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Clearly, today's market environment is a challenging one. But the strength of our balance sheet, the diversity of our risk portfolio and our ability to execute on our strategy delivered excellent results in 2007, and make us confident in our ability to continue driving success going forward

Net income rose 22 percent to a record USD 5.6 billion. Business operating profit increased 10 percent to a record USD 6.6 billion. And our after tax business operating return was 18.7 percent, far exceeding our 16 percent target.

As today's current financial environment highlights, though, success in this market – particularly on this scale – demands a deep commitment to financial discipline and risk management. It requires a profound understanding of the risks one assumes – on both the asset and liability sides of the ledger. And it requires a strategy that leverages all the capabilities an organization can bring to bear on behalf of each and every customer.

We are proud of our success, but not surprised by it. The disciplined strategy we have put in place aims for profitability no matter what the financial markets, nature or our competition present us with. It is why, for example, our investment portfolio continues to hold up strongly in spite of today's credit crisis: we exited the credit default swap business in 2003, we deliberately pass over asset structures that are so complex we can not understand the risk/reward context, and we mark all our investments to market values, not against opaque models. This same disciplined approach to our business is also why we continue to absorb significant losses like the UK floods by balancing a diverse portfolio of risks worldwide. And it is why we displayed both the creativity to grow our top

line in those markets where the opportunity was right, and the discipline to focus more on margin where market conditions suggest otherwise.

Our success in executing on that strategy is also why the Board of Directors will be proposing at the April AGM a gross dividend of CHF 15 per share, representing a 32 percent payout of earnings to shareholders and a 36 percent increase over last year's dividend. In addition, we are announcing that in line with our capital management strategy the Board has authorized a share buy back program of up to CHF 2.2 billion, or USD 2 billion, over the course of 2008.

These actions allow Zurich's shareholders to benefit directly from our excellent performance in 2007, while leaving the Group with sufficient capital to pursue opportunities for further growth or transformation, be they organic or through acquisitions. We take pride in our ability to generate such a high level of shareholder value, as well as in the Board's confidence in our capability to maintain that level going forward.

The real strength of Zurich's strategy, though, is our people's ability to apply the global capabilities we possess to a strategy focused on three main levers: achieving sustainable profitable growth through customer, product and distribution capabilities; building off of The Zurich Way to drive operational transformation throughout our businesses; and deploying sophisticated capital, investment and risk management techniques.

In fact, if you look closely at the successes we have already achieved across the Group on each of the levers, one begins to see how well positioned Zurich is for whatever financial or market conditions emerge in 2008 or beyond.

From a growth perspective, all three success factors are bearing fruit. First, our customer base continues to expand. In some cases, that means expansion into new market segments, like our business catering to private equity and M&A transactions, or our Global Specialties network, or NAC's technology push. Other times it means geographic expansion through acquisitions like Russia or Turkey, or through new branches, like the ones Zurich International Solutions opened in Qatar and Singapore. In fact, today emerging markets account for 23 percent of Global Life's annual premium equivalents, signalling a significant shift in how we define our customer base.

Second, growth is also being driven by enhancements in our product offerings. For example, by systematically comparing its customer propositions against the needs of the market, Global Life continues to launch attractive and relevant products, like UK protected funds that are being very

well received in this environment. Switzerland's targeted homeowners initiative, or Latin America's entry into the D&O market, or Global Corporate's roll out of its second generation Multinational Insurance Proposition – before the competition even matched its first – are other good examples of how we are constantly improving the value proposition we offer our customers. Similarly, at Farmers, the integration of Bristol West, which only began in the fall, has already provided agents across the country with new products to sell, allowing us to keep tens of thousands of customers from having to choose another non-standard carrier.

The third and final growth focus is successfully enhancing our distribution capabilities, ensuring that we can effectively and efficiently deliver our broadened product lines to our ever-expanding customer base. Zurich Connect, now being rolled out across Europe, is a classic example of leveraging our pan-European capabilities through a new direct channel that an increasing number of customers want to access.

For other customers, Zurich and Farmers have over 50,000 tied or exclusive agents selling products in the US, Europe and internationally, and last year we recruited 3,143 more to join our ranks. Furthermore, we introduced new compensation measures, improved training and development, and established succession planning processes that mitigate turnover or orphan policies. That means we have more tied agents operating at higher productivity rates, which naturally results in sustainable growth.

On the independent agent front, the focus was less on expanding the number of distribution points and more on increasing and improving the shelf space we occupy with the most productive and profitable agents in our markets. We're driving this by better aligning Zurich's brand promise and customer strategies with select distributors, and bolstering our value proposition through tighter relationships, a broader product suite and stronger sales practices. These efforts have different names at different businesses, but they are all united under a single TZW workstream that builds off of best practices and sets consistent metrics for success.

In addition to improving our own distribution capabilities, we are also expanding the partnerships we enter into to expand our reach through other channels. Our international expatriate business added a new banking partner in Citibank, contributing to a 50 percent increase in our emerging market life business. And earlier this year, Zurich was appointed one of HSBC's tier one preferred strategic partners for their insurance business in Europe and North America.

Our growth plans, then, whether delivered through organic or inorganic means, are benefiting from a disciplined and strategic approach to customer, product and distribution excellence, and are proving successful as we grow in our targeted markets.

Top line growth, even in targeted markets, is not enough, though. Operationally, we continue to drive improvements, not only achieving our ambitious targets through The Zurich Way, but increasing and extending those targets as well. In fact, building on that record of execution, we have begun to test all we do against three core factors: can it be more customer oriented, can it be more effective, and can it be more efficient. While these may be fundamental questions, you would be surprised how enlightening the answers can be, particularly in how answering one tends to answer others as well.

For example, in our German operations we streamlined a series of legacy corporate entities and customer service structures that had evolved through acquisitions over time. As a result, we not only expect to achieve sustained efficiency gains, we also succeeded in establishing a unified platform that allowed us to effectively target profitable segments – like credit and surety, where we grew over 12 percent – and quickly integrate two acquisitions. Together, these actions allowed us to grow, and to grow profitably, in what was otherwise a flat market.

At Farmers, we automated processes, simplified business rules and implemented new IT platforms for both front and back end processes. This allowed us to roll out new products aptly named Easy Home and Easy Auto due to their ease of use for both the customer and the distributor. Not surprisingly, these products are selling well, and helped contribute to Farmers' market-beating growth.

And at NAC, which continues to maintain profitability in a challenging market, a new fast-flow IT platform for the USD 5 billion commercial markets segment is improving rate submission turnaround 30 percent, and reducing system down time to nearly zero.

Together, these examples help illustrate the many steps we are taking to build off of our continued success with The Zurich Way and begin making deeper changes to our operating models. Those changes will make us more effective and more efficient, but most importantly more customer oriented.

In addition to growth and transformation, we also continue to focus on all dimensions of capital management, deploying sophisticated risk and investment management strategies to ensure prudent

use of existing capital, while streamlining our corporate structures to maximize return on capital. The entry into more EU markets through our Irish operations – recently adding Denmark and Norway - will drive further efficiency of our capital base in Europe. The increased granularity of our risk management processes will ensure a well-balanced approach to operational and business issues. And, of course, our continued focus on a disciplined investment philosophy will effectively and prudently align our assets with our liabilities.

Taken together, our focus on targeted growth strategies in select market segments, our ability to leverage The Zurich Way into deep operational transformation, and our disciplined utilization of capital, investment and risk management techniques, is what drove our record results in 2007, and makes us confident for 2008 and beyond.

Ultimately, though, that confidence is rooted in the capabilities of our people, which is why talent management is the foundation of our success. Recruitment, training and development, compensation, succession planning and performance management are the tools necessary to maintain a vibrant HR environment, and in each of those areas we are rolling out global approaches that balance proven best practices with local custom and cultures.

But beyond those tools, deep employee engagement, coupled with the freedom to grow and the knowledge that you are making a difference, is what motivates people to excel. This is one of the reasons that Zurich is increasingly finding ways to challenge how we think and how we define our role in society.

Our active efforts on microinsurance, as well as our recent launch of a climate initiative, are good examples of how expanding your perspective and challenging conventional wisdom can generate very real business opportunities and help motivate employees. They are also good examples of how we are applying our deep understanding of risk to tomorrow's challenges, with the customer's interests as our driving motivation.

CLOSING SUMMARY

Zurich's strategic direction, as outlined last May, is to focus on targeted growth strategies in select market segments, to leverage The Zurich Way into deep operational transformation, and to protect and strengthen our balance sheet through disciplined capital, investment and risk management techniques.

These are not easy paths to pursue, particularly when confronted with countless distractions and competing priorities. But as our 2007 results demonstrate, maintaining your focus on a disciplined strategy can make a difference between a good year and a bad year, or even between a good year and a record year.

In the end, though, a diverse portfolio of well-understood risks managed to maximize profitability over the long-term is a winning combination, particularly when supported by world-class talent that knows how to execute. That is why we posted record results in 2007, and why we remain confident looking forward, no matter what financial, weather or market conditions await us.