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## **Half Year Results Reporting 2008 - Analysts and Media Presentation**

*Remarks by James J. Schiro*

*Chief Executive Officer*

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In the face of the most volatile financial markets we have seen in decades, as well as rate pressures in some commercial general insurance markets, it is my pleasure to announce that Zurich has once again generated excellent financial results, maintaining strong operating profitability, achieving targeted meaningful growth and adhering to a disciplined approach to investment and risk management practices.

Of course, when Zurich reset its course nearly six years ago now, we did not do so anticipating a perpetual bull market, eternal hard market conditions or a good luck streak when it came to catastrophes. Instead, we aimed to embed the processes, structures and mindsets that would be capable of generating strong operating results, irrespective of capital gains or losses. We set out to create a diverse portfolio of businesses that could withstand the traditionally cyclical nature of this sector by balancing our general insurance exposures, both geographically and by line of business, and evolving our life insurance strategy. And we committed to developing the balance sheet strength and management discipline that would allow us to deploy these capabilities both defensively and proactively, depending on market opportunities.

Our half year 2008 results – with business operating profit and net income up – illustrate our ability to execute on that strategy across a diversified portfolio of businesses, and highlight the focus and determination of Zurich's management team and employee base.

From a growth perspective, the targeted nature of our efforts – as illustrated in this updated chart – is reflected in the 1 percent increase in local currency gross written premiums. We continue to leverage our global presence and target those markets that prove most promising from a profitability perspective. In Europe, steady underlying growth was supplemented with a targeted M&A strategy, resulting in a 6 percent growth rate split evenly between organic and inorganic sources. In International Businesses, the implementation of local growth strategies generated 9 percent local currency growth across our regions, led by Latin America and South Africa. Global Life continued to combine new products with expanded distribution capabilities, both in mature and emerging markets, to achieve 9 percent APE growth for the six months, showing further steady improvement in Q2. And Farmers, through the Exchanges' ahead-of-market rate increases, enhanced distribution productivity or innovative new products, grew its fees and other revenues by 9 percent.

These are impressive results, and reflect well on our ability to achieve meaningful growth in the markets we target for expansion. The common success factor in all of these efforts is a disciplined approach to customer, product and distribution excellence, and an accomplished management team capable of motivating their people to perform under challenging market conditions. This proven ability to grow also positions us well for when commercial markets turn, as North America Commercial and Global Corporate are already proving successful in balancing a refined risk appetite with segmented growth initiatives to generate solid profits in difficult markets.

Further illustrating our future growth capabilities are the results we are already beginning to see from our targeted acquisition strategy, as we successfully integrate Bristol West, Zurich Retail in Russia and other new operations. More recently, the series of transactions we announced in Turkey, Germany, Brazil or Spain illustrate the methodical disciplined approach we take to expanding our operations in ways that match our strategic and financial objectives. For example, the three transactions in Spain not only expanded our bancassurance capabilities, but will also position the Group as the second largest player in a market where we said we wanted to grow. Our disciplined approach is similarly reflected in the many deals we do not pursue, since we will not jeopardize our strict internal hurdles, no matter how well of a strategic fit any potential acquisition may appear.

But our focus is not – and has never been – unbridled growth, so while targeting markets around the globe for growth we have also been transforming our operations to make them more resilient to external pressures and better equipped to actively capture market opportunities wherever and

whenever they arise. Examples of these range from the expense initiatives we announced in the US and the UK over the past few months, to the investments we continue to make in upgrading IT systems, enhancing distribution capabilities, streamlining capital structures and generally improving the effectiveness and efficiency of our businesses. These efforts are fuelled by the continuing success of The Zurich Way, where we remain well on track to meet our target for 2008.

Beyond even our operating success, though, our investment portfolio generated a robust 2.1 percent non-annualized return, illustrating the benefits of managing a strong cash flow in a disciplined and systematic manner. That same approach is why our exposure to the most distressed asset classes remains minimal.

Does this success mean that we are immune from the impact of fragile financial markets? No, and we are constantly vigilant for opportunities to improve our capital efficiency and investment returns.

Does it mean that we are immune from rate pressures in general insurance markets? No, and in fact we will continue to take whatever steps are necessary to protect our margins, as some units begin to feel the brunt of top-line pressures.

What our success does indicate, though, is that Zurich has a proven strategy of profitable growth and operational discipline, and that we have the people and processes to execute on that strategy. That strategy continues to drive strong operating results while maintaining a healthy balance sheet and steady net income increases.

In the end, though, we are in the risk business, and as the last 12 months have shown us risk comes in many forms. To mitigate and manage those risks we will remain focused on exercising operational and financial discipline, as well as pursuing profitable growth through customer, product and distribution excellence.

That is why we are able to announce such strong results today, and why we remain confident in our ability to achieve our 16 percent ROE target across the cycle.

## CLOSING SUMMARY

As our figures illustrate, Zurich is well equipped to face today's and tomorrow's market forces, as our diverse portfolio, disciplined operating approach and demonstrated profitable growth capabilities make us both resilient and opportunistic. Our cash flow is strong, our balance sheet is healthy, and our commitment to rigorous risk management is unwavering.

In short, we remain focused on our strategy, and confident in our ability to achieve our 16 percent ROE target across the cycle.