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Half Year Results Reporting 2006 – Media Conference

Remarks by James J. Schiro

Chief Executive Officer

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Welcome to Zurich's 2006 six month results announcements. Our 55,000 employees have once again demonstrated their passion for excellence through another set of excellent financial results. We grew our net income nine percent, increased our business operating profit 24 percent, and posted a 19 percent return on equity. These are clearly excellent results, and my colleagues and I are proud of the way our employees are executing the strategic plan we set out in 2004.

I want to briefly highlight how these results reflect our long-term operational improvement efforts. Remember, The Zurich Way has been driving transformational improvements throughout the Group since 2003, and what we are seeing today is the long term value of these efforts.

First, it is important to note that we continue to shift away from straight expense savings to the more growth oriented distribution management area. This will leverage the significant improvements we have made in underwriting, claims, finance and reserving. Furthermore, all business divisions are contributing to the improvements, reflecting both the breadth and depth of these cultural changes.

What today's results highlight most, though, is the extent to which our market strategies are impacted by these now-ingrained improvement programs. Let me give you a few examples.

In general insurance, the overall rate environment remains attractive. At the aggregate level, we are seeing flat rates, although certain lines and geographies – such as US property – are seeing rate increases, others – such as US and UK liability – are seeing downward pressure, and still others are remaining generally unchanged. But this is the nature of the insurance business. What is critical in this environment is a strategy that allows us to make market moves quickly and deploy capacity where it is most highly valued.

Evidence of such a strategy is reflected in our general insurance gross written premiums, which grew by 2 percent in local currencies. In some lines, however, we shrunk by as much as 57 percent, while in others we grew as much as 31 percent. These movements are the product of a rigorous technical price rating model developed as part of The Zurich Way. They incorporate a disciplined risk based capital framework. And they are executed through refined distribution management processes. An example of how powerful this combination is can be seen within North America Commercial. Through our adherence to technical price and an actively managed mix of business, we achieved a 1 percent rate increase, despite market statistics showing a 5 to 6 percent decline in overall rates. Moreover, we also match this refined risk appetite with our reinsurance strategy, further optimizing profitability.

As I have stated over the past years, our strategy is designed to deliver an ROE target that consistently meets or exceeds 12 percent, despite an often challenging rating environment across lines of business and geographies. This approach allows us to rebalance our exposures on a real-time basis, diminish our dependence on the vagaries of the cycle, and improve the underlying quality of our general insurance portfolio.

Executing this strategy would not be possible, though, without the processes and procedures associated with The Zurich Way. In fact, our calculations project a positive contribution of 1.5 percentage points a year on our combined ratio in 2006 and 2007 as a result of The Zurich Way.

Clearly, our approach reflects a smarter way of doing business, as demonstrated by these six months results. But we are also getting smarter in other ways. This time of year, catastrophe exposures, particularly in the southeast United States, are on everyone's minds, including ours.

As our 2005 catastrophe loss demonstrated, we have and continue to implement rigorous accumulation management processes. We are consistently rebalancing our US portfolio to optimize our exposures. And rather than rely solely on the modeling data provided to us and used by many in the industry, we recently established a panel of external experts in climatology, geology and related sciences to advise our underwriters on the underlying forces affecting this exposure and to recalibrate our exposure models.

Our pro-active management of this exposure is reflected in the professionalism we demonstrated with the accuracy of our hurricane loss estimates, as well as the innovative spirit we showed through the development of our Gulf Coast alternative dispute resolution mechanism. And now, with three solid years of underwriting discipline behind us, we are well positioned to transform the knowledge gained from our Natural Catastrophe Advisory Board into meaningful market insight.

Together, these efforts significantly strengthen our general insurance portfolio.

In Global Life, the story you see reflected in the numbers is quite simple. We focused our operational improvements on product development and distribution management. In addition, we shifted the emphasis of our new business from traditional products to unit linked products. In the first six months of this year, those dual efforts generated new business volume growth of 20 percent in local currencies, with new business profit of 205 million dollars or 17.7 percent.

We have achieved leading positions in a number of markets, including, for example, unit linked products in Germany, investment bonds in the UK, and international expatriates. We also successfully introduced new products in Ireland, the UK and other international markets, which significantly strengthened our position in the IFA and broker channels. Furthermore, our service units and new product offerings are increasingly winning awards for excellence, and we continue to work successfully with new and innovative distribution partners.

Paul van de Geijn said at the EEV investor day in July that we anticipate continued double digit APE growth. According to our projections, The Zurich Way workstreams will be

responsible for at least half of that growth. Furthermore, the growth we're seeing today is creating value that we will continue to see in the future.

At Farmers, we continue to link the learnings generated from overseeing one of the most efficient distribution platforms in the insurance industry with innovative market segmentation strategies. An example is what we are doing with the Hispanic American population, a potential 19 billion dollar insurance market with no clear leader in the US. Through a strong new Spanish-language advertising campaign, a widely respected spokesperson in community-activist Edward James Olmos, and a solid investment in recruiting new agents specifically to serve these markets, Farmers is positioned to capture the growth that will go to the leader who best understands how to service these customers in culturally relevant ways.

These efforts reflect the transformational changes we have been making since 2003, and highlight the continuing progress we have made in embedding these core competencies into our strategic plans. Going forward, we will leverage that capability even further through an integrated global brand campaign that raises the awareness and familiarity of Zurich, and institutionalizes a heightened internal customer focus. Like The Zurich Way, we are mobilizing cross-functional teams to operationalize our brand promise by creating a lasting and consistent differentiated customer experience. At Zurich, brand building is more than advertising.

To sum up – our growing general insurance portfolio is of a higher quality and better managed than ever before. We are deriving consistent profitable growth from an increasingly efficient life business. Farmers is effectively applying its proven distribution strengths to sophisticated market segment strategies. And an integrated approach to brand management is sharpening our customer focus.

Each of these strategies is based on a culture of operational excellence and improving financial strength, and building on that base, we are creating long-term value through the three pillars of customer insight, product development and distribution management.

This is why my colleagues and I are confident about Zurich and the momentum we have created, and why we are so proud of our employees worldwide who deliver on executing this strategy each day.