

Zurich reports record operating performance despite record natural catastrophes

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Zurich, February 16, 2006 – For the year 2005, Zurich Financial Services Group (Zurich) reports a 30% increase in net income attributable to shareholders to USD 3.2 billion, or CHF 27.11 per share. All businesses contributed to the outstanding result. The Board of Directors proposes a payout to shareholders of CHF 7.00 per share, compared with CHF 4.00 per share in 2004. Other performance highlights¹ include:

- **Return on equity (ROE)² of 15.5% compared with 13.6% in 2004**
- **Business operating profit (BOP) of USD 3,947 million, an increase of 32%, and BOP ROE² after tax of 13.6% compared with 12.6% in 2004**
- **Combined ratio of 100.8% (compared with 102.0% in 2004) with the impact of catastrophes contributing 4.6 percentage points**
- **New business profit margin in Life Insurance of 14.5%, an improvement of 3.1 percentage points**
- **Net investment income on Group investments of USD 7.8 billion, an increase of 4%, and total investment return of 5.5%**
- **Shareholders' equity of USD 22.4 billion, an increase of 9%**

James J. Schiro, Chief Executive Officer of Zurich, said: “We are reporting a record performance following the insurance industry’s most severe natural catastrophe year on record. It was achieved on the basis of our commitment to operational excellence and supported by our well-diversified portfolio and strong balance sheet. I am confident that we have a solid platform that will allow us to pursue sustainable profitable growth and attractive shareholder returns going forward.”

The results underscore the importance of Zurich’s ongoing effort to create efficiency gains from implementing common approaches to underwriting,

distribution, claims processing and reserving collectively known as The Zurich Way. In 2005, benefits of The Zurich Way were well in excess of our target of USD 500 million. The Group plans further efficiency gains of USD 1 billion in the next two years, with the bulk of the improvements expected from better underwriting, distribution, and claims handling. Less than 20% of efficiency gains are expected to come from cost reductions.

The quality and strength of Zurich's well diversified portfolio both in terms of lines of business and geography also mitigated the impact of the severe catastrophes, which accounted for 4.6 percentage points of the combined ratio of 100.8%. The Farmers Management Services and Life Insurance segments, which by their very nature are less or not affected by the volatility recently seen in general insurance, contributed more than half of the business operating profit in 2005.

Segment performance

General Insurance. All businesses reported positive earnings contributions. Business operating profit rose 54% to USD 1,914 million. The improvement was supported by the strong underwriting performance in the Europe General Insurance and International Businesses divisions, an 18% increase in the segment's net investment income, and significantly reduced prior-year developments. These factors mitigated the impact of natural catastrophes in the North America Commercial and Global Corporate business divisions. The total impact of catastrophes net of reinsurance and including reinsurance reinstatement premiums was USD 1.3 billion or 4.6 percentage points of the combined ratio of 100.8%. The combined ratio improved 1.2 percentage points compared with 2004. Reflecting the Group's policy to only accept business in markets where rates permit underwriting at or in excess of our hurdle rate, gross written premiums and policy fees in General Insurance declined 1% to USD 33.4 billion.

Prices in Zurich's general insurance markets continue to permit underwriting at or in excess of the Group's hurdle rate. They rose strongly in lines of business affected by last year's extraordinary series of natural catastrophes. Zurich's financial strength and its presence in attractive markets around the world ensure the Group's General Insurance operations are well placed to pursue sustainable profitable growth in the future.

Life Insurance. The Life Insurance segment has moved forward on its turnaround, which focused on the redesign and restructuring of several operations. It has delivered steadily increased earnings over the course of 2005 and a new business profit margin of 14.5%, which exceeds the 12% target margin. Business operating profit increased 16% to USD 1,079 million. Gross new premiums written (using the industry standard measure Annual Premium Equivalent – APE) declined 4% to USD 2.3 billion. However, this decline was primarily accounted for by the redesign of the group life business in Switzerland and the exceptional demand raising 2004 sales in Germany in anticipation of a change in tax benefits. Although new business in Germany declined 34%, Zurich's market share in Germany rose from 5.2% to close to 6%. New business gained strong momentum in Ireland, Italy and the UK. In Spain, volume more than doubled and Zurich achieved a significant gain in market share.

Measures to further strengthen the segment's distribution are taking hold, and the Group's Life Insurance businesses are well positioned to achieve profitable growth in a favorable market environment.

Farmers Management Services. Farmers Management Services achieved growth in business operating profit of 10% to USD 1,221 million due to growth in management fees and other related revenue. This, in turn, was based on increased gross premiums earned by the Farmers Exchanges, which Zurich manages but does not own. Despite a record catastrophe year, the

Exchanges added USD 484 million to surplus, bringing total surplus growth to USD 946 million since January 1, 2004. Having met the surplus growth commitment of USD 1 billion nearly one year ahead of schedule, the Exchanges are now well positioned for profitable growth going forward.

Other Businesses. The Other Businesses segment nearly doubled business operating profit to USD 441 million compared with USD 229 million in 2004. Although Farmers Re was impacted by hurricane losses and changes in reinsurance business ceded by the Farmers Exchanges, it contributed USD 196 million. Centre benefited from the successful commutation of several contracts. It achieved a business operating profit of USD 222 million compared with USD 47 million in 2004.

Investment performance. Net investment income for Group investments increased 4% to USD 7.8 billion. Including net realized capital gains and accounting for movements in net unrealized gains, the total investment result was USD 10.3 billion, which generated a return of 5.5% on average investments of USD 185.1 billion.

Payout to shareholders

The proposed total payout to shareholders of CHF 7.00 per share is comprised of a regular dividend of CHF 4.60 and a payout of CHF 2.40 per share in form of a reduction of the nominal value of each share from CHF 2.50 to CHF 0.10. The proposed total payout of CHF 7.00 per share is expected around the beginning of July 2006. The nominal value reduction is subject to the fulfillment of all necessary requirements.

¹ All comparisons refer to the full year 2004, which was restated for new and revised International Financial Reporting Standards.

² ROE is calculated on common shareholders' equity. See the Financial Supplement and the Financial Review on the Investor Relations page of



our Web site www.zurich.com for further information.

Note to editors:

There will be a media conference at 10:15 a.m. CET at the Zurich Development Center, Keltenstrasse 48, Zurich. Reporters who cannot participate in person may dial in by telephone. Please note that during the Q&A session no questions will be taken from participants dialing in.

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The presentation to analysts and investors will be webcast on our Web site www.zurich.com live from 1:30 p.m. CET followed by a webcast playback available after 5 p.m. CET. Reporters may listen in by telephone. Please dial the numbers given above.

Presentations for analysts and media, as well as supplemental information including information on the business divisions, will be available on our Web site www.zurich.com. Please click on the “Annual Results 2005 - Media View” button on the bottom right corner of our homepage.

Zurich Financial Services Group (Zurich) is an insurance-based financial services provider with a global network of subsidiaries and offices in North America and Europe as well as in Asia Pacific, Latin America and other markets. Founded in 1872, the Group is headquartered in Zurich, Switzerland. It employs approximately 55,000 people serving customers in more than 120 countries.

Financial Highlights (unaudited)

The following table presents the summarized consolidated results of the Group for years ended December 31, 2005 and 2004 and the financial position as of December 31, 2005 and 2004. The 2004 amounts have been restated for the implementation of new and revised accounting standards. Certain prior year amounts have also been reclassified to conform to the 2005 presentation.

Consolidated operating statements

in USD millions, for the years ended December 31	2005	2004	Change
Gross written premiums and policy fees	46,797	49,236	(5%)
Net investment result	23,147	15,595	48%
of which: Net investment income on Group investments	7,782	7,460	4%
Business operating profit	3,947	2,988	32%
Net income attributable to shareholders	3,214	2,466	30%

Consolidated balance sheets

in USD millions, as of December 31	2005	2004	Change
Total investments	277,293	282,155	(2%)
Reserves for insurance contracts	219,924	228,029	(4%)
Liabilities for investment contracts	40,999	39,260	4%
Senior and subordinated debt	7,540	5,871	28%
Shareholders' equity	22,426	20,515	9%

General Insurance key performance indicators

for the years ended December 31	2005	2004	Change
Business operating profit (in USD millions)	1,914	1,241	54%
Combined ratio	100.8%	102.0%	1.2 pts

Life Insurance key performance indicators

for the years ended December 31	2005	2004	Change
Business operating profit (in USD millions)	1,079	934	16%
New business profit margin (in % of APE)	14.5%	11.4%	3.1 pts

Return on common shareholders' equity (ROE)

returns for the years ended December 31 ¹	2005	2004	Change
Return on common shareholders' equity (ROE)	15.5%	13.6%	1.9 pts
Business operating profit (after tax) return on common shareholders' equity	13.6%	12.6%	1.0 pts

Per share data

for the years ended December 31	2005	2004	Change
Diluted earnings per share (in CHF)	27.11	20.83	30%

¹ ROE is based on net income attributable to common shareholders.

Disclaimer and cautionary statement

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.

This communication is directed only at persons who (i) have professional experience in matters relating to investments or (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or to whom it may otherwise lawfully be communicated (all such persons together being referred to as relevant persons). This communication is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates is available only to relevant persons and will be engaged in only with relevant persons.

It should be noted that past performance is not a guide to future performance.

Persons requiring advice should consult an independent adviser.