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Chief Executive Officer

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It is with great pride in our people and confidence in our Group's future that we present an outstanding operating performance for a year characterized by the worst natural catastrophes on record. For the second time in a row, business operating profit increased by more than 30%, while return on equity rose 1.9 percentage points to 15.5%, exceeding our target of 12% also for the second time in a row.

These results reflect our commitment to operational excellence, financial discipline and a sharp focus on market segments with the best prospects of sustainable high returns. We have a large presence on both sides of the Atlantic, and we are well positioned in other attractive markets around the globe. Our portfolio extends from General Insurance with large corporate, commercial and personal lines to Life Insurance and Farmers Management Services.

This diversified nature of our businesses served us well in 2005. We weathered storm losses of 1.3 billion dollars without jeopardizing our financial strength. Everything came together, and all business divisions in General Insurance contributed to the rise in earnings, despite record catastrophes. The Global Life Insurance segment further improved earnings, and Farmers Management Services continued to increase its fee income. More than half of business operating profit was contributed by the Life and Farmers segments. By their very nature, these segments are less affected by the volatility experienced lately in general insurance. Hence, they bring greater stability to our earnings. Finally, Group investments delivered also a pleasing result in a difficult economic environment.

In sum, the overall excellent performance mitigated the impact of hurricanes in North America and floods in Europe and it allowed us to post an outstanding result.

But diversification alone would not have been enough to produce this result. The performance of each segment was the result of the commitment of our people to identifying, nurturing and leveraging operational and transactional excellence. The last years have seen a sea change in the way our people are integrating best practices to improve the essentials of our businesses. It is this internal strength that supports our ability to generate sustained operating earnings at levels that place us in the top tier of our industry.

The confidence in our Group's strength is also reflected in our board's proposal to raise the total payout to shareholders to 7 francs per share, an increase of 75% compared with 2004.

Let me give you a few concrete examples on how we are making our improvements last:

- At the Europe General Insurance investor day we told you that underwriting leakage in UK commercial property was reduced from the 7% baseline in 2001 to nearly zero in 2005.
- Similarly, in North America Commercial, we reduced claims leakage from 11% baseline in 2002 to less than 4% last year.
- Also in North America, we won wide-spread praise for the innovative approach to settling claims in the aftermath of hurricane Katrina. Our Alternative Dispute Resolution Program is enabling us to quickly resolve disputed claims, thereby avoiding time-consuming and costly litigation.
- Finally, to give an example from distribution, our Life agents in Switzerland who were involved in the sales excellence initiative pilot program increased their production by 20% in 2005. This successful program is now being rolled out in Switzerland, Germany, Italy, Spain and the UK.

These are just a few of literally hundreds of operational improvements that come together in what we call The Zurich Way. In 2005, all together contributed well above our target of 500 million dollars worth of economic value. The Zurich Way is not a one-off cost-cutting

exercise. Its greater worth is the fact that the programs reflect a passion for excellence that affects everything we do. It is a change in the mindset that is having a lasting impact on the Zurich you are seeing today.

I would like to illustrate this with a brief review of our preparation for last year's hurricane season. In the light of increased storm frequencies we began early to tighten our underwriting standards in cat-prone regions along the Gulf coast. We also had robust reinsurance arrangements in place. The important point is that in the end our cat losses both gross and net of reinsurance were lower than what observers would have expected based on our market share.

As I said earlier, we enter 2006 building on a solid foundation marked by operational and financial discipline and a well-suited mix of business segments and product lines designed to deliver sustained earnings at top-tier levels. Our momentum is strong, and I would now like to tell you how we endeavor to make it sustainable.

Most importantly, we will not change the fundamentals of our past success. Operational excellence and financial discipline are here to stay.

In November, we told you about our plans to generate another 500 million dollars of operational improvements through The Zurich Way in both 2006 and 2007. They are the next stage in a long line of improvements that began in 2002. Since then we have built a track record of delivering in excess of the targets. This record demonstrates that we have the methods, the processes and, most importantly, the people to do so again, and that is why we believe we will continue to deliver in the future.

In addition to the ongoing activities in claims and underwriting, The Zurich Way will expand our efforts in the area of distribution. The productivity gains we have achieved with tied agents will be transmitted to the entire network, strengthening the relationship with our independent agents in both life and general insurance markets. We will also reinforce our internal mindset of continued improvements with a people management program designed to better leverage our global workforce.

These are each tangible improvements that will flow through to the bottom line. Over the years, the focus of our programs has shifted to process improvements and efficiency gains. Going forward, only about 20% of the benefits will come from straight cost cutting. That's why we believe the benefits are helpful in our endeavor to protect us against potential cyclical earnings pressure.

Our commitment to continued improvements also applies to the management of catastrophe risks. To be sure, rates for cat cover have sharply increased at the January renewals. But so did corresponding primary rates. In addition, we continue to improve the tools available to our underwriters. They are now capable of assessing the impact of a prospective risk to the overall portfolio before acceptance. They are also placing more emphasis on secondary exposures such as demand surges in the aftermath of large catastrophes.

This comprehensive approach has already delivered measurable results. Zurich Small Business, for example, is on track to reduce total insured value in Florida by 25% by September of this year and by more than 40% in 2007.

This helps us to mitigate the volatility inherent in our business.

Now, a few words about the businesses themselves. Let me begin with the Life segment.

Over the past two years, we have fundamentally transformed the Life business by refocusing on the most profitable markets and segments, cutting costs and adopting new and more sustainable business models. The impact of these actions is clearly visible in the 2005 results and in the trends you saw emerging throughout the year. Since 2003, new business value has more than doubled. It comes from a strong increase in our new business profit margin. Now that our margins are at satisfactory levels, we are ready to re-emphasize growth. Last year, we have already gained market share in almost all of the countries in which we operate, and our growth accelerated as the year unfolded. So our goal for 2006 is clear – to sustain the notable improvement in our margins as we build on our growth momentum and complete the turnaround of our Life business. Our teams are determined to continue the momentum, and I am convinced they will.

There is also more to come from General Insurance.

Four weeks ago, Dieter Wemmer told you how much they have achieved in Europe, and how his team will be leveraging the various distribution channels to achieve profitable growth. To be sure, the appeal of this division derives from its backbone, the less volatile personal lines.

But that is not the end of the story. Europe General Insurance is determined to achieve cost leadership. Cost leadership will enable us to defend and build on market share without any loss in the quality of our earnings.

Our success in North America is increasingly built on the strong small business franchise in North America Commercial and the Farmers Exchanges. Going forward, we will build on the leadership position in this market to craft even more efficient underwriting tools and platforms and leverage our position for profitable growth.

The Farmers Exchanges have met their surplus growth target of 1 billion dollars nearly one year ahead of schedule. Not only are their expansion plans in place, as demonstrated at last September's investor day, but now they have the surplus to fund them.

Our other segments are also in an excellent position to maintain the momentum, as demonstrated by the strong trend in our International Businesses or the unique value proposition of Global Corporate. The blueprint is the same everywhere. We have identified best practices and processes, and we are driving them relentlessly through our entire Group.

To leverage our franchise and promote growth, we have launched an international brand campaign. But branding goes far beyond producing commercials. Over the last 12 months, and long before you saw the first advertisement, we instilled in our employees the idea of one Zurich. This goes beyond having one common set of goals and commonly agreed processes. It is about delivering a consistent and differentiated customer experience, and it is firmly rooted in the talent of the people empowering the brand.

Considering that Zurich brand recognition outside of our home market Switzerland is low, having a strong brand will enable us to unlock the markets' potential and leverage our

presence across a wide range of products and geographies. Our activities will become mutually reinforcing, adding to our unique strength in the global insurance markets.

Let me summarize.

We are well positioned to benefit from general and life insurance markets that are more attractive than envisioned only a short time ago. Early indications show an encouraging firming of general insurance rates in the fourth quarter. To be sure, year-on-year rate changes in commercial lines, for example, are slightly negative; and we are quite realistic about that. But strong increases in catastrophe-prone lines have spilled over into other market segments. This reduced – and in some lines even reversed – the decline we saw earlier. However, far more important is the fact that our ability to write new business at margins at or in excess of our hurdle rate has not been impaired.

2005 has been an outstanding year despite a difficult environment. We have demonstrated our commitment to operational excellence and financial discipline. It produced results in a most demanding market environment. We have the methods, the processes and the people to sustain profitable growth in the future.

The current year will undoubtedly be challenging again. But we are prepared, and we will stay the course toward sustainable and successful performance.

And now we are happy to take your questions.