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2008 was clearly an historic year, and it should be no surprise that Zurich's financial results were impacted by the ongoing financial crisis.

I am pleased by our performance during this period of adversity, and proud of the 60,000 people world-wide that made it happen. Our net income topped USD 3 billion. Our business operating profit after-tax return on equity exceeded our mid-range target of 16 percent. And our return on shareholders' equity stood at a more than respectable 12 percent.

In other words, our strategy is working. Six years ago, amidst our own financial crisis, we established a very clear and simple direction: through financial discipline and operational excellence, we would re-establish our credibility and reset our course as a global insurer. As those objectives became ingrained in our culture, we expanded their application to profitable growth, systematically pursuing customer, product and distribution strategies that built on our strengths and gave focus to our market efforts. To support these capabilities, we committed to attracting, developing and motivating the most dynamic workforce in this sector, then launched a successful global brand strategy that now delivers some of the highest consideration and visibility Zurich has ever enjoyed. Throughout this evolution we paid risk the respect it deserves, and developed a robust enterprise-wide approach to risk management that serves as the foundation of our decision-making process.

Today, that strategy is being tested, with the result being a significantly enhanced position for Zurich.

Our roughly USD 185 billion investment portfolio generated a positive 1 percent total return in 2008, demonstrating the value of our investment philosophy.

Each of our three segments posted impressive profitable growth, with General Insurance showing encouraging signs of sustainable growth, Global Life overcoming an unsettled customer base to meet its double-digit APE targets, and Farmers outpacing its peers with strong profitable growth.

The Zurich Way exceeded its USD 800 million target for 2008, setting the stage for an increase and expansion of the targets over the next three years, as well as an even deeper transformation program in the years to come. Furthermore, our ability to integrate acquisitions onto these efficient operating platforms is creating significant value, as the 15 transactions announced over the past two years serve as both sources of new knowledge that we infuse into the rest of the Group and as platforms on which to extend our Zurich Way processes.

Thanks to these accomplishments, we are able to maintain our capital management strategy, with the Board recommending a CHF 11 gross dividend at our Annual General Meeting in April, representing a strong 47 percent payout ratio.

Underpinning all of these achievements, though, is a solid balance sheet, as reflected in our Solvency I ratio of 153 percent for the Group.

That is why we have instituted such a deep-rooted cultural obsession with execution capability and financial discipline, and why in these uncertain and volatile times we will leverage those capabilities even further to double our previously announced expense reductions to USD 400 million in 2009. We can not predict the future, but we can and must prepare for it, and for us that means controlling those elements of our destiny that we influence and control – including our cost base. By taking such responsible actions we will use all the tools available to us to maintain the balance sheet strength so critical in these turbulent times. For this is not the time to retrench. Nor is it the time to limit your options or make premature decisions. It is a time of opportunity, and we plan to maintain the capabilities – financial and otherwise – that will allow us to make the most of these opportunities.

As we look forward to 2009, we see the global recession continuing to put severe pressures on our economic environment. Remember, this recession – unlike others – is being led by the financial sector, and is only now being followed by the manufacturing and industrial sectors. We expect that

declining asset prices, low interest levels and ongoing strains on financial assets and investment returns to continue through 2009, with conditions only starting to improve markedly in mid 2010.

However, the direct impact of the recession on insurance markets is likely to be mixed, with our life insurance customers shifting product preferences, and constrained economic activity affecting general insurance purchasing on the margins. The real impact of the recession on insurers, though, will likely be a deeper appreciation for the cost of risk, leading to more consistent rate adequacy across our businesses.

Our priority, then, will be to stay focused on taking the actions necessary to best position us for these market dynamics. In general insurance, that means driving our cost base down, and capturing an appropriate price for the risks we take. In life, that means delivering the right product mix through the right distribution channels to anticipate customers' needs. And at Farmers, that means maintaining a steady growth trajectory, while keeping costs down and achieving adequate rates.

All that said, these are not easy markets to navigate. Nor are we immune from market forces. But we enter 2009 from a position of strength. Our capital base is but solid. Our global portfolio of businesses are benefiting from years of operational strengthening. Our approach to risk remains disciplined and acutely aware. And our competitive position stands significantly enhanced, thanks to a growing brand presence and talented workforce.

That is why I am so pleased by these results, and our people, as they demonstrate our ability to stay focused through arguably the most disruptive financial market we have ever faced in our careers. It is also why I remain confident in our ability to turn adversity into opportunity, and to emerge from this period of market disruption as true global leaders.

CLOSING SUMMARY

As I hope we have made evident, Zurich is well-positioned for these turbulent times. We have deep-rooted operational capabilities embodied by The Zurich Way. We demonstrate a profound appreciation for risk in our investment, underwriting and capital management strategies. And we possess the management team and talent pool to control what we can control.

This doesn't mean that we will not continue to feel the strains of the financial crisis and global recession. But it does mean that we have the tools and mindset we need to influence our own destiny, and turn this period of adversity into our era of opportunity.