

Zurich Financial Services

Poised for profitable growth

Patrick O'Sullivan
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Merrill Lynch Conference
London, October 5, 2006

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Highlights of Zurich's turnaround



Profit & Loss

- Focus on the core
- Financial rigor
- Increased u/w profit and discipline
- Increased Life profitability
- Operational efficiency
- Contingency planning

Balance Sheet

- De-risked balance sheet
- Strengthened capital base and reserves
- Centrally coordinated capital management

Management

- Customer and market-centric organization
- Accumulation management implemented
- Cultural change process
- Performance culture
- Talent management

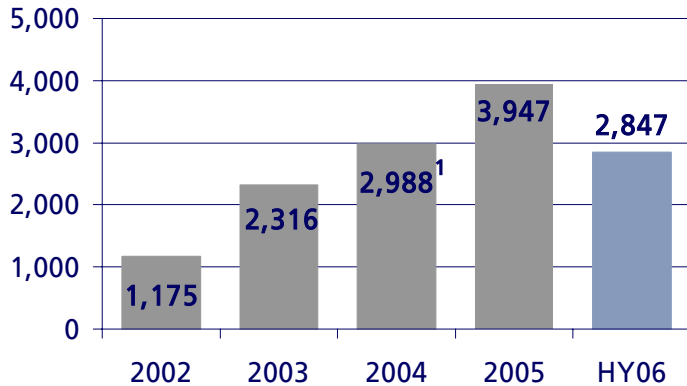
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Foundation for profitable growth

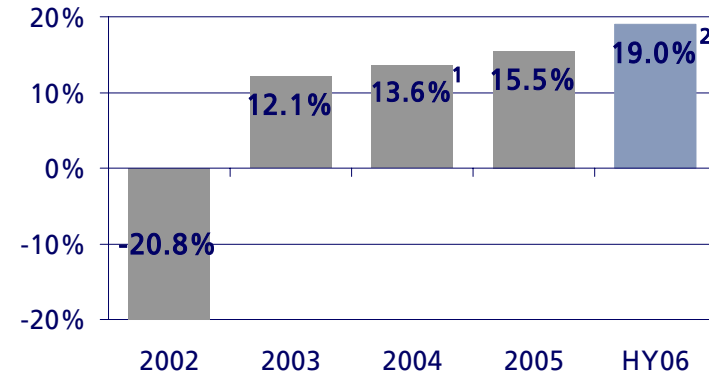
A track record of performance improvements



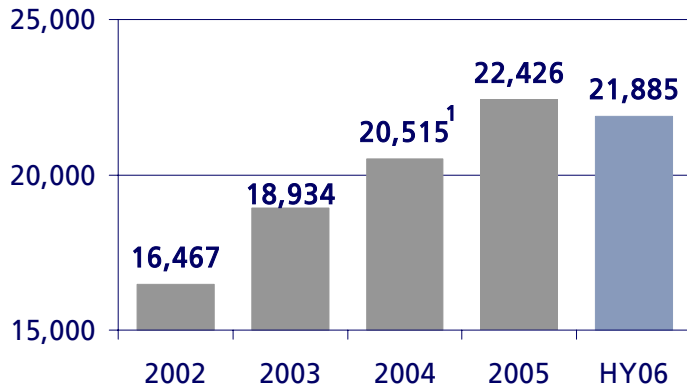
Business Operating Profit (in USD millions)



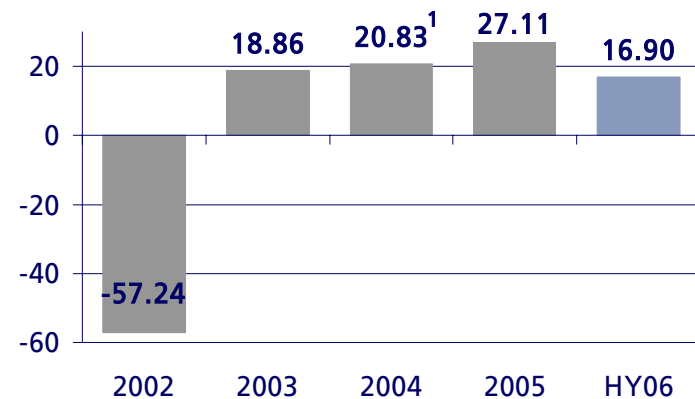
Return on common shareholders' equity



Shareholders' equity (in USD millions)



Diluted earnings per share (in CHF)



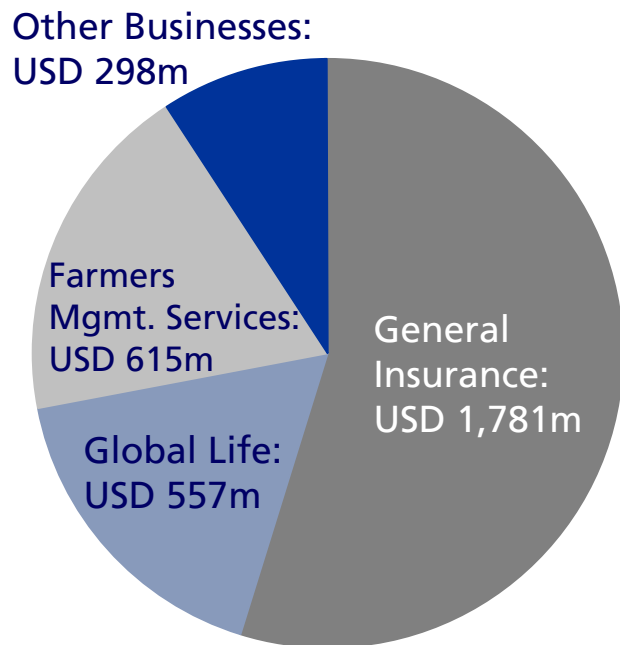
¹ Restated

² Return for the HY06 is annualized on a compound basis using the result for the six months ended June 30, 2006.

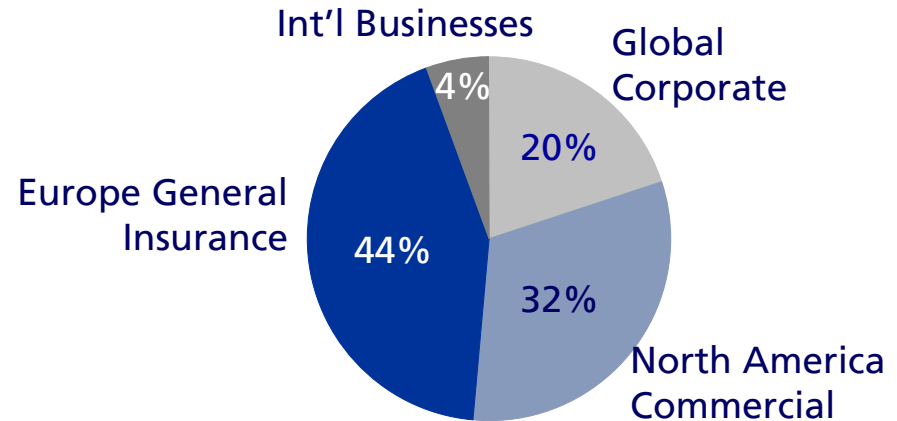
Zurich has a well diversified, global book



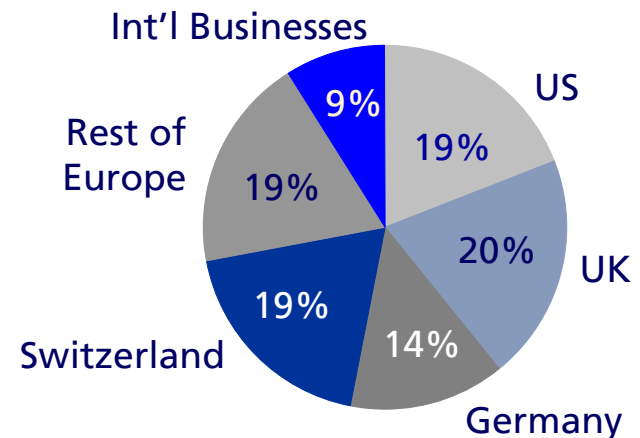
Business Operating Profit by segment^{1,2}



Business Operating Profit General Insurance¹



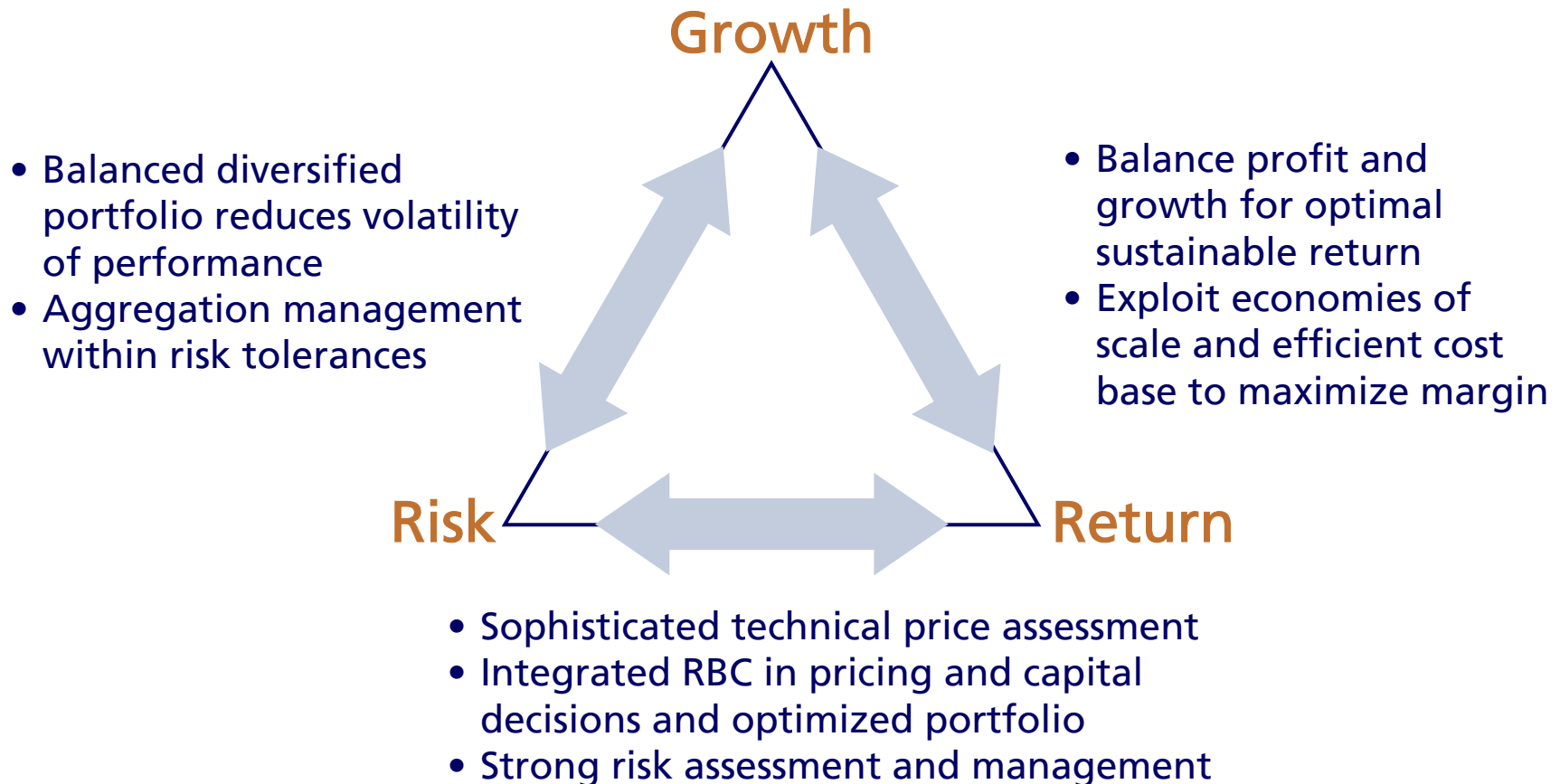
Business Operating Profit Global Life¹



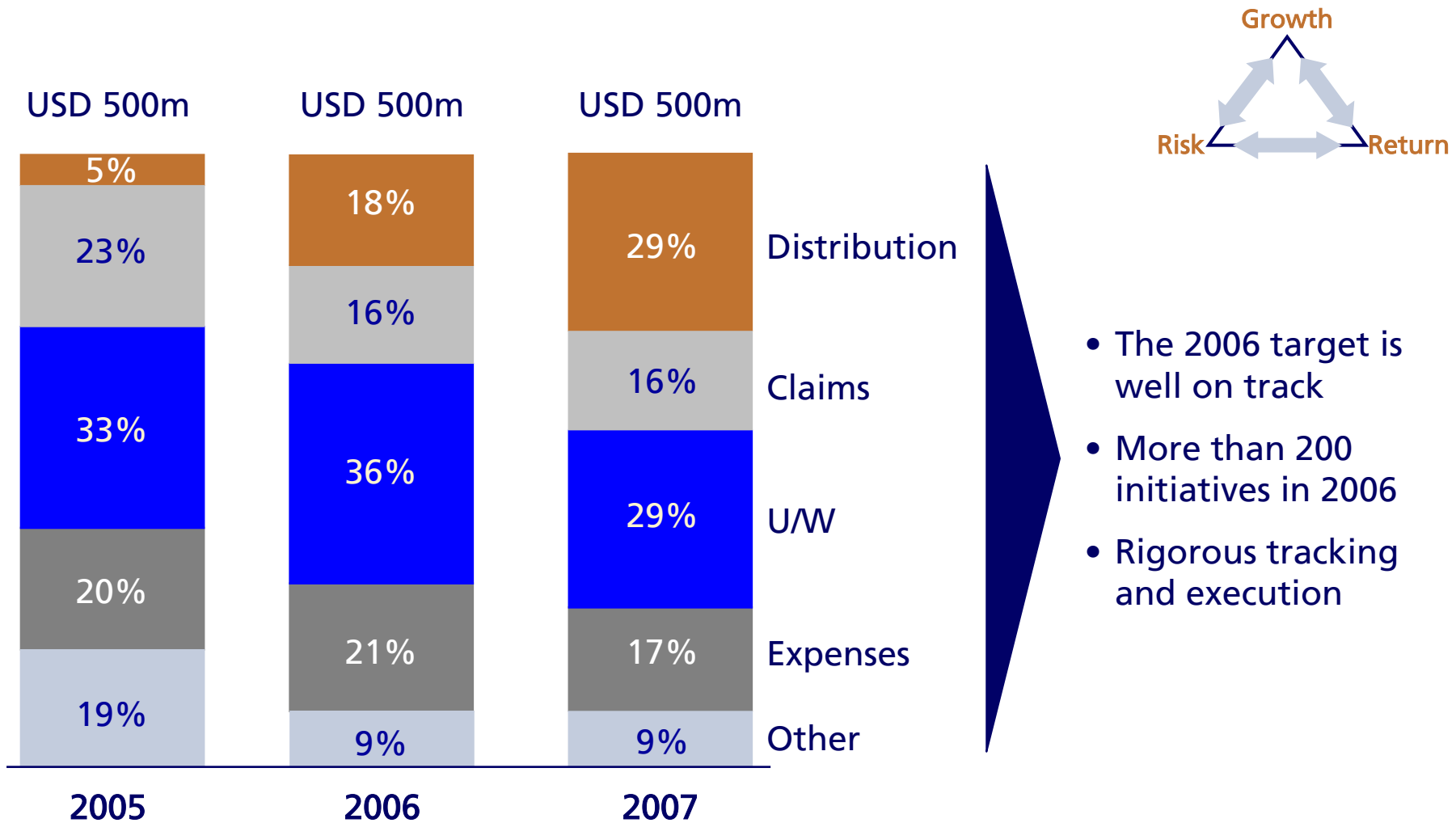
¹ As of June 30, 2006

² Excluding Corporate Functions

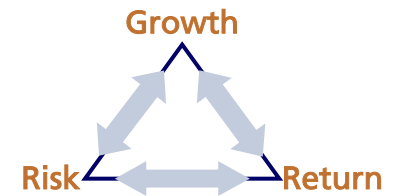
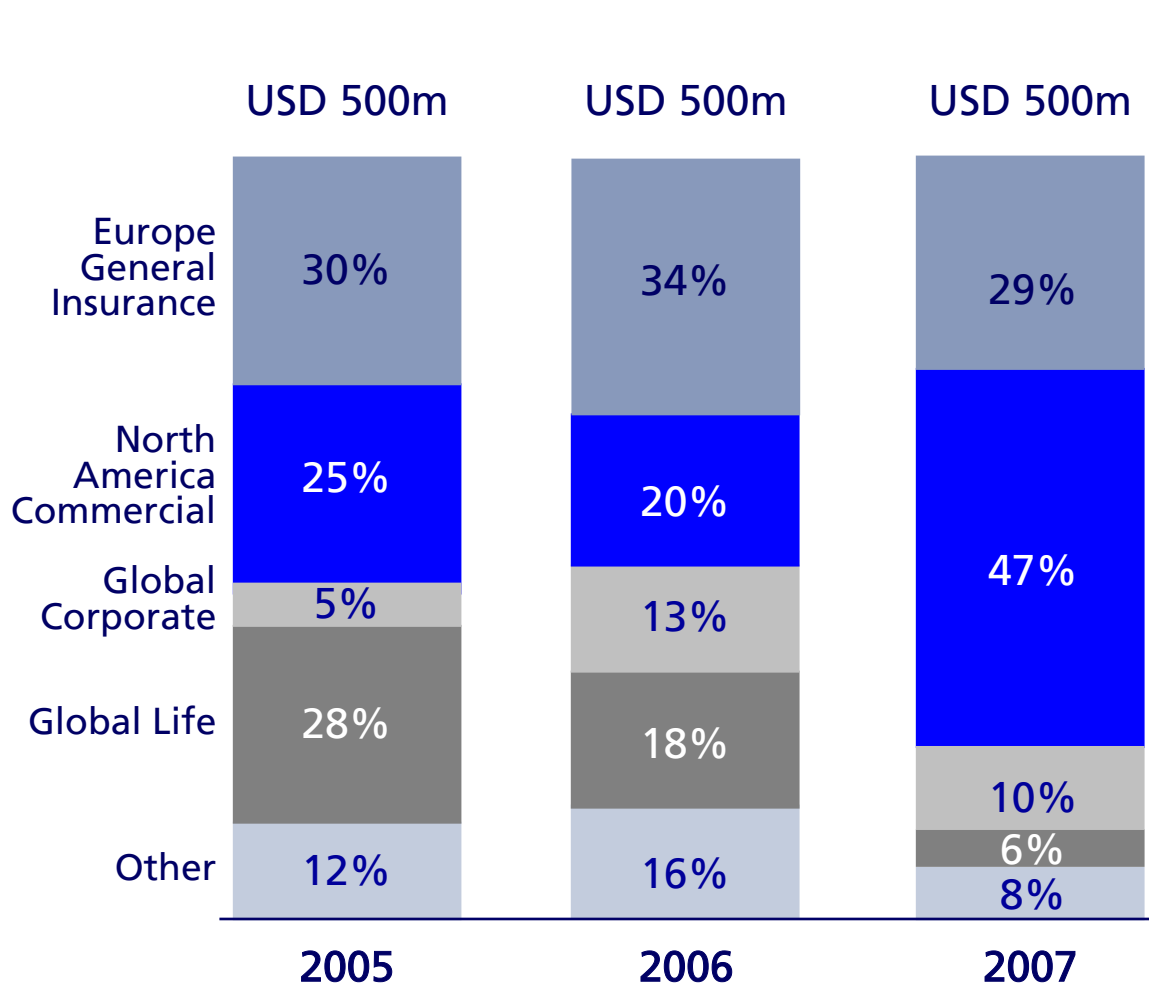
Risk, return and growth – an old story with well known trade offs



The Zurich Way is our response to capitalize on these trade offs: by function...



... and by business division



Expected contributions to key performance indicators for 2006/07

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

Global Life:
APE¹: half of targeted double digit growth to come from TZW

¹ Annual Premiums Equivalent

Implementation examples in our Business Divisions



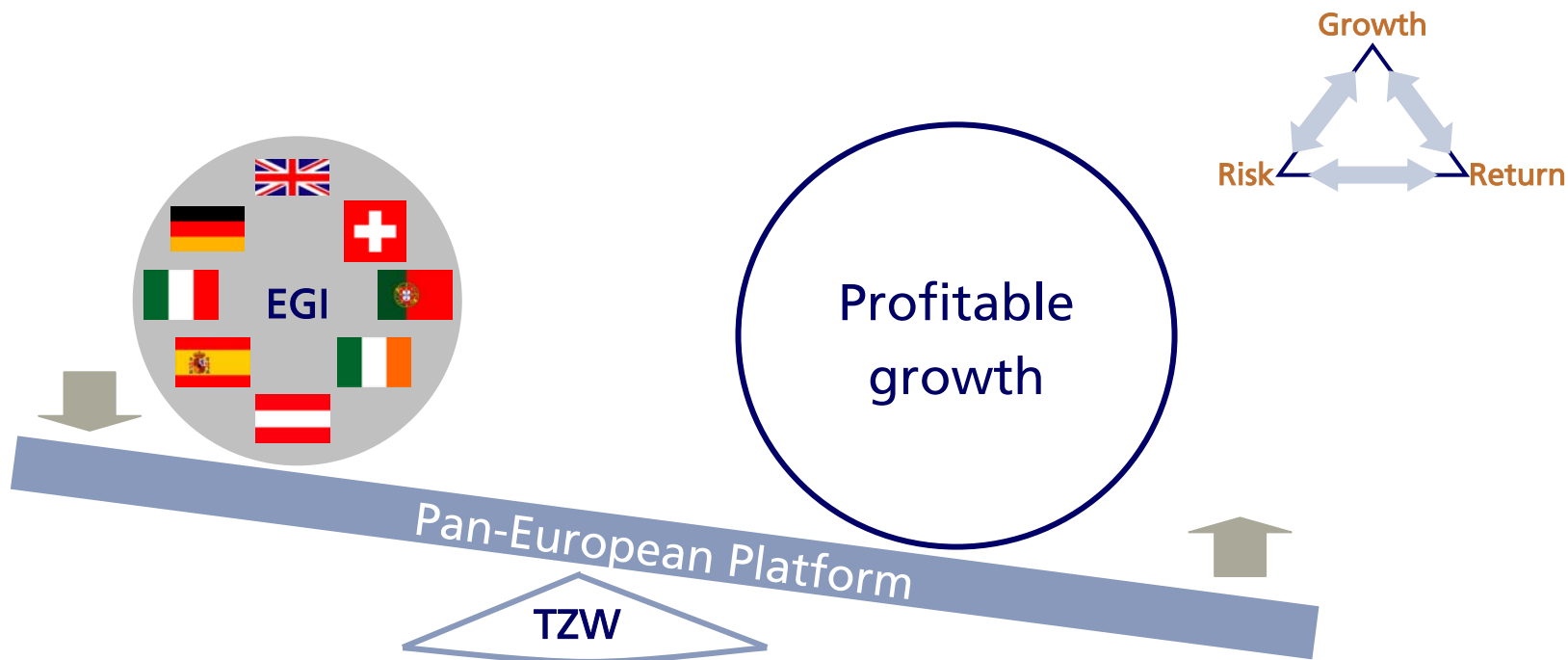
- Europe General Insurance (EGI)
- North America Commercial (NAC)
- Global Life
- Farmers Management Services

2010 vision

We are implementing pan-European strategies and platforms to consolidate our competitive advantage throughout the value chain

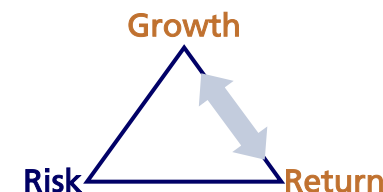
- Leading European insurer with top-tier positions in chosen markets
- Cost leadership
- Sophisticated way of doing business
- Distribution transformation

The Zurich Way (TZW) and the Pan-European platform: why they drive profitable growth



- Enhanced management control with less friction
- Shortened innovation time allows faster responses to customer needs
- TZW initiatives spread out equally within a tightly controlled framework
- 8:1 – 8 country implementations empowered and accelerated by 1 idea
- 8:1 – 8 European countries, 1 European mindset

EGI is transforming multi-channel distribution to maximize access and customer insight



Tied agents

- Grow agent base by 1,200
- enhancing point of sales effectiveness
- driving productivity

Brokers

- leveraging large brokers
- optimizing IT-connectivity
- more efficient and effective channel management

improved customer insight

higher competencies at point of sale,
development of relevant products

increased sales productivity generates
customer satisfaction and loyalty

enhanced profitability

Direct

- strengthening Pan-European capabilities
- expand strong position and product portfolio

Partnerships

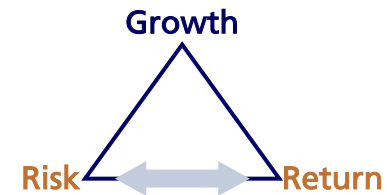
- growing partnerships (banks, corp. customers, car dealers)
- optimizing IT-support and product range

Illustrative implementation examples in our Business Divisions



- Europe General Insurance (EGI)
- North America Commercial (NAC)
- Global Life
- Farmers Management Services

NAC establishing technical discipline – 1st wave of TZW initiatives fully implemented¹



Establishing Technical Discipline

Underwriting

“Charging the right price for the underlying risk”

- Upgraded Technical Price sophistication
- Strengthened product line leadership
- Improved metrics, scorecards
- Reduced underwriting leakage

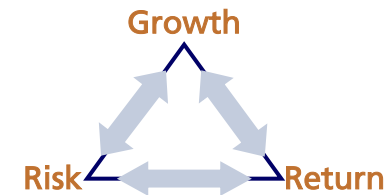
Claims

“Paying the appropriate amount per claim merits”

- Establish best practices, in particular CAT management
- Improved metrics, scorecards
- Reduced claims leakage

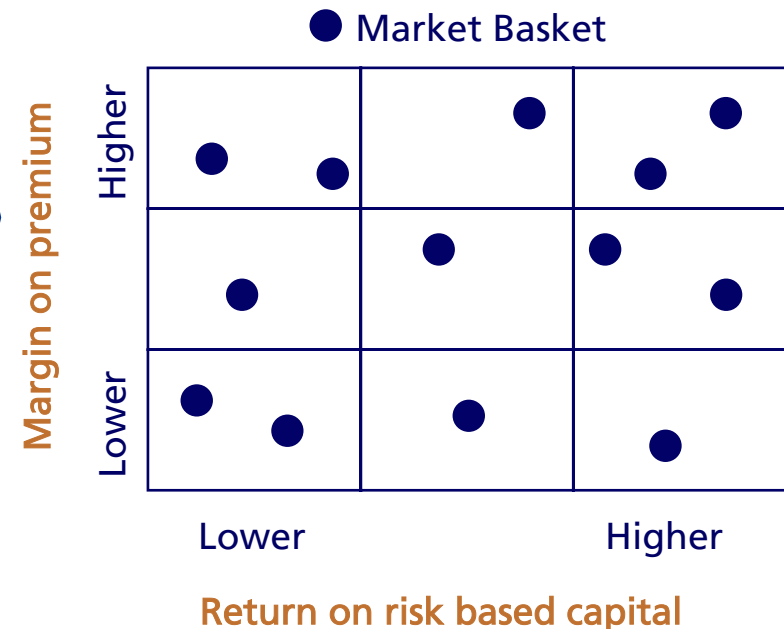
¹ Additional detail provided in Zurich’s investors’ day presentation of January 20, 2005 and June 30, 2005

NAC enabling profitable growth - portfolio reshaped to maximize profit per unit of risk

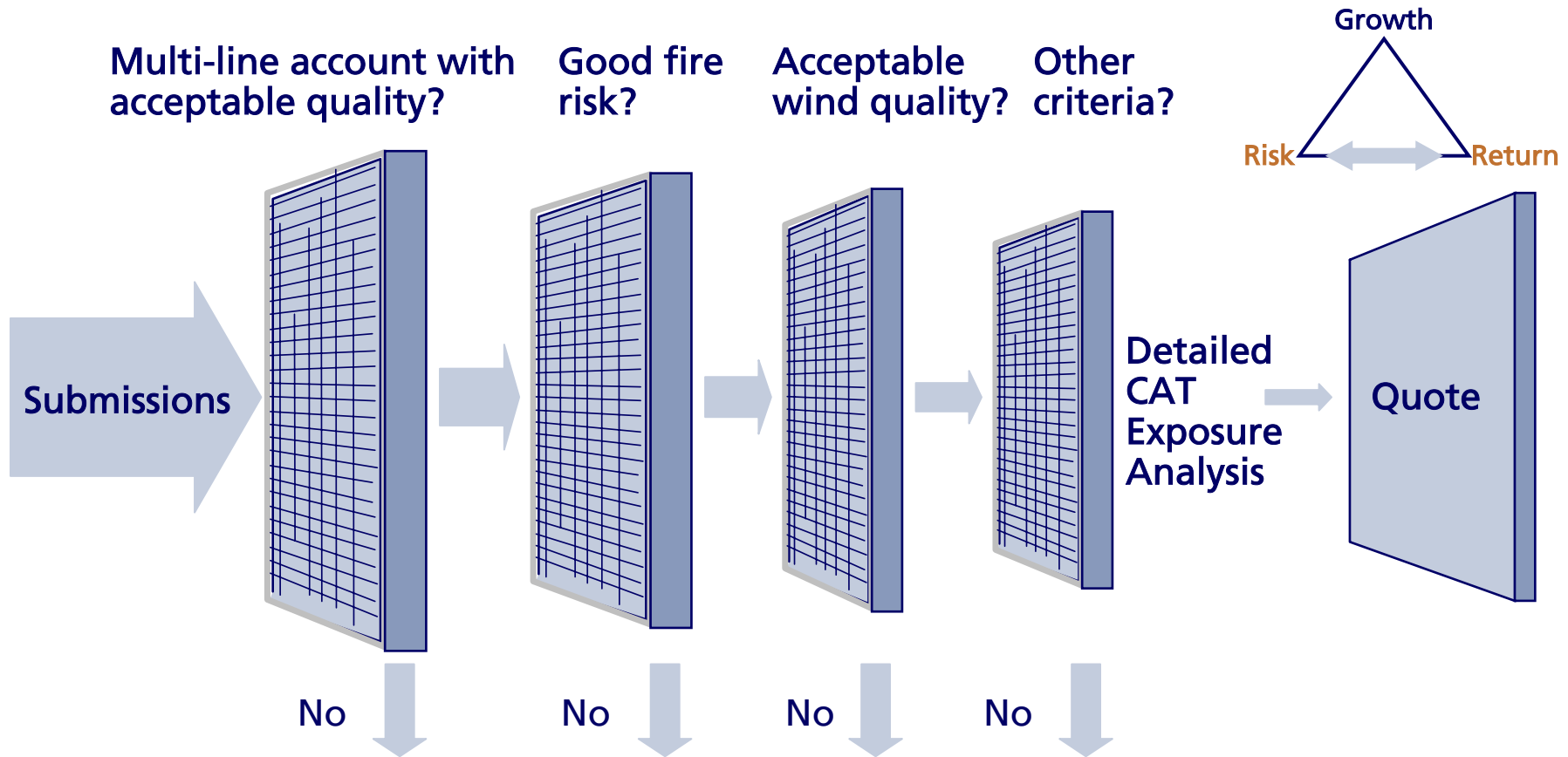


- Divide our businesses into 68 market baskets for making capital allocation decisions
- Analyze performance using two lenses:
 - Margin on premium (BOP/NEP)
 - Return on Risk-Based Capital (RBC)
- Balance capital intensity with profitability
- Continually review and reshape the business by growing or shrinking into the most attractive portfolio
- Ensures that NAC's portfolio is composed of the RIGHT segments, at the RIGHT price, at the RIGHT time in the cycle

Force rank businesses to balance capital intensity with operating profit



NAC managing risk profile and optimizing capital use



Accounts that do not pass the filters are flagged for special attention and compelling reason must justify spending capacity

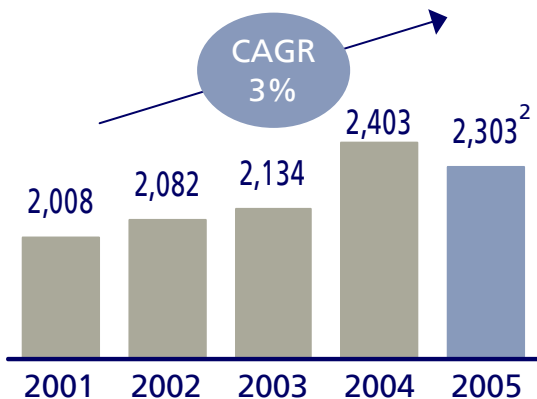
Illustrative implementation examples in our Business Divisions



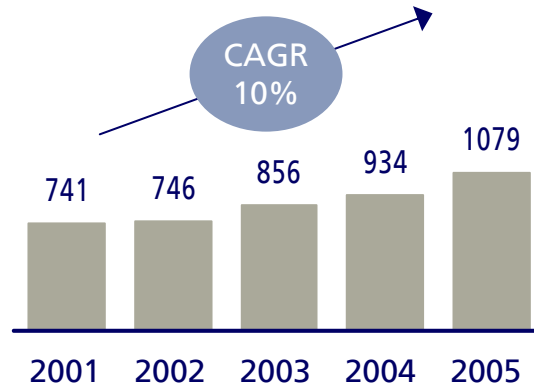
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Global Life – After fixing profitability, our focus is now on growth

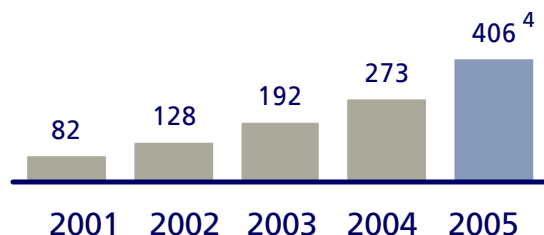
New business APE
in USD millions



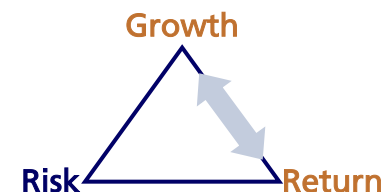
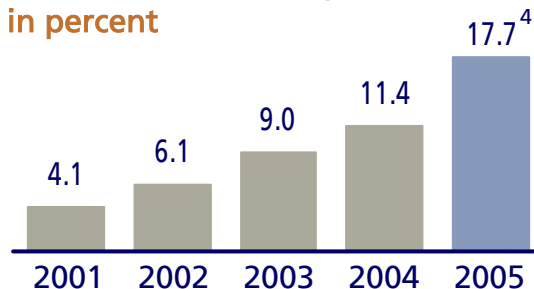
Business operating profit (BOP)³
in USD millions



New business profit (NBP)¹
in USD millions



New business margin (NBM)¹
in percent



HY 2006⁴:

- APE: +20%⁵
- NBP: +19%⁵
- NBM: 17.7%
- BOP: +4%

¹ Traditional EV methodology as reported in these years

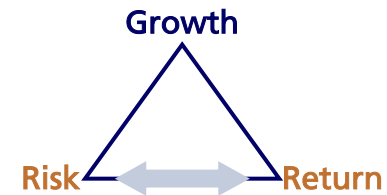
² Excludes Australia's investment business

³ 2001-2003 as reported, 2004 restated for IFRS changes

⁴ European EV methodology

⁵ Change in local currency

We radically changed the Global Life business model in multiple markets



UK

- Consolidated legal entities
- Separated distribution from manufacturing / Openwork
- Release of USD 1.1 billion
- Overhaul cost base
- Outsourcing non-core back office

Germany

- Service company model
- Restructured balance sheet and investment portfolio
- Continued focus on unit-linked
- Consolidate legal entities

Switzerland

- Changed business model for group pension business
- Transfer processing onto German product platform
- Integrated legal entities

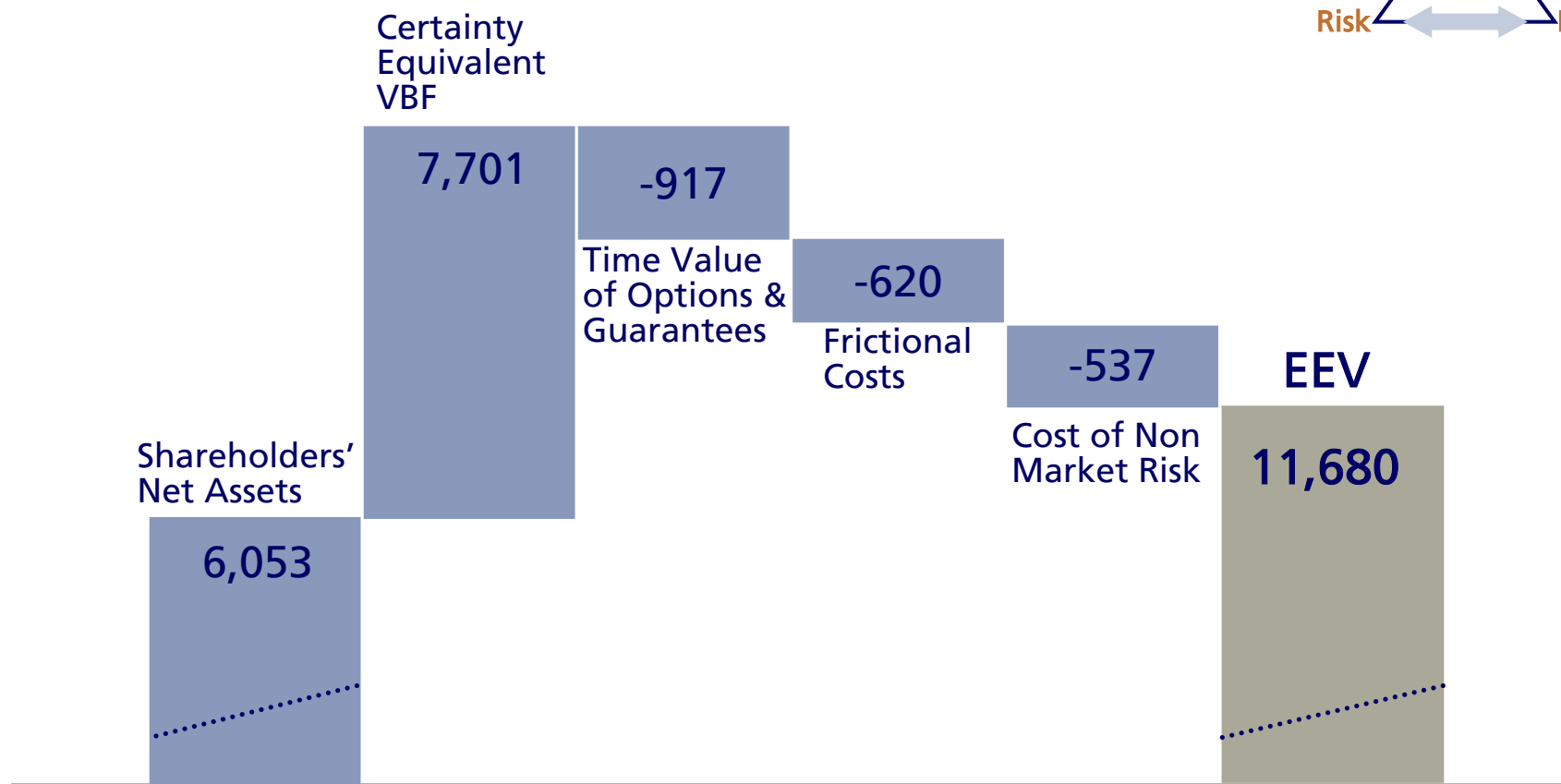
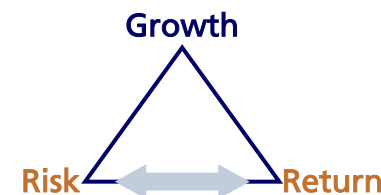
Zurich International¹

- Business world-wide written on one single balance sheet
- Using a single platform with two processing centres
- Flexible/efficient expansion meeting demands from expatriates worldwide

European Embedded Value (EEV) enhances risk adjusted management of our life business



in USD millions
as of December 31, 2005

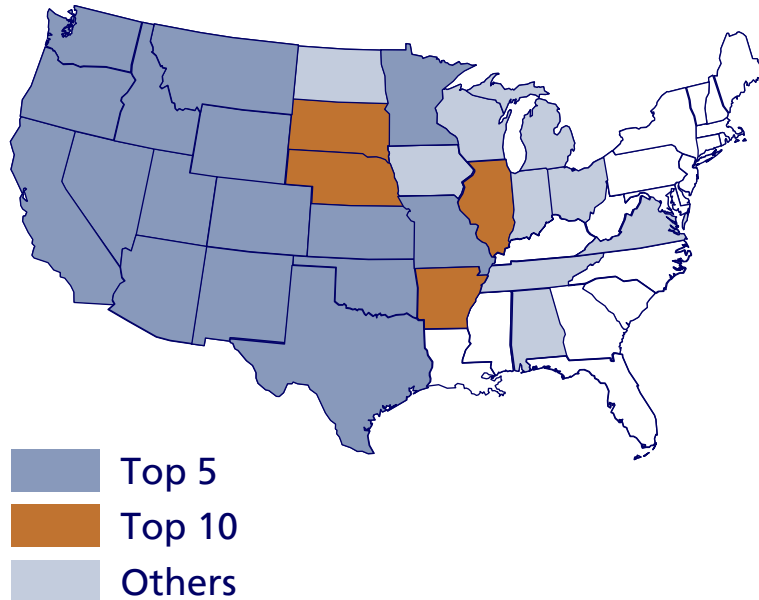


Illustrative implementation examples in our Business Divisions



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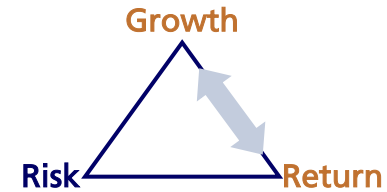
Farmers is driving profitable growth through increased distribution effectiveness



Source: A.M. Best 2005

Core states

- 3rd largest Auto
- 3rd largest Home
- 3rd largest Commercial Multi-Peril
- Largest Specialty (Mobile Home)

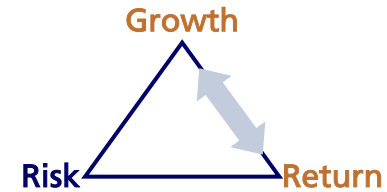


- More effective at attracting and installing new agents ...
 - Record levels of new agent applicants in 2005; 2006 is on pace to surpass that
 - 5,263 new agent appointments from 2002 to 2005
- ... and large improvements in new agent productivity
 - 110% increase in new agent productivity¹ from 2002 to HY 2006

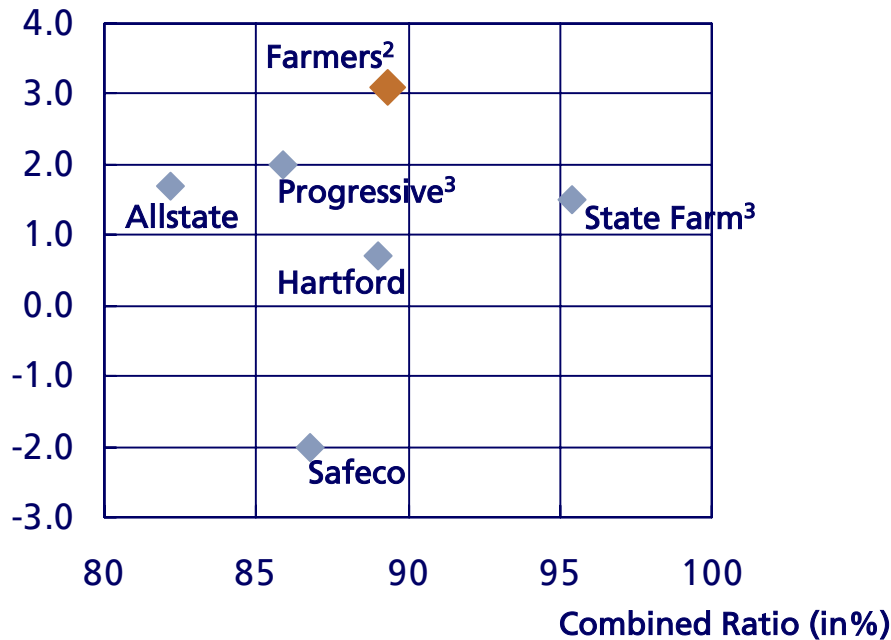
¹ Number of new policies sold/month/agent for Auto and Fire

Farmers is now at an inflection point and is positioned to outperform the market

Growth vs. Combined Ratio⁽¹⁾ - YTD June 2006



NPW Growth (in %)



- Surplus development plan designed to generate capital for profitable growth
- USD 1.3 billion organic surplus growth achieved since 2003
- Farmers achieving market leading growth at attractive combined ratios

¹ Source: SEC form 10-Q filings, except for Farmers and State Farm

² Reflects Direct premiums written growth and adjusted combined ratio, excluding Workers' Compensation of the Farmers Exchanges.

³ Based on Direct premiums written

Key take aways from Zurich



- Zurich has been managed to the risk, return and growth paradigm for 3 years
- We have been investing through The Zurich Way with more than 200 initiatives only in 2006 and there is more to come
- Zurich is well diversified by lines of business and geography
- Zurich has an active capital management program to outperform in terms of ROE against market trends



Zurich is poised for profitable growth

Appendix

Financial highlights - HY 2006



in USD millions

for the six months ended June 30

	2006	2005	Change
Business operating profit	2,847	2,305	24%
Net income attributable to shareholders	1,957	1,799	9%
General Insurance combined ratio	94.8%	96.9%	2.1pts
Life Insurance new business profit margin ¹	17.7%	17.4%	0.3pts

	06/30/06	06/30/05	12/31/05
Return on common shareholders' equity (ROE) ²	19.0%	18.5%	15.5%
Business operating profit (after tax) ROE ²	18.8%	16.6%	13.6%

¹ As % of APE (Annual Premium Equivalent)

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

Business operating profit by segment – HY 2006



in USD millions

for the six months ended June 30

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

General Insurance

key performance indicators - HY 2006

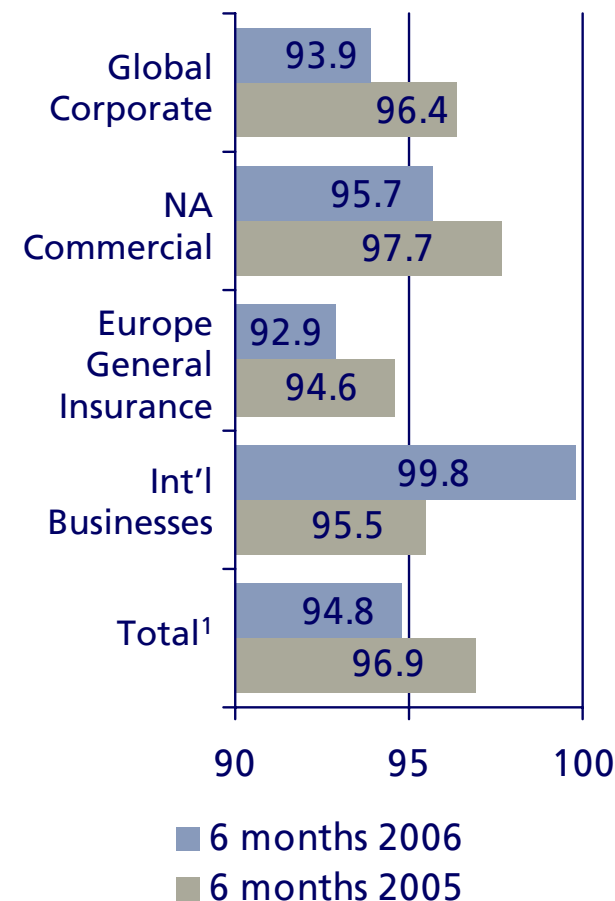


Business Operating Profit

in USD millions
for the six months ended June 30

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

Combined ratio (%)



¹ Including Centrally Managed Businesses and inter-segment eliminations

in USD millions

for the six months ended June 30

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

¹ Based on Annual Premium Equivalent

² European Embedded Value operating profit, after tax

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

⁴ Local Currency