

***Published as written.
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Half Year Results Reporting 2007 - Analysts and Media Presentation

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August 16, 2007

Almost three months ago, we laid out a Group strategic vision forged on a commitment to maintaining profitability in all our businesses, and to pursuing selective profitable growth in those markets where the best opportunities arise. I am proud to say that our results in the first six months of this year demonstrate our commitment and capability to achieving that strategy.

Business operating profit is up. Net income is up. We effectively absorbed significant catastrophe losses. In addition, we achieved steep increases in life new business value and gross written premiums at the Farmers Exchanges. These are excellent results from across all our business segments, highlighting the resilience of our diversified risk portfolio and our ability to manage the twin levers of profitability and volume.

As importantly, though, it is our strong balance sheet, which we have spent five years systematically strengthening, that positions us so well in the marketplace, particularly considering prevailing financial and market conditions. Standard & Poor's acknowledged this when they restored our AA minus credit rating, and it is this fundamental financial strength that underpins our disciplined approach to market issues.

Furthermore, considering the current state of global credit markets, I am pleased to report that we have conducted a detailed review to assess our exposure to subprime debt, both from an asset class perspective and from a liability or D&O context, and that neither pose any material exposure.

Combine this disciplined approach to financial and underwriting issues with effective management of our capital, and you can understand why we are so confident about our ability to achieve our strategic aspirations.

To tie these results back to a chart we showed at the Investor's Day, I would like to underscore what a differentiated focus means in practical terms for each of our major businesses.

At Farmers, it is pretty clear that the focus is market-beating profitable growth through a combination of new customer segments, product enhancements and distribution strategies. We have been investing in precisely these types of capabilities, and a 5 percent growth in premiums in the largest personal lines market in the world is a testament to our success, particularly as we also continue to considerably strengthen the financial condition of the Farmers Exchanges, creating strong capacity to fuel continued growth.

In Global Life, the focus is similarly on growth, but with an increased focus on margin as well, as evidenced by our 51 percent increase in new business value. Here, Ireland, the global expatriate business and emerging markets – particularly Southeast Asia – posted strong growth in APE, while Switzerland, Germany and the US continued to generate solid increases in margins. Growth across the segment improved markedly in the second quarter, and we are confident that new product launches and continued expansion plans will enable us to achieve our growth target for the year.

In the General Insurance divisions, we are taking a differentiated approach based on our medium term view of the market. While this leads to different top line growth targets, we remain focused on continuing to drive the bottom line result in all divisions.

For example, in Europe General Insurance, we continue to approach a mix of market conditions through enhanced tied and independent agent performance, consistent underwriting discipline and refined claims management practices. On a parallel track, we also continue to generate operating efficiencies from our pan-European shared services approach, and are skillfully positioning Zurich to capture market share of the direct and partnership channels to exploit opportunities from how the internet is changing the way some customer segments buy insurance in these markets.

In our International Businesses, we are seeing the effects of a renewed focus on strengthening distribution and profitable growth, with premiums increasing across several markets. The newly configured Latin American operations led the way, with the recently rebranded South Africa business also posting a strong business operating profit. Emerging markets will remain a key focus going forward, and it is this combination of growth potential in the markets and proven operational capability within Zurich that makes us confident in our ability to achieve solid returns and profitable growth for years to come. In fact, later this month I will again be traveling to China, where we continue to invest in new ways to engage this rapidly growing market in both our life and general insurance businesses.

At North America Commercial and Global Corporate, the prevailing rate environments, particularly within US casualty lines, reinforces our disciplined commitment to profitable underwriting, as we will not sacrifice profitability for volume. However, through a keen focus on customer segmentation, product enhancements and distribution management we are seeing improvements in our renewals as well as targeted growth in select lines of business.

North America Commercial, for example, continues to leverage its market basket segmentation strategy as the basis for a highly effective means of approaching the marketplace. By tying refined distribution management strategies to the granular review of economic and operating returns, North America Commercial was able to concentrate its efforts and grow its business 2 percent in its most preferred baskets, despite an otherwise stagnant market.

At Global Corporate, initiatives such as cross-selling and the Zurich Multinational Insurance Proposition continue to generate new business while a renewed focus on relationship management improved retention rates. Together, these serve as good indications of how we can balance underwriting discipline with a commitment to profitable growth. The top-line may be relatively flat, but beneath the surface we are writing the business we want, and bolstering capabilities to capture more profitable business through sustainable customer-focused strategies.

All of this is occurring as we continue to maintain – if not increase – the momentum of the operational improvement benefits under The Zurich Way, as we are well on our way to achieving our current year target.

But while all of these factors may highlight our financial soundness, where they truly begin to differentiate Zurich is in times of crisis, when our customers need us most. Last week, I visited Cheltenham in the UK to see the impact of the floods first-hand, to ensure that our employees had the resources they needed, and to assess whether we were effectively leveraging our global resources as we put our customers' lives back in order so that they can focus on the future.

I met with commercial and personal lines customers, as well as our own employees who were impacted by the floods. Each of them recounted their experiences, and it is in times like these that you truly appreciate the significance of Zurich's global footprint and customer focus.

The response procedures we deployed, including surge management techniques and solution-based adjustors, were developed from our vast experience dealing with disasters all over the world, and assured our customers that they were not alone in this ordeal. Even more valuable, though, were the recovery capabilities we secured from an integrated global vendor network and our own international resources, ensuring that we could act quickly and professionally to address our customers' immediate and long-term needs.

These are the tangible benefits of insuring with a truly global insurer, and I saw first-hand how these capabilities come to represent the Zurich brand with our customers, and how that brand is becoming a differentiating factor in the marketplace.

To summarize, then, the first six months of 2007 saw Zurich continue its strategic focus on targeted profitable growth and sustainable operational improvements, while effectively absorbing significant catastrophe losses through a balanced portfolio of risks. By effectively focusing on customer, product and distribution strategies, we achieved a plus-20 percent ROE and increased business operating profit by double digits. All of this made possible by a strong and strengthening balance sheet.

Going forward, I am confident that we have the people, financial strength and global capabilities to maintain this focus, and to continue to generate superior shareholder value throughout the insurance cycle.

Closing Summary

In my opening remarks, I highlighted how a strong balance sheet can serve as a valuable asset in times of financial and market uncertainty. We have worked hard over the past five years to get us to this point, and it is gratifying to see how much of an impact it has made. For it is that solid financial foundation, combined with a diverse risk portfolio, rigorous underwriting and true global capabilities, that underpins our ability to maintain underwriting discipline as we pursue profitable growth through customer, product and distribution strategies.

For the first six months, the results of that approach were impressive: a double-digit increase in profits; a 20-plus return on equity; profitable growth in our most attractive markets; and a solid investment return based on a portfolio with no material exposure to the subprime issues facing today's financial markets.

In the end, though, it is our people – now 58,000 strong with the addition of our NASTA colleagues – and their commitment to maximizing the benefits of that balance sheet that will differentiate Zurich in the marketplace. I saw that commitment in action during my visit to Cheltenham last week, and I remain confident that that spirit will lead us to continue achieving superior shareholder returns and top tier financial results throughout the insurance cycle.