971, and joined one of the predecessors of AEGON. He started as legal counsel and then worked in the non-life sector before moving to a senior management position in 1978. After the merger which created AEGON in 1983, he was appointed a member of the Management Board of AEGON the Netherlands, becoming its chairman in 1991. The following year, he joined the Executive Board of AEGON N.V., with responsibilities for the Dutch and later Spanish and Hungarian operations. In 2002, he handed over the Dutch operations and assumed responsibilities for AEGON USA and the AEGON corporate responsibility program. From 2000 to 2002 he was chairman of the Dutch Association of Insurers. He held positions in a public-private partnership in the business community and on the Executive Committee of the Dutch Employers' Association.

Martin D. Feinstein graduated from California State University, Los Angeles (USA), with a Bachelor of Science degree, and later studied executive education at the University of Pennsylvania. He also earned several insurance professional designations: GCA, CPCU, and CLU. He joined Farmers Group, Inc. in 1970 where he held various management positions before he was elected its president and chief operating officer in 1995. Two years later he was appointed to his current position as chairman and chief executive officer. Mr. Feinstein was a member of the board of B.A.T Industries from 1997 until September 1998. He is CEO of Zurich's North America Consumer business division. Mr. Feinstein is a member of the Society of Chartered Property Casualty Underwriters (CPCU) and of the American Society of Chartered Life Underwriters (CLU). He is chairman of the board for the Insurance Information Institute, vice-chairman of the board of trustees for the American Institute for CPCU and chairman of the US Property-Casualty CEO Roundtable.

Axel P. Lehmann graduated with an MBA and PhD from the University of St Gallen in Switzerland. After several US research studies, he wrote a post-doctorate certification at the University of St Gallen and subsequently completed the Wharton Advanced Management Program. He was a lecturer at several universities and institutes and became vice-president of the Institute of Insurance Economics at the University of St Gallen and the European Center responsible for Consulting and Management Development. He was head of Corporate Planning and Corporate Controlling for Swiss Life, before he joined Zurich in 1996 and held various executive management and corporate development positions within Zurich Switzerland. He became a member of the Group Management Board responsible for Group-wide Business Development functions in November 2000. In September 2001, he was appointed Chief Executive Officer of the former Northern European region and subsequently Chief Executive Officer of the Zurich Group Germany. In March 2002, he became CEO of the Continental Europe business division. In 2004 he was in charge of the consolidation of the former Business Divisions Continental Europe and UKISA (United Kingdom, Ireland and Southern Africa) and assumed responsibility for the creation of the integrated General Insurance Europe Division. In September 2004 he assumed his current role as CEO Zurich North America Commercial. Mr. Lehmann is an honorary professor and lecturer for business administration and service management at the University of St Gallen in Switzerland.

Geoff Riddell graduated from Queen's College, Oxford, with a degree in chemistry, and later qualified as a chartered accountant. He started his career with PriceWaterhouse in 1978 and four years later moved to AIG, where he held various roles, including country manager for Hong Kong, Belgium and France. He joined Zurich in 2000, initially as Managing Director of Zurich Commercial in the UK, and then became Managing Director of the UK Corporate and Government businesses. Two years later he became CEO of the General Insurance business in the UK. In 2004 he became CEO Global Corporate. Mr. Riddell is a former member of the General Insurance Council of the Association of British Insurers, and was for three years chair of its Liability Committee. From 1990 to 1995, he was a member of the Hong Kong Federation of Insurers Council.

Dieter Wemmer holds a PhD and a Master's degree in mathematics from the University of Cologne. From 1983 until 1986, he worked in pure mathematics at the universities of Cologne and Oxford. In 1986 he joined Zurich Re (Cologne), at that time a reinsurance subsidiary of Zurich's German operation Agrippina, as a pricing actuary for life reinsurance. He became Head of Life Reinsurance and Chief Actuary five years later. From 1992 until 1996, Mr. Wemmer held various positions with Agrippina, joining the management board in 1995 responsible for Controlling/Planning, Communication and Real Estate management. He was seconded to Zurich's Corporate Center in 1996 as project manager for the implementation of International Accounting Standards (IAS) and US Generally Accepted Accounting Principles (US GAAP). One year later he became Head of Financial Controlling. From 1999 until May 2003, he was Head of Mergers and Acquisitions, with additional responsibility for capital management and General and Life Actuarial from 2002. He became Chief Operating Officer of the Europe General Insurance business division in May 2003. Since November 2004, he has been CEO Europe General Insurance and a member of the Group Executive Committee.

Members of the GEC are also part of the GMB, which includes the heads of certain business divisions, business units and Group functions. The GMB primarily focuses on communication, capability building and development of the Group, represents the businesses and functions and serves to foster horizontal collaboration throughout the Group.

The additional members of the GMB as at December 31, 2004, were as follows

Name	Nationality	Age	Position held
Gastón Aguirre ¹	Chilean	54	Chief Executive Officer Latin America
Hans Jürg Bernet ¹	Swiss	55	Chief Executive Officer Switzerland
Thomas Buess	Swiss	47	Chief Operating Officer Global Life Insurance
José Cela ¹	Spanish	60	Chief Executive Officer Spain
Hanneke Frese ¹	Dutch	53	Head of Group Capabilities
Paul Hopkins ^{2,3}	American	48	President US Personal Business
Richard Kearns	American	54	Chief Administrative Officer
John Lynch ²	American	53	Chief Executive Officer US Small Business
Monica Mächler-Erne	Swiss	48	General Counsel and Company Secretary
Michael Paravicini	Swiss	43	Chief Information Technology Officer
Martin South ²	British	40	Chief Executive Officer International Businesses division
Franz Wipfli	Swiss	53	Head of Organizational Transformation Management

¹ Mrs. Frese and Messrs. Aguirre, Bernet and Cela resigned from the GMB in December 2004.

² As of January 1, 2005.

³ Until March 31, 2005. Thereafter, Mr. Hopkins will become a member of the GEC, succeeding Mr. Feinstein.

Management contracts

Zurich Financial Services has not transferred key parts of management by contract to other companies (or individuals) not belonging to (or employed by) the Group.

Voting rights restrictions and representation

Shareholders' participation rights

Each registered share entered into the share register provides for one vote. There are no voting right restrictions.

A shareholder with voting rights can attend the shareholder meeting of Zurich Financial Services in person. He or she may also authorize in writing another shareholder with voting rights or any person permitted under the Articles of Incorporation and a more detailing directive of the Board to represent him or her at the shareholder meeting. Based on the Articles of Incorporation, minors or wards may be represented by their legal representatives, married persons by their spouses and a legal entity may be represented by a person authorized to bind it by his or her signature even if such persons are not shareholders. Furthermore, authority of representation may be given to the Independent Representative of Shareholders, to a statutory representative or to representatives of bank accounts who do not need to be shareholders themselves. Zurich Financial Services may under certain circumstances authorize the beneficial owners of the registered shares that are held by professional persons as nominees (such as a trust company, bank, professional asset manager, clearing organization, investment fund or other entity recognized by Zurich Financial Services) to attend the shareholder meetings and exercise votes as proxy of the relevant nominee. For further details, see page 118.

Zurich Financial Services used electronic voting for all the resolutions taken at last year's Annual General Meeting. In accordance with Swiss practice, Zurich Financial Services informs all shareholders at the beginning of the Annual General Meeting of the aggregate number of proxy votes received.

Statutory quorums

Pursuant to the Articles of Incorporation, a quorum is constituted in the shareholder meeting regardless of the number of shareholders present or the number of registered shares represented. Resolutions and elections generally require the approval of a simple majority of the votes exercised, excluding abstentions, blank and invalid votes, unless respective provisions in the Articles of Incorporation (of which there are none) or mandatory legal provisions stipulate otherwise. Article 704 of the Swiss Code of Obligations provides for a two-thirds majority of votes cast representing an absolute majority of nominal values of shares represented for certain important matters such as the change of the company purpose and domicile, the dissolution of the company without liquidation, and matters relating to capital increases. In the event of the votes being equally divided, the decision rests with the Chairman.

Convocation of the general meeting of shareholders

General meetings of shareholders are convened by the Board of Directors, or, if necessary, by the auditors and other bodies in accordance with the provisions set out in Article 699 and 700 of the Swiss Code of Obligations. Shareholders with voting rights representing at least ten percent of the share capital may call a shareholder meeting indicating the matters to be discussed and the corresponding proposals. The convocation period consists of at least 20 calendar days, whereby Zurich Financial Services usually posts the invitations to shareholders at least 20 working days before the meeting and publishes it in the Swiss Official Gazette of Commerce and several newspapers.

Agenda

The Board of Directors is responsible for developing the agenda and sending it to the shareholders. Shareholders with voting rights who together represent shares with a nominal value of at least CHF 650,000 may request in writing, no later than 45 days before the day of the meeting, that specific proposals be included on the agenda.

Registrations in the share register

With a view to ensure an orderly process, the Board determines the record date shortly before the shareholder meeting at which a shareholder needs to be registered in the share register in order to exercise his or her participation rights by attending the shareholder meeting. Such record date is published, together with the invitation to the shareholder meeting, in the Swiss Official Gazette of Commerce and in several newspapers.

Changes of control and defense measures

Duty to make an offer

The Articles of Incorporation of Zurich Financial Services do not provide for an opting out or opting up in the meaning of Articles 22 and 32 of the Federal Act on Stock Exchanges and Securities Trading. Therefore, mandatory offers have to be submitted when a shareholder or a group of shareholders acting in concert exceed 33 $\frac{1}{3}$ % of the issued and outstanding share capital.

Clauses on changes of control

Employment agreements have been entered into with the members of the GEC, setting out the terms and conditions on which they are employed. With regard to termination benefits, the longest period of severance for members of the GEC is two years, including the notice period, and no additional severance benefits are provided in the case of a Change of Control. The Group's share-based compensation programs include regulations regarding the impact of a Change of Control. These regulations provide that in the case of a Change of Control, the Administrator has the right to have the existing share obligations rolled over into new share rights or to provide a consideration for such obligations that are not rolled over. In the case of those participants who lose their employment as a result of a Change of Control, there is an automatic right to the vesting of share obligations.

Auditors

Duration of the mandate and term of office of the head auditor

PricewaterhouseCoopers AG, Stampfenbachstrasse 73, in 8035 Zurich ("PwC"), is Zurich Financial Services' external statutory auditor and Group auditor of its consolidated accounts. PwC assumes all auditing functions, which are required by law and the Articles of Incorporation of Zurich Financial Services. They are elected by the shareholders of Zurich Financial Services on an annual basis. At the Annual General Meeting of shareholders on April 16, 2004, PwC was re-elected by the shareholders of Zurich Financial Services. The Board of Directors proposes that PwC be re-elected as statutory auditors and Group auditors for the business year 2005.

PwC and its predecessor organizations, Coopers & Lybrand and Schweizerische Treuhandgesellschaft AG, have served as external auditors of Zurich Financial Services and its predecessor organizations since May 11, 1983. In 2000, a request for proposals for 2001 and subsequent years was made by inviting all major auditing firms to submit work programs and tender offers, where the program and offer of PwC prevailed.

Mr. Roger Marshall of PricewaterhouseCoopers AG is the lead auditor, responsible since January 1, 2003.

OBT AG has been elected as a special auditor to undertake the special audits for increases in share capital required under the Articles 652f, 653f and 653i of the Swiss Code of Obligations. At the Annual General Meeting of shareholders on May 16, 2002, OBT was re-elected by the shareholders for a three year term. OBT AG has assumed this mandate since October 2000. The Board of Directors proposes that OBT be re-elected as special auditor for a further three-year term.

Auditing fees

The total of the auditing fees (including expenses and Value Added Taxes) charged by the Group auditors in the year 2004 amounted to USD 36.9 million (USD 29.7 million in 2003).

Additional fees

The total of the fees (including expenses and Value Added Taxes) charged in the year 2004 by the Group auditors and parties associated with them for additional services performed for Zurich Financial Services or one of the Group's companies amounted to USD 8.0 million (USD 8.3 million in 2003).

Supervisory and control instruments vis-à-vis the auditors

The audit committee meets at least four times a year with the external auditors. The audit committee reviews the qualification, performance and independence of external auditors and evaluates the cooperation received by the external auditors during their audit examination. It further elicits the comments of management regarding the responsiveness of the external auditors to the needs of Zurich Financial Services and the Group. The audit committee reviews, prior to the commencement of the annual audit, the scope and general extent of the external auditors and suggests areas requiring special emphasis.

The audit committee is responsible for making a nomination to the Board regarding the proposal for election of the external auditors by shareholders, for approving the remuneration and overseeing the work of the external auditors.

The audit committee has approved a written policy on the use of external auditors for non-audit services which sets forth the rules for providing such services and related matters. Allowable non-audit services need pre-approval and require, among other things, an engagement letter specifying the services to be provided and making reference to external auditor's obligation to comply with this policy.

Information policy

Zurich Financial Services has over 128,000 shareholders registered in its share register, ranging from private individual shareholders to large institutional investors. Each registered shareholder receives an invitation to the Annual General Meeting. Also available to any shareholder is an annual report including the letter to the shareholders providing an overview of the Group's activities during the year and outlining the financial performance. Similar reports regarding half-year and quarterly results are available for all shareholders. However, shareholders may opt not to receive printed versions of one or all of the aforementioned reports.

Zurich Financial Services maintains a regular dialogue with investors through its Investor Relations department and responds to questions and issues raised by either institutional or private individual shareholders. In addition, Zurich Financial Services organizes investor days to provide comprehensive information about its businesses and strategic direction. On April 2, 2004, an analyst day was held in London, where the future management structure was introduced to analysts and on January 20, 2005, an investors day was held in London in order to discuss underwriting topics. In 2005, further investors days will be held on April 7, June 30 and September 29. A wide range of information about the Group and its businesses, including the aforementioned reports, is also accessible on Zurich Financial Services' Web site www.zurich.com.

Zurich Financial Services will hold its Annual General Meeting on April 19, 2005. As part of the agenda, the Chairman and the CEO will present a review of the business of the Group for the year 2004. The meeting will be conducted in Kloten ZH. An invitation setting out the agenda for this meeting and an explanation of the proposed resolutions will be issued to shareholders by Zurich Financial Services 20 working days before.

For addresses and further upcoming important dates, please refer to the financial calendar on page 143.

Employees

The Group's employment policy includes a commitment to recruit people solely on the basis of their ability. The Group actively encourages employee involvement via print and online publications, team briefings and regular meetings with employees' representatives. The Group is party to a voluntary agreement within the scope of the European Works Council Directive. In some countries the Group has established broad-based employee share compensation and incentive plans to encourage employees to become shareholders in the Group (see pages 99 to 101).

Going Concern

The Directors are satisfied that, having reviewed the performance of the Group and forecasts for the forthcoming year, the Group has adequate resources to enable it to continue in business for the foreseeable future. For this reason, the Directors have adopted the going concern basis for the preparation of the financial statements.

Internal Control Statement

The Board is responsible for overseeing the Group's internal control systems, which are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Group has adopted a coordinated and formalized approach to risk management and control. A risk-aware and control-conscious environment is fostered in the Group, supported by staff education and training.

Management is responsible for the identification and evaluation of significant risks. Periodic risk assessments are conducted using "the total risk profiling tool." Every quarter, the operating units report key risks and prepare action plans to mitigate these risks at the local level. These quarterly risk reports are then used to identify significant risks and the consequent actions taken at the business unit level are reported to the Board.

Once a year the Group Executive Committee undertakes a Group-level risk assessment. The results of this assessment and the actions arising are also presented to the audit committee.

Processes and controls in the organization are subject to regular reviews by Management, Group Audit and Group Risk Management. The Board, through the audit committee, receives periodic reports from the Chief Risk Officer, Group Audit and Management on the adequacy of the control structure in place to execute the Group's strategy.

The audit committee has reviewed the effectiveness of the system of internal control operated by the Group for the period January 1, 2004 up to the date of the report, and has reported to the Board accordingly.

The Board is satisfied that the review was conducted in accordance with the Turnbull Guidance. The assessment included the consideration of the effectiveness of the Group's ongoing process for identifying, evaluating and managing the risks of the business and a review of the annual reports of internal control and business risks completed by the businesses. Such review was conducted by Group Audit and performed at the geographic regional level, and by function, reflecting the level at which internal control is tactically managed in the Group.

Issues identified by this process have been communicated to the Board and are being addressed by the Group. A follow up process to monitor these issues and associated actions has been implemented.