



**ZURICH**  
FINANCIAL SERVICES

Zurich Financial Services Group

**Report for the Nine Months  
to September 30, 2004**

Q3

# Financial Highlights

The following table presents the summarized consolidated results of the Group for the nine months ended September 30, 2004 and 2003 and the financial positions as of September 30, 2004 and December 31, 2003. The 2003 amounts have been restated for implementation of new accounting standards in 2003 and 2004. Certain prior year balances have also been reclassified to conform to the 2004 presentation.

## Consolidated operating statements

in USD millions, for the nine months ended September 30	2004	2003	Change
Gross written premiums and policy fees	<b>37,584</b>	36,910	2%
Net investment result	<b>8,606</b>	8,832	(3%)
Business operating profit	<b>2,522</b>	1,532	65%
Net income	<b>1,902</b>	1,410	35%

## Consolidated balance sheets

in USD millions, as of	09/30/2004	12/31/2003	Change
Total investments	<b>234,062</b>	225,747	4%
Insurance reserves, gross	<b>229,609</b>	223,418	3%
Senior and subordinated debt	<b>5,500</b>	4,775	15%
Total shareholders' equity	<b>20,357</b>	18,934	8%

## General Insurance key performance indicators

for the nine months ended September 30	2004	2003	Change
Business operating profit (in USD millions)	<b>1,508</b>	1,544	(2%)
Combined ratio	<b>98.8%</b>	98.2%	(0.6 pts)

## Life Insurance key performance indicators

for the nine months ended September 30	2004	2003	Change
Business operating profit (in USD millions)	<b>738</b>	576	28%
New business profit margin (in % of APE)	<b>10.5%</b>	8.7%	1.8 pts

## Return on common stockholders' equity

for the periods ended	09/30/2004	12/31/2003	Change
Return on equity <sup>1</sup>	<b>13.9%</b>	12.1%	1.8 pts
Business operating profit (after tax) return on equity <sup>1</sup>	<b>12.5%</b>	9.8%	2.7 pts

## Per share data

for the nine months ended September 30	2004	2003	Change
Diluted earnings per share (in CHF)	<b>16.59</b>	13.37	24%

<sup>1</sup> 2003 return is for the year ended December 31, 2003; 2004 return is annualized based on the nine months ended September 30, 2004.

Letter to Shareholders

# Dear Shareholders

Our endeavor to deliver a consistent operating performance and to strengthen the Group's balance sheet in order to absorb the volatility inherent in the insurance business was put to the test in the third quarter. An unparalleled hurricane season, causing tragic losses in life and property, impacted all insurers active in the United States and the Caribbean. Zurich claims people were out in force helping customers to put their lives and businesses back together, demonstrating that we are ready and capable to support our customers when they need us most.

Despite the hurricanes, our strong underlying performance enabled us to achieve an underwriting profit in General Insurance. Our ability to generate attractive returns for shareholders was supported by the diversified portfolio across geographies, segments and lines of business, which is firmly anchored in the strong platform built in 2003. In the first nine months of 2004, net income rose 35% to USD 1.9 billion, while business operating profit climbed to USD 2.5 billion, an increase of 65% over the amount recorded in the same period of 2003. These improvements include estimated hurricane claim payments of USD 400 million net of tax and reinsurance or USD 525 million before tax.

Zurich's ability to absorb shocks is reflected in our improved balance sheet. Shareholders' equity rose to USD 20.4 billion compared with USD 18.9 billion at December 31, 2003. Since the beginning of 2003, shareholders' equity has increased by USD 3.9 billion and we have strengthened our reserves by USD 2.8 billion. At the same time our performance has continued to get stronger. Last year, our return on equity was 12.1%, while in the first nine months of 2004 we achieved an annualized return on equity of 13.9%.

We also made further strides to better manage the risks of our businesses in run-off. The sale of Turegum announced in October limits our exposure to asbestos liabilities in the former Turegum portfolio. Likewise, Centre continues to perform in line with our expectations since the significant reserve strengthening completed during the third quarter of 2003. Zurich Capital Markets has now completed the transfer of certain assets to BNP Paribas, leading to a sizeable reduction in debt.

Our challenge is to reduce volatility and continue to improve the profitability of our

businesses to exceed the cost of capital and provide satisfactory shareholder returns. In light of softening rates, we have taken action to strengthen our earnings base. In April, we announced a cost saving target of USD 200 million after tax for 2004. After nine months we have achieved USD 180 million of the savings projected and we are now developing further initiatives to support our underlying earnings trend in the coming years. These initiatives amount to an anticipated benefit of USD 500 million after tax in 2005. They cover our core processes, in particular underwriting, claims management, sales, distribution and finance in both General and Life Insurance.

A key ingredient of these initiatives is the development of standard, best practice Group methodologies for core processes, which will lead to greater efficiency and consistency by defining The Zurich Way of doing business. Pilots are running in all these functions across the business divisions and we will begin rolling out projects in early 2005. They will be implemented and monitored with the same rigor applied to our profit improvement programs over the past two years. Given our turnaround record and our competitive position in the market, we believe that we are well positioned to achieve our targeted improvements.

Summary of developments in the main segments:

**General Insurance** recorded gross written premiums and policy fees of USD 29.1 billion, an increase of 5%. After accounting for divestments and currency effects growth was 1%. This reflects small rate increases in key regions and the decision not to accept business in lines that no longer meet our technical price targets. Zurich is nevertheless writing new business at rates that provide adequate compensation for the exposure, and the underlying trend in the operating result continues to be positive. Although the combined ratio rose from 98.2% to 98.8%, the increase was solely the result of the four hurricanes which added 2.3 percentage points to the combined ratio. The hurricane impact was mitigated by the strong performance in Europe where we achieved sizeable improvements in the combined ratios.

**Life Insurance** continues to make progress on the path to recovery. Gross written premiums and policy fees decreased by 4% to USD 8.1 billion. But they grew 3% after

adjusting for divestments, foreign exchange rate movements and the redesign of the group pension business model in Switzerland. Business operating profit rose by 28% to USD 738 million. Net income was USD 653 million, which, adjusted for the net gains on divestments, corresponds to an increase of 35%. The result of our continuing effort to improve performance is also mirrored in the 1.8 percentage point increase of the new business profit margin to 10.5%. We are also making progress with our new model for the distribution of life insurance products in the UK, which, subject to regulatory approval, we will begin to implement early next year.

**Farmers Management Services** continued to provide stable returns to the Group. The premium volume of the Farmers P&C Group Companies, which Zurich manages but does not own, grew by 3% to USD 10.5 billion. This provided the basis for management fees and other related revenue accruing to Zurich to grow 5% to USD 1.5 billion. The Farmers P&C Group Companies added USD 308 million to its capital position (surplus) in the first nine months, making further progress towards the goal of strengthening the surplus by USD 400 million in the current year. This was achieved despite hurricane losses of USD 111 million.

**Group investment** generated a net investment income of USD 5.4 billion. Including net capital gains, the net investment result was USD 6.0 billion. Driven by the positive operating cash flow and higher market valuations, the Group investments increased from USD 176.0 billion at December 31, 2003, to USD 180.5 billion. Total nine-month investment return improved by 0.1 percentage point to 3.8%. In the first nine months, the share of equity securities, for which the Group bears investment risk, was reduced to 5% from 6.4% at the end of 2003.

On October 14, 2004, the office of the New York Attorney General announced a civil suit against Marsh & McLennan Companies and Marsh Inc. as a result of an industry-wide investigation. As announced, certain Group companies have received subpoenas and information requests from various state attorney generals, insurance regulators and the U.S. Securities and Exchange Commission in connection with their investigations of certain business practices between insurance brokers and insurance companies and certain non-

traditional products. The Group has been conducting its own reviews and is cooperating fully in these investigations. The Group acts with determination.

Our business is based on trust, our ability to provide attractive value and our commitment to serve our customers fairly. Our task is to ensure that internal checks and balances are in place and that the principles of ethical conduct in business are not only spelled out clearly but also enforced vigorously. We would like to thank our employees for their unwavering dedication in the service of our company. We would also like to extend our gratitude to our customers and to our shareholders for the loyalty rendered to our company.

A handwritten signature in black ink, appearing to read 'Lodewijk C. van Wachem', with a horizontal line underneath.

Lodewijk C. van Wachem  
Chairman of the Board

A handwritten signature in black ink, appearing to read 'James J. Schiro', with a horizontal line underneath.

James J. Schiro  
Chief Executive Officer

# I Group Financial Review

## Group Highlights

Zurich Financial Services Group (the Group) recorded net income of USD 1,902 million for the nine months to September 2004, an increase of 35% compared to USD 1,410 million in the same period of 2003. Business operating profit increased by 65% over the nine months to September 2003 to USD 2,522 million for the same period in 2004. This strong performance was built on sound underwriting and claims management. Our diversified portfolio across geographies, segments and lines of business was another main contributing factor. As announced in mid October 2004, we increased reserves by USD 525 million, before tax and net of reinsurance, for the expected aggregate claims relating to the four hurricanes in North America. This corresponds to approximately USD 400 million after tax and net of reinsurance.

General Insurance shows a solid underlying performance after benefiting from a continuing stream of initiatives, supported by the positive effects of strong pricing in prior periods now flowing into earnings. The result from the Life Insurance segment reflects the optimization of the business portfolio as well as the positive impact of measures taken to further strengthen performance in this segment. Farmers Management Services continues to provide consistent profits to the Group.

Diluted earnings per share rose 24% to CHF 16.59, compared with CHF 13.37 in the first nine months of 2003. For the first nine months of 2004, the return on equity based on net income was 13.9% (annualized), an increase of 1.8 percentage points over the full-year return 2003. Our after-tax business operating profit return on equity was 12.5% (annualized), an increase of 2.7 percentage points compared with the 2003 full-year return.

## Performance highlights – year-to-date

in USD millions, for the nine months ended September 30	2004	2003 <sup>1</sup>	Change
Gross written premiums and policy fees	<b>37,584</b>	36,910	2%
Net investment income	<b>6,655</b>	6,340	5%
Net capital gains on investments and impairments	<b>1,951</b>	2,492	(22%)
Business operating profit	<b>2,522</b>	1,532	65%
Net income	<b>1,902</b>	1,410	35%
General Insurance combined ratio	<b>98.8%</b>	98.2%	(0.6 pts)
Life new business profit margin (in % of APE)	<b>10.5%</b>	8.7%	1.8 pts
Return on equity <sup>2</sup>	<b>13.9%</b>	12.1%	1.8 pts
Business operating profit (after tax) return on equity <sup>2</sup>	<b>12.5%</b>	9.8%	2.7 pts
Diluted earnings per share (in CHF)	<b>16.59</b>	13.37	24%

<sup>1</sup> Restated as discussed in the section "Matters Affecting the Basis of Current and Future Presentation and Comparability."

<sup>2</sup> 2003 return is for the year ended December 31, 2003; 2004 return is annualized based on the nine months ended September 30, 2004.

The Group recorded net income of USD 454 million in the third quarter of 2004 compared to USD 658 million for the same period in 2003, after taking account of the exceptional succession of hurricanes in North America. Business operating profit increased by USD 368 million to USD 574 million.

## Performance highlights – three months

in USD millions, for the three months ended September 30	2004	2003 <sup>1</sup>	Change
Gross written premiums and policy fees	<b>11,172</b>	10,939	2%
Net investment income	<b>2,213</b>	2,063	7%
Net capital gains on investments and impairments	<b>860</b>	1,314	(35%)
Business operating profit	<b>574</b>	206	179%
Net income	<b>454</b>	658	(31%)

<sup>1</sup> Restated as discussed in the section "Matters Affecting the Basis of Current and Future Presentation and Comparability."

Results for 2004 are compared with the corresponding period of 2003, restated for the implementation of new accounting standards, details of which are set out in the section "Matters Affecting the Basis of Current and Future Presentation and Comparability" and in the "Investment Performance" section of this Group Financial Review.

Interim results are not necessarily indicative of full-year results.

## Performance Overview

**Gross written premiums** of USD 37.6 billion in the first nine months of 2004 showed an increase of 2%. In the General Insurance segment, premiums remained flat in local currency. In the Life Insurance segment, premiums increased by 3% after eliminating the effects of the redesign of the group pension business model in Switzerland, the sale of certain life operations and the effects of exchange rate movements.

**Business operating profit** increased by USD 990 million, or 65%, over the first nine months of 2003 to USD 2.5 billion in 2004 driven by the improved performance in the Life Insurance and Other Businesses segments and a continued consistent profit contribution from Farmers Management Services.

- The strong overall **General Insurance** result was impacted by USD 505 million of claims related to hurricanes in North America attributable to this segment. Consequently, the net underwriting result decreased by 26% to USD 262 million from USD 354 million in the first nine months of 2003. The combined ratio was 98.8% in 2004, or 96.5% excluding the hurricane losses, compared with 98.2% in the first nine months of 2003.
- Our **Life Insurance** segment continued to focus on writing profitable new business, as demonstrated by the 1.8 percentage points increase in the new business profit margin to 10.5%. Business operating profit increased by USD 162 million to USD 738 million mainly benefiting from reduced expenses in our European operations.
- **Farmers Management Services** continued to provide consistent profits to the Group with a 6% increase in business operating profit from USD 772 million in the first nine months of 2003 to USD 816 million in 2004. This improvement was due to higher management fee income driven by increased premiums at the Farmers P&C Group Companies.
- **Other Businesses** improved business operating profit from a loss of USD 909 million in the first nine months of 2003 to a loss of USD 57 million in 2004, due to the improved results in our Centre operations and at Zurich Capital Markets. 2003 results included USD 1.1 billion for reserve strengthening, asset write-downs and other provisions for our Centre operations.
- **Net investment income** of USD 6.6 billion consisted of income from Group investments of USD 5.4 billion and from investments for unit-linked products of USD 1.2 billion, allocated to policyholders.
- The after-tax **business operating profit return on equity** improved by 2.7 percentage points to 12.5% (annualized) in the first nine months of 2004, compared with the return of 9.8% for the full year of 2003.

**Net income** improved by USD 492 million, or 35%, to USD 1,902 million in the first nine months of 2004 compared with net income of USD 1,410 million in the same period of 2003. In addition to the factors mentioned above, net income was impacted by the following:

- **Net capital gains on investments and impairments** decreased by USD 541 million to a gain of USD 2.0 billion in the first nine months of 2004. A decline of USD 1.0 billion relating to investments for unit-linked products was partially offset by an improvement of USD 475 million on Group investments.
- The underlying **investment return** on our Group investments in the first nine months of 2004 was 3.8%; the investment result is analyzed in the “Investment Performance” section.

Our **return on equity** has improved by 1.8 percentage points to 13.9% (annualized) for the first nine months of 2004 compared with the 2003 full-year return.

**Diluted earnings per share**, reflecting the increase in net income, improved by 24% to CHF 16.59 in the first nine months of 2004 compared with CHF 13.37 for the same period in 2003.

### Balance sheet highlights

in USD millions, as of	09/30/04	12/31/03 <sup>1</sup>	Change
Group investments	<b>180,486</b>	175,967	3%
Investments for unit-linked products	<b>53,576</b>	49,780	8%
Total investments	<b>234,062</b>	225,747	4%
Insurance reserves, gross, excluding unit-linked products	<b>175,100</b>	172,230	2%
Reserves for unit-linked products	<b>54,509</b>	51,188	6%
Insurance reserves, gross	<b>229,609</b>	223,418	3%
Total financial debt and shareholders' equity	<b>25,857</b>	23,709	9%

<sup>1</sup> Restated as discussed in the section “Matters Affecting the Basis of Current and Future Presentation and Comparability.”

- **Group investments** increased by USD 4.5 billion driven by positive operating cash flow and higher market valuations. This was partially offset by the divestment of certain operations in 2004, the redesign of the group pension business model in Switzerland and the restructuring of Zurich Capital Markets.
- **Gross insurance reserves** of the General Insurance segment increased by USD 5.7 billion to USD 65.7 billion following growth in gross written premiums and reserve strengthening partially offset by the sale of operations in 2004. Gross insurance reserves of the Life Insurance segment, excluding reserves for unit-linked products, decreased by USD 1.6 billion to USD 99.6 billion. This reflects the redesign of the group pension business model in Switzerland as well as divestments of businesses in the first nine months of 2004.

- **Total financial debt and shareholders' equity** increased by USD 2.1 billion to USD 25.9 billion. The increase in financial debt of USD 725 million was mainly attributable to the issuance of a 10-year senior debt of USD 1.2 billion partially offset by the repayment of a zero coupon bond of USD 427 million on its maturity. USD 1.4 billion arose from the increase in our shareholders' equity.

## Segmental Highlights

<b>Net income and business operating profit by segment<sup>1</sup></b> in USD millions, for the nine months ended September 30	<b>Business operating profit</b>		<b>Net income/(loss)</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
General Insurance	<b>1,508</b>	1,544	<b>1,206</b>	1,233
Life Insurance	<b>738</b>	576	<b>653</b>	709
Farmers Management Services	<b>816</b>	772	<b>528</b>	477
Other Businesses	<b>(57)</b>	(909)	<b>(73)</b>	(745)
Corporate Center	<b>(483)</b>	(451)	<b>(412)</b>	(264)
<b>Total</b>	<b>2,522</b>	1,532	<b>1,902</b>	1,410

<sup>1</sup> Restated as discussed in the section "Matters Affecting the Basis of Current and Future Presentation and Comparability."

### General Insurance

In the first nine months of 2004 the segment recorded **gross written premiums and policy fees** of USD 29.1 billion, an increase of 5% over the same period in the previous year. Premiums benefited from the appreciation of the British pound (+13%), the euro (+10%) and the Swiss franc (+8%) against the US dollar. Adjusting for exchange rate movements and divestments, growth was 1%. Rate increases have moderated in key markets. Volumes have decreased in certain competitive lines of business, as we have chosen to decline business that does not meet our technical price targets.

The segment saw slightly lower **business operating profit**, decreasing by USD 36 million to USD 1.5 billion for the first nine months of 2004. The positive underlying underwriting performance and higher investment income were more than offset by costs relating to the hurricanes and net reserve movements for prior years, mainly impacting the result of our North America Corporate region. As a consequence, business operating profit improved in each of our regions except North America Corporate.

**Net income** declined marginally by USD 27 million to USD 1.2 billion for the first nine months of 2004. This result was driven by the business operating performance, by lower net capital gains on investments and by net losses on divestments, partially offset by lower tax expenses.

**Net underwriting result** decreased to USD 262 million for the first nine months of 2004, compared with USD 354 million in 2003. This decrease was due to recording estimated net losses of USD 505 million resulting from the hurricanes in North America attributable to this segment. Our strong operational performance, as a result of our disciplined approach to underwriting and pricing, substantially offset the exceptional charges relating to the hurricanes. These developments are reflected in the **combined ratio** which was 98.8%, or 96.5% excluding the costs of the hurricanes, compared with 98.2% in last year's first nine months. The overall loss ratio rose by 0.7 percentage points to 74.5% when compared with the nine months of 2003. Adjusting for costs related to the hurricanes, the loss ratio fell by 1.6% to 72.2%.

<b>Net underwriting result and combined ratio</b> for the nine months ended September 30	<b>Net underwriting result</b> in USD millions		<b>Combined ratio</b> in %	
	<b>2004</b>	2003	<b>2004</b>	2003
North America Corporate	<b>(417)</b>	305	<b>105.3%</b>	95.3%
North America Consumer	<b>105</b>	38	<b>95.4%</b>	98.4%
Continental Europe	<b>295</b>	61	<b>95.6%</b>	99.0%
UKISA	<b>226</b>	96	<b>94.5%</b>	97.3%
Rest of the World	<b>52</b>	57	<b>95.0%</b>	93.9%
Centrally Managed Businesses	<b>(11)</b>	(205)	<b>107.7%</b>	158.7%
<b>Total<sup>1</sup></b>	<b>262</b>	354	<b>98.8%</b>	98.2%

<sup>1</sup> Including interregion eliminations.

## Life Insurance

**Gross written premiums and policy fees** decreased by 4% to USD 8.1 billion (-12% in local currency) in the first nine months of 2004. This decrease is due to the sale of certain life operations in 2003 and during 2004, particularly Zurich Life US, Zurich Life UK and certain other European operations, as well as the redesign of the group pension business model in Switzerland. Excluding these factors and exchange rate movements, premiums grew by 3%.

**Insurance deposits** were USD 6.5 billion in the first nine months of 2004, a decrease of 7% in local currency. This development mainly resulted from the above mentioned divestments, partially offset by strong sales of single premium investment products in our UKISA region.

**Business operating profit** increased by USD 162 million to USD 738 million when compared with USD 576 million for the nine months of 2003. Each of our key regions contributed to this positive trend. This improvement was mainly seen in our Continental Europe and UKISA regions which benefited from reduced administration expenses.

**Net income** for this segment decreased slightly by USD 56 million to USD 653 million compared with USD 709 million for the first nine months of 2003. The net gain on divestments of businesses (after-tax) recorded in 2003 was USD 262 million compared with USD 48 million in the first nine months of 2004. Adjusted for this factor, the segment recorded an increase in net income of USD 158 million to USD 605 million.

<b>Embedded value</b> for the nine months ended September 30	<b>Gross new business annual premiums equivalent (APE)</b> in USD millions		<b>New business profit, after tax</b> in USD millions		<b>New business profit margin, after tax</b> in % of APE	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	North America Consumer	<b>86</b>	199	<b>53</b>	60	<b>61.9%</b>
Continental Europe	<b>612</b>	575	<b>64</b>	37	<b>10.5%</b>	6.5%
UKISA	<b>766</b>	566	<b>54</b>	37	<b>7.0%</b>	6.6%
Rest of the World	<b>148</b>	214	<b>(1)</b>	1	<b>(0.5%)</b>	0.7%
<b>Total</b>	<b>1,612</b>	1,554	<b>170</b>	135	<b>10.5%</b>	8.7%

**Gross new business premiums**, measured on an APE basis (new annual premiums plus 10% of single premiums), increased by 4% to USD 1.6 billion when compared with the first nine months of 2003. In local currency APE decreased by 10%. This reduction was a result of the life company divestments in 2003. Excluding the effect of these, our new business production in local currency terms for the nine months of 2004 was in line with that of the prior year.

**New business profit**, after tax, was USD 170 million for the first nine months of this year, a growth of USD 35 million, or 26% (14% in local currency terms), over the prior period. This corresponds to an increase in **new business profit margin** to 10.5% from 8.7%. This increase reflects the continuation of management initiatives to improve earnings in our Life Insurance segment, the positive effect of the divestment of Zurich Life US, higher volumes in our UKISA region and the continuation of the improvements seen during the last year for Continental Europe.

### **Farmers Management Services**

**Business operating profit** grew by 6%, or USD 44 million to USD 816 million and **net income** increased in the first nine months of 2004 by 11% to USD 528 million.

**Management fees and related revenue** increased by 5% to USD 1.5 billion in the first nine months of 2004. This increase primarily resulted from higher premium volumes in the Farmers P&C Group Companies, which we manage but do not own. In the first nine months of 2004 these gross earned premiums were USD 10.5 billion, as compared with USD 10.2 billion in the same period of 2003. This premium growth is largely attributable to higher premiums in the Farmers specialty, commercial and fire lines of business, partially offset by a decline in medical malpractice premiums following the decision to exit this business.

## Other Businesses

Our Other Businesses segment includes our Centre operations, capital markets and banking activities, asset management and insurance run-off operations. These activities are not considered to be core businesses.

The segment improved **business operating profit** by USD 852 million to a loss of USD 57 million and **net income** by USD 672 million to a loss of USD 73 million for the first nine months of 2004 compared with the same period in 2003. The prior period was impacted by the result of our Centre operations.

For the first nine months of 2004, Centre recorded a net loss of USD 34 million compared with a net loss of USD 826 million in the same period of 2003, which was impacted by a USD 1.1 billion reserve strengthening, asset write-downs and other provisions. Centre's portfolio continues to perform as expected since the significant reserve strengthening completed during the third quarter of 2003.

The operations of Zurich Capital Markets (ZCM) have been further downsized in line with the transfer of certain derivative transactions, credit facilities and related assets from ZCM to BNP Paribas, which was completed in October. As a result, debt relating to capital markets and banking activities reduced by USD 1.7 billion to USD 4.2 billion as of September 30, 2004.

## Corporate Center

The Corporate Center segment includes Group holding companies, central expenses at the headquarters in Zurich and central financing entities.

**Business operating profit** for the Corporate Center segment decreased by USD 32 million over the comparable period in 2003 to a net loss of USD 483 million from a net loss of USD 451 million.

**Total revenues** increased by 24% to USD 771 million and was primarily attributable to an increase in the total investment result and group internal cost recharges. **Total costs and expenses** were 26% higher compared with the first nine months of 2003. This mainly reflects an increase in expenses for services provided to business operating units and project costs.

## Investment Performance

Total investments include Group investments, where the Group bears all or part of the investment risk, and investments for unit-linked products, where policyholders bear the entire investment risk. The investments for unit-linked products and the related investment result have been reclassified due to the implementation of SOP 03-01 as explained in the second last section of this Group Financial Review.

### Breakdown of net investment result and investments

in USD millions, for the nine months ended September 30	Group investments		Investments for unit-linked products		Total	
	2004	2003	2004	2003	2004	2003
Net investment income	<b>5,448</b>	5,280	<b>1,207</b>	1,060	<b>6,655</b>	6,340
Net capital gains on investments and impairments	<b>543</b>	68	<b>1,408</b>	2,424	<b>1,951</b>	2,492
Net investment result	<b>5,991</b>	5,348	<b>2,615</b>	3,484	<b>8,606</b>	8,832
as of	<b>09/30/04</b>	12/31/03	<b>09/30/04</b>	12/31/03	<b>09/30/04</b>	12/31/03
Investments	<b>180,486</b>	175,967	<b>53,576</b>	49,780	<b>234,062</b>	225,747

We manage our diversified Group investment portfolio to optimize benefits to both shareholders and policyholders while ensuring compliance with local regulatory and business requirements under the guidance of our Asset/Liability Management and Investment Committee. Investments for unit-linked products are managed in accordance with the investment objectives of each unit-linked fund.

### Investment performance of Group investments

in USD millions, for the nine months ended September 30	2004	2003	Change
Net investment income	<b>5,448</b>	5,280	3%
Net capital gains on investments and impairments	<b>543</b>	68	699%
Net investment result	<b>5,991</b>	5,348	12%
Movements in unrealized gains on investments included in shareholders' equity	<b>522</b>	632	(17%)
Average investments	<b>178,227</b>	166,877	7%
Total return for the nine months ended September 30 <sup>1</sup>	<b>3.8%</b>	3.7%	0.1 pts

<sup>1</sup> Before investment expenses.

**Net investment income** for Group investments improved by 3% to USD 5.4 billion from USD 5.3 billion.

**Net capital gains on investments and impairments** for Group investments improved from USD 68 million in the first nine months of 2003 to USD 543 million in 2004. This improvement was attributable to the general improvement in equity markets as compared with the first nine months of 2003. In the first nine months of 2004 and 2003 we incurred impairments on investments, primarily equities, of USD 79 million and USD 987 million, respectively. A substantial portion of these net capital gains on investments and impairments relate to our Life Insurance segment. After taking account of the portion attributable to future policyholder benefit reserves, net capital gains on investments and impairments attributable to the Group were USD 305 million in the first nine months of 2004.

**The total investment return** for Group investments was 3.8% compared with 3.7% in the first nine months of 2003. This return includes investment income, net capital gains on investments in the operating statement and movements in unrealized gains booked against shareholders' equity. The total investment result was USD 6.0 billion, after investment expenses of USD 208 million.

## Divestments and Other Recent Developments

On August 10, 2004

- we completed the sale of Zurich Atrium B.V. to TST Atrium Holdings B.V.
- we announced that we had signed an agreement to divest all life insurance policies written by our Taiwanese branch, including the related assets and liabilities, to Far Glory Life Insurance Company. The completion of this sale was announced on October 29, 2004.

On October 29, 2004

- we announced the completion of the sale in Luxembourg of both our Life operations in the consumer and commercial segments and of our General Insurance operations in the consumer and small commercial segments to P&V Assurances (P&V). The agreement between the Group and P&V was signed in 2003.
- we announced the sale of Turegum Insurance Company to Harper Holding Sarl, a subsidiary of Castlewood Holdings Limited. The transaction is effective as of July 1, 2004.

Certain Group companies have received subpoenas and information requests from various state attorney generals, insurance regulators and the U.S. Securities and Exchange Commission in connection with their investigations of certain business practices between insurance brokers and insurance companies and certain non-traditional products. The Group has been conducting its own reviews and is cooperating fully in these investigations.

## Reserves for Losses and Loss Adjustment Expenses

### Development of reserves for losses and loss adjustment expenses

in USD millions	2004	2003	Change
<b>As of January 1 (opening balance)</b>			
Gross reserves for losses and loss adjustment expenses	<b>51,068</b>	45,306	13%
Reinsurance recoverable	<b>(14,055)</b>	(14,940)	(6%)
Net reserves for losses and loss adjustment expenses	<b>37,013</b>	30,366	22%
Net losses and loss adjustment expenses incurred			
Current period	<b>16,016</b>	14,465	11%
Prior years	<b>962</b>	1,294	(26%)
Total	<b>16,978</b>	15,759	8%
Total net losses and loss adjustment expenses paid			
Divestments of companies and businesses	<b>(283)</b>	(249)	14%
Foreign currency translation effects	<b>(317)</b>	1,007	(131%)
<b>As of September 30 (closing balance)</b>			
Net reserves for losses and loss adjustment expenses	<b>40,674</b>	34,843	17%
Reinsurance recoverable	<b>14,109</b>	14,978	(6%)
Gross reserves for losses and loss adjustment expenses	<b>54,783</b>	49,821	10%

We establish loss reserves, which are estimates of future payments of reported and unreported claims for losses and related expenses, with respect to insured events that have occurred. Reserving is a complex process dealing with uncertainty, requiring the use of informed estimates and judgments. Any changes in estimates are reflected in the results of operations in the period in which estimates are changed.

Of the total USD 40.7 billion **net reserves for losses and loss adjustment expenses** USD 36.0 billion related to the General Insurance segment as of September 30, 2004.

In the first nine months of 2004 we recorded USD 962 million of net reserve movements for prior years.

## Capitalization and Indebtedness

in USD millions, as of	09/30/04	12/31/03	Change
Collateralized loans	4,050	4,701	(14%)
Debt related to capital markets and banking activities	4,223	5,961	(29%)
Obligation to repurchase securities	5,132	3,742	37%
<b>Total operational debt</b>	<b>13,405</b>	14,404	(7%)
Senior debt	3,087	2,360	31%
Subordinated debt	2,413	2,415	–
<b>Total financial debt</b>	<b>5,500</b>	4,775	15%
<b>Total minority interests</b>	<b>747</b>	969	(23%)
<b>Total shareholders' equity</b>	<b>20,357</b>	18,934	8%
<b>Total financial debt and shareholders' equity</b>	<b>25,857</b>	23,709	9%

### Indebtedness

As of September 30, 2004 **total operational debt** was USD 13.4 billion, a decrease of USD 1.0 billion since December 31, 2003. Between December 31, 2003 and September 30, 2004, debt relating to capital markets and banking activities decreased by USD 1.7 billion following the transfer of certain assets and liabilities from Zurich Capital Markets (ZCM) to BNP Paribas in accordance with an agreement signed in 2003 as part of the winding-down of ZCM activities. This decrease was partially offset by an increase of USD 1.4 billion in our obligation to repurchase securities to USD 5.1 billion, resulting from increased short-term activities in the Repo market in the normal course of business as part of our investment and liquidity management. Collateralized loans relate primarily to our Life business in Germany. The amount of collateralized loans decreased by USD 651 million during the first nine months of 2004 due to maturing transactions. As of September 30, 2004, we had USD 4.1 billion of collateralized loans, which were secured by mortgage loans of the same amount given as collateral to the counterparties compared with USD 4.7 billion as of December 31, 2003.

The increase in **total financial debt** of USD 725 million, or 15%, was mainly due to the issuance of euro 1.0 billion (USD 1.2 billion) of 10-year senior debt by Zurich Finance (USA), under Zurich Insurance Company's "Euro Medium Term Note Programme" partially offset by the repayment on maturity of the Zurich International (Bermuda) Ltd. zero coupon bond of USD 427 million in July.

The reduction in **minority interests** by USD 222 million, or 23%, resulted primarily from the restructuring of ZCM. As of September 30, 2004, ZCM no longer has any minority shareholder interests in its business.

On April 21, 2004, a new USD 3.0 billion syndicated revolving credit facility was signed to replace the USD 1.5 billion facility, which would have matured on May 28, 2004. The new syndicated credit facility consists of two equal tranches maturing in 2007 and 2009. Zurich Group Holding, together with Zurich Insurance Company and Farmers Group, Inc., are guarantors of the new facility, which allows for drawings of up to USD 1.25 billion, USD 1.5 billion and USD 250 million respectively, for themselves and a number of defined subsidiary borrowers. No borrowings were outstanding as of September 30, 2004 under the new facility. Farmers Group, Inc. cancelled their existing USD 250 million credit facility in April 2004, which would have expired in September 2004.

### Shareholders' equity

in USD millions, for the nine months ended September 30, 2004

Balance as of December 31, 2003, as previously reported	<b>19,384</b>
Implementation of new accounting standard (SOP 03-01) in 2004	(450)
<b>Balance as of December 31, 2003, restated</b>	<b>18,934</b>
Change in net unrealized gains on investments excluding translation adjustments	(32)
Transfer arising from initial application of the "legal quote" legislation in Switzerland	(226)
Translation adjustments	27
Nominal value reduction of common stock	(288)
Share-based payment transactions	1
Treasury stock transactions	66
Net income	1,902
Dividends on preferred securities	(27)
<b>Balance as of September 30, 2004</b>	<b>20,357</b>

**Shareholders' equity** increased by USD 1.4 billion to USD 20.4 billion as of September 30, 2004. The increase from our net income after tax of USD 1.9 billion in the first nine months of 2004 was partially offset by the nominal value reduction of common stock and the initial application of the legislation for the mandatory participation in profits for policyholders in Switzerland ("legal quote"). The amount of change in net unrealized losses on investments (excluding translation adjustments) reduced by USD 726 million since June 30, 2004. This mainly reflects the decrease in interest rates in the third quarter of 2004.

## Solvency

Regulated entities of the Group are required to submit returns to their local regulators, usually on an annual basis but in some countries more frequently. These returns show the compliance of the reporting entity with local solvency requirements and include information on eligible funds and admissible assets.

On a consolidated basis, Zurich Financial Services, with headquarters in Zurich, Switzerland, is subject to supervision by the Federal Office of Insurance (“FOPI”), which includes coordinated regulatory supervision of the Group for its remaining banking and other regulated financial services activities and supervision over consolidated solvency and capital adequacy at a Group level (based on the Decree on the Consolidated Supervision of the Zurich Financial Services Group of April 23, 2001).

In addition, based on the EU Directive 98/78/EC on the supplementary supervision of insurance companies within an insurance group, the Financial Services Authority in the UK acts as lead supervisory coordinator for our EU subsidiaries.

## Cash Flows

Our cash flow from operating activities consists of cash flow arising from our insurance businesses, after payments to reinsurers (net premiums, policy fees and deposits received less net claims after recoveries from reinsurers, benefit payments, policy surrenders and operating expenses) and investment income received (dividends, interest and rents), less interest paid and tax payments.

Our Farmers Management Services segment receives management fees as well as investment income and pays operating expenses and taxes.

Surplus operating cash flows plus the proceeds from the sale and maturity of investments as well as divestments are reinvested through our investing activities. Our investment funds may be used to fund operating cash flow deficits.

Our financing activities result from our corporate funding and borrowing arrangements, capital raising and repayments and payments to shareholders.

Net cash provided from operations was USD 7.1 billion for the nine months ended September 30, 2004 compared with USD 11.6 billion for the first nine months of 2003.

## Summary of cash flows

in USD millions, for the nine months ended September 30

	2004	2003
<b>Cash flows from operating activities</b>		
Net income	1,902	1,410
<i>Adjustments for:</i>		
Net capital gains on investments and impairments	(1,951)	(2,492)
Net gains on divestments of businesses	(8)	(311)
Equity in income of investments in associates	(67)	(36)
Depreciation and amortization	485	532
Other non-cash items	4	637
Changes in operational assets and liabilities	6,697	11,888
<b>Net cash provided by operating activities</b>	<b>7,062</b>	<b>11,628</b>
<b>Net cash used in investing activities</b>	<b>(4,830)</b>	<b>(6,400)</b>
<b>Net cash provided by/(used in) financing activities</b>	<b>393</b>	<b>(1,963)</b>
Effect of exchange rate changes on cash and cash equivalents	(125)	160
Change in cash and cash equivalents	2,500	3,425
Cash and cash equivalents as of January 1	15,677	10,033
<b>Cash and cash equivalents as of September 30</b>	<b>18,177</b>	<b>13,458</b>

As of September 30, 2004 and 2003, cash and cash equivalents restricted as to use were USD 635 million and USD 1.3 billion respectively, and cash and cash equivalents held for the benefit of policyholders in connection with unit-linked products amounted to USD 3.1 billion and USD 1.7 billion respectively.

# Matters Affecting the Basis of Current and Future Presentation and Comparability

## Changes to accounting policies 2003 and 2004

As set out in our Half Year Report 2004, we implemented Statement of Position 03-01 (SOP 03-01), Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts issued by the Accounting Standards Executive Committee (AcSEC) of the American Institute of Certified Public Accountants (AICPA). SOP 03-01 has resulted in three significant changes in the treatment of certain life contracts, which have been adopted retrospectively, in accordance with IAS 8.

As outlined in the Annual Report 2003, new accounting standards were implemented relating to share-based payment transactions – International Financial Reporting Standard 2 (“IFRS 2”) – and to the separation of certain embedded derivative-linked components of reinsurance contracts (“DIG B36”).

We have made the following restatements and adjustments to the figures for the first nine months of 2003.

## Adjustments to net income for the nine months ended September 30, 2003

in USD millions

Net income, as published for the nine months ended September 30, 2003	1,402
Implementation of new accounting standards in 2003 (IFRS 2, DIG B36)	37
Implementation of new accounting standards in 2004 (SOP 03-01)	(29)
<b>Net income, restated</b>	<b>1,410</b>

## Adjustments to business operating profit for the nine months ended September 30, 2003

in USD millions

Business operating profit, as published for the nine months ended September 30, 2003	1,471
Implementation of new accounting standards in 2003 (IFRS 2, DIG B36)	39
Implementation of new accounting standards in 2004 (SOP 03-01)	(35)
Policyholder allocations	57
<b>Business operating profit, restated</b>	<b>1,532</b>

## Implementation of new and amended accounting standards in 2005

During the next few years, there will be a number of further changes to our consolidated financial statements. The principal change will occur in 2005 reporting when new and amended standards already issued and likely to be issued by the International Accounting Standards Board, will be implemented. The most significant impact on our Group is expected to be the International Financial Reporting Standard on “Insurance Contracts” (“IFRS 4”). The impact continues to be evaluated, but our net income, shareholders’ equity and presentation of the financial statements will be affected. To the extent that IFRS 4 does not determine accounting for insurance contracts, we will continue, as disclosed in our Annual Report 2003, to refer to accounting principles generally accepted in the United States (US GAAP) for guidance on accounting for insurance.

We do not expect the changes to have any significant effect on our solvency positions in our businesses, which are subject to local regulatory requirements and accounting policies.

## Reporting

The Group will continue to report using the segments identified in our Annual Report 2003 throughout 2004. The impact of the changes to the Group’s management structure announced on April 2, 2004 will be reflected in our reporting for 2005.

## Quarterly Consolidated Financial Information

### Summary of quarterly consolidated financial information

in USD millions, for the three months ended	09/30/04	09/30/03	06/30/04	06/30/03
Gross written premiums and policy fees	<b>11,172</b>	10,939	12,140	12,585
Net earned premiums and policy fees	<b>10,189</b>	9,166	10,118	10,223
Net investment income and net capital gains on investments and impairments	<b>3,073</b>	3,377	2,524	6,182
Other revenues	<b>881</b>	1,264	907	932
<b>Total revenues</b>	<b>14,143</b>	13,807	13,549	17,337
Insurance benefits and losses	<b>(8,611)</b>	(8,065)	(7,973)	(8,764)
Other expenses	<b>(4,918)</b>	(4,761)	(4,414)	(7,369)
<b>Total benefits, losses and expenses</b>	<b>(13,529)</b>	(12,826)	(12,387)	(16,133)
Net income before income taxes and minority interests	<b>614</b>	981	1,162	1,204
<b>Net income</b>	<b>454</b>	658	718	634
<b>Business operating profit</b>	<b>574</b>	206	978	564

# I Financial Supplement (unaudited)<sup>1</sup>

## Financial highlights – Operating statements by business segment (unaudited)

in USD millions

for the nine months ended September 30

	General Insurance		Life Insurance	
	2004	2003	2004	2003
<b>Revenues</b>				
Direct written premiums and policy fees	<b>25,359</b>	23,789	<b>8,058</b>	8,450
Assumed written premiums	<b>3,772</b>	4,017	<b>86</b>	56
Gross written premiums and policy fees	<b>29,131</b>	27,806	<b>8,144</b>	8,506
Less premiums ceded to reinsurers	<b>(5,669)</b>	(6,262)	<b>(630)</b>	(626)
Net written premiums and policy fees	<b>23,462</b>	21,544	<b>7,514</b>	7,880
Net change in reserves for unearned premiums	<b>(1,251)</b>	(1,628)	<b>14</b>	21
Net earned premiums and policy fees	<b>22,211</b>	19,916	<b>7,528</b>	7,901
Management fees	–	–	<b>12</b>	149
Net investment income	<b>1,721</b>	1,431	<b>4,578</b>	4,472
Net capital gains/(losses) on investments and impairments	<b>80</b>	187	<b>1,659</b>	2,005
Net (loss)/gain on divestments of businesses	<b>(42)</b>	20	<b>52</b>	259
Other income	<b>315</b>	370	<b>613</b>	584
<b>Total revenues</b>	<b>24,285</b>	21,924	<b>14,442</b>	15,370
<b>Benefits, losses and expenses</b>				
Losses and loss adjustment expenses	<b>16,460</b>	14,523	<b>64</b>	52
Life insurance death and other benefits	<b>72</b>	171	<b>9,066</b>	6,287
(Decrease)/increase in future life policyholders' benefits	<b>9</b>	7	<b>(1,772)</b>	1,882
Insurance benefits and losses	<b>16,541</b>	14,701	<b>7,358</b>	8,221
Policyholder dividends and participation in profits	<b>6</b>	6	<b>3,249</b>	3,181
Underwriting and policy acquisition costs	<b>3,877</b>	3,379	<b>1,326</b>	1,071
Administrative and other operating expenses	<b>1,955</b>	1,801	<b>850</b>	981
Amortization of intangible assets	<b>79</b>	52	<b>141</b>	125
Interest expense on debt	<b>139</b>	137	<b>27</b>	37
Interest credited to policyholders and other interest	<b>124</b>	87	<b>559</b>	693
<b>Total benefits, losses and expenses</b>	<b>22,721</b>	20,163	<b>13,510</b>	14,309
<b>Net income/(loss) before income taxes and minority interests</b>	<b>1,564</b>	1,761	<b>932</b>	1,061
<b>Net income/(loss)</b>	<b>1,206</b>	1,233	<b>653</b>	709
<b>Business operating profit</b>	<b>1,508</b>	1,544	<b>738</b>	576

<sup>1</sup> Certain 2003 amounts have been restated for implementation of new accounting standards in 2003 and 2004, as discussed in note 3 of the Annual Report 2003 and the Half Year Report 2004, respectively. Certain reclassifications have been made to conform to the current presentation. Interim results are not necessarily indicative of full-year results.

Farmers Management Services		Other Businesses		Corporate Center		Eliminations		Total	
2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
-	-	129	120	4	20	4	(2)	33,554	32,377
-	-	915	1,154	563	479	(1,306)	(1,173)	4,030	4,533
-	-	1,044	1,274	567	499	(1,302)	(1,175)	37,584	36,910
-	-	(118)	(161)	(560)	(487)	1,302	1,175	(5,675)	(6,361)
-	-	926	1,113	7	12	-	-	31,909	30,549
-	-	154	25	10	-	-	-	(1,073)	(1,582)
-	-	1,080	1,138	17	12	-	-	30,836	28,967
1,483	1,409	20	19	7	4	(6)	(7)	1,516	1,574
61	65	601	712	375	270	(681)	(610)	6,655	6,340
1	(5)	155	197	56	108	-	-	1,951	2,492
-	-	(1)	32	(1)	-	-	-	8	311
12	-	184	198	317	226	(344)	(182)	1,097	1,196
1,557	1,469	2,039	2,296	771	620	(1,031)	(799)	42,063	40,880
-	-	555	1,160	14	142	(115)	(118)	16,978	15,759
-	-	439	411	11	29	111	97	9,699	6,995
-	-	15	109	(47)	(71)	4	5	(1,791)	1,932
-	-	1,009	1,680	(22)	100	-	(16)	24,886	24,686
-	-	195	335	-	(116)	-	-	3,450	3,406
-	-	259	306	4	1	-	-	5,466	4,757
661	602	380	413	598	375	(340)	(159)	4,104	4,013
69	67	8	11	6	49	-	-	303	304
-	32	104	121	570	516	(573)	(537)	267	306
-	1	132	202	35	20	(118)	(87)	732	916
730	702	2,087	3,068	1,191	945	(1,031)	(799)	39,208	38,388
827	767	(48)	(772)	(420)	(325)	-	-	2,855	2,492
528	477	(73)	(745)	(412)	(264)	-	-	1,902	1,410
816	772	(57)	(909)	(483)	(451)	-	-	2,522	1,532

## Financial highlights – Balance sheets by business segment (unaudited)

in USD millions, as of

	General Insurance		Life Insurance	
	09/30/04	12/31/03	09/30/04	12/31/03
Total investments	<b>62,520</b>	56,778	<b>157,705</b>	154,443
Investments held on account and at risk				
of life insurance policyholders	–	6	<b>22,504</b>	21,974
Reinsurance assets	<b>16,931</b>	17,128	<b>5,358</b>	4,947
Deposits made under assumed reinsurance contracts	<b>1,659</b>	1,683	<b>19</b>	9
Deferred policy acquisition costs	<b>2,241</b>	2,085	<b>9,863</b>	9,601
Goodwill	<b>157</b>	184	<b>501</b>	524
Other related intangible assets <sup>1</sup>	–	–	<b>949</b>	1,025
Other assets	<b>12,846</b>	12,570	<b>11,005</b>	12,278
<b>Total assets after consolidation of investments in subsidiaries</b>	<b>96,354</b>	90,434	<b>207,904</b>	204,801
Reserves for losses and loss adjustment expenses, gross	<b>49,784</b>	45,337	<b>180</b>	157
Reserves for unearned premiums, gross	<b>14,882</b>	13,470	<b>115</b>	131
Future life policyholders' benefits, gross	<b>167</b>	157	<b>80,890</b>	82,740
Policyholders' contract deposits and other funds, gross	<b>891</b>	1,058	<b>18,365</b>	18,128
Reserves for unit-linked products, gross	–	–	<b>54,509</b>	51,188
Insurance reserves, gross	<b>65,724</b>	60,022	<b>154,059</b>	152,344
Insurance reserves for life insurance				
where the investment risk is carried by policyholders	–	–	<b>22,593</b>	22,063
Debt related to capital markets and banking activities	–	–	–	–
Senior debt	<b>8,677</b>	7,717	<b>966</b>	1,488
Subordinated debt	–	–	–	–
Other liabilities	<b>12,927</b>	13,048	<b>18,304</b>	18,594
<b>Total liabilities</b>	<b>87,328</b>	80,787	<b>195,922</b>	194,489

<sup>1</sup> Other related intangible assets consists of present value of profits of acquired insurance contracts and attorney-in-fact relationship.

Farmers Management Services		Other Businesses		Corporate Center		Eliminations		Total		
09/30/04	12/31/03	09/30/04	12/31/03	09/30/04	12/31/03	09/30/04	12/31/03	09/30/04	12/31/03	
<b>2,367</b>	2,219	<b>19,864</b>	20,761	<b>16,618</b>	14,644	<b>(25,012)</b>	(23,098)	<b>234,062</b>	225,747	
-	-	-	-	-	-	-	-	<b>22,504</b>	21,980	
<b>440</b>	429	<b>2,968</b>	3,423	<b>523</b>	385	<b>(4,255)</b>	(3,642)	<b>21,965</b>	22,670	
-	-	<b>1,553</b>	1,931	<b>54</b>	51	<b>(64)</b>	(66)	<b>3,221</b>	3,608	
-	-	<b>67</b>	100	-	1	<b>2</b>	(3)	<b>12,173</b>	11,784	
-	-	<b>60</b>	64	<b>6</b>	7	-	-	<b>724</b>	779	
<b>1,035</b>	1,067	-	-	-	-	-	-	<b>1,984</b>	2,092	
<b>694</b>	767	<b>2,908</b>	4,432	<b>1,613</b>	2,196	<b>(2,242)</b>	(3,261)	<b>26,824</b>	28,982	
<b>4,536</b>	4,482	<b>27,420</b>	30,711	<b>18,814</b>	17,284	<b>(31,571)</b>	(30,070)	<b>323,457</b>	317,642	
-	-	<b>6,957</b>	7,741	<b>678</b>	715	<b>(2,816)</b>	(2,882)	<b>54,783</b>	51,068	
-	-	<b>304</b>	481	<b>195</b>	115	<b>(440)</b>	(253)	<b>15,056</b>	13,944	
-	-	<b>2,103</b>	2,065	<b>564</b>	674	<b>(710)</b>	(425)	<b>83,014</b>	85,211	
-	-	<b>3,293</b>	3,194	-	-	<b>(302)</b>	(373)	<b>22,247</b>	22,007	
-	-	-	-	-	-	-	-	<b>54,509</b>	51,188	
-	-	<b>12,657</b>	13,481	<b>1,437</b>	1,504	<b>(4,268)</b>	(3,933)	<b>229,609</b>	223,418	
-	-	-	-	-	-	-	-	<b>22,593</b>	22,063	
-	-	<b>5,393</b>	6,321	-	-	<b>(1,170)</b>	(360)	<b>4,223</b>	5,961	
-	-	<b>254</b>	191	<b>15,917</b>	14,288	<b>(22,727)</b>	(21,324)	<b>3,087</b>	2,360	
-	429	-	-	<b>3,528</b>	3,398	<b>(1,115)</b>	(1,412)	<b>2,413</b>	2,415	
<b>1,353</b>	1,379	<b>8,253</b>	9,836	<b>1,882</b>	1,706	<b>(2,291)</b>	(3,041)	<b>40,428</b>	41,522	
<b>1,353</b>	1,808	<b>26,557</b>	29,829	<b>22,764</b>	20,896	<b>(31,571)</b>	(30,070)	<b>302,353</b>	297,739	
								<b>747</b>	969	
								<b>Shareholders' equity</b>	<b>20,357</b>	18,934

**Statistical data per region –  
General Insurance (unaudited)**

in USD millions

for the nine months ended September 30

	North America Corporate		North America Consumer		Continental Europe	
	2004	2003	2004	2003	2004	2003
Gross written premiums and policy fees	<b>11,922</b>	11,695	<b>2,546</b>	2,396	<b>8,620</b>	8,100
Net earned premiums and policy fees	<b>7,803</b>	6,533	<b>2,296</b>	2,393	<b>6,758</b>	6,196
Insurance benefits and losses	<b>6,628</b>	4,866	<b>1,314</b>	1,548	<b>4,900</b>	4,641
Policyholder dividends and participation in profits	<b>4</b>	2	–	–	<b>2</b>	(2)
Total net technical expenses	<b>1,588</b>	1,360	<b>877</b>	807	<b>1,561</b>	1,496
Net underwriting result	<b>(417)</b>	305	<b>105</b>	38	<b>295</b>	61
Net investment income	<b>530</b>	424	<b>72</b>	54	<b>493</b>	485
Net capital gains/(losses) on investments and impairments	<b>42</b>	166	–	(4)	<b>73</b>	49
Net non-technical result	<b>(85)</b>	12	<b>(1)</b>	(1)	<b>(232)</b>	(110)
<b>Net income/(loss) before income taxes and minority interests</b>	<b>70</b>	907	<b>176</b>	87	<b>629</b>	485
<b>Net income/(loss)</b>	<b>143</b>	696	<b>157</b>	77	<b>433</b>	304

**Business operating profit**

**28**    741    **176**    92    **655**    456

Ratios, as % of net earned premiums and policy fees

Loss ratio	<b>84.9%</b>	74.5%	<b>57.2%</b>	64.7%	<b>72.5%</b>	74.9%
Expense ratio <sup>1</sup>	<b>20.4%</b>	20.8%	<b>38.2%</b>	33.7%	<b>23.1%</b>	24.1%
<b>Combined ratio</b>	<b>105.3%</b>	95.3%	<b>95.4%</b>	98.4%	<b>95.6%</b>	99.0%

<sup>1</sup> Including policyholder dividends and participation in profits.

UKISA		Rest of the World		Centrally Managed Businesses		Eliminations		Total	
2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
<b>4,944</b>	4,748	<b>1,669</b>	1,616	<b>341</b>	604	<b>(911)</b>	(1,353)	<b>29,131</b>	27,806
<b>4,146</b>	3,528	<b>1,064</b>	917	<b>144</b>	349	–	–	<b>22,211</b>	19,916
<b>2,983</b>	2,640	<b>621</b>	519	<b>95</b>	485	–	2	<b>16,541</b>	14,701
–	–	–	6	–	–	–	–	<b>6</b>	6
<b>937</b>	792	<b>391</b>	335	<b>60</b>	69	<b>(12)</b>	(4)	<b>5,402</b>	4,855
<b>226</b>	96	<b>52</b>	57	<b>(11)</b>	(205)	<b>12</b>	2	<b>262</b>	354
<b>424</b>	294	<b>60</b>	46	<b>168</b>	135	<b>(26)</b>	(7)	<b>1,721</b>	1,431
<b>(51)</b>	–	<b>16</b>	4	–	(28)	–	–	<b>80</b>	187
<b>(97)</b>	(82)	<b>7</b>	4	<b>(105)</b>	(39)	<b>14</b>	5	<b>(499)</b>	(211)
<b>502</b>	308	<b>135</b>	111	<b>52</b>	(137)	–	–	<b>1,564</b>	1,761
<b>328</b>	198	<b>97</b>	86	<b>48</b>	(128)	–	–	<b>1,206</b>	1,233
<b>545</b>	337	<b>115</b>	102	<b>(11)</b>	(184)	–	–	<b>1,508</b>	1,544
<b>71.9%</b>	74.8%	<b>58.2%</b>	56.8%	<b>66.2%</b>	139.0%	n/a	n/a	<b>74.5%</b>	73.8%
<b>22.6%</b>	22.5%	<b>36.8%</b>	37.1%	<b>41.5%</b>	19.7%	n/a	n/a	<b>24.3%</b>	24.4%
<b>94.5%</b>	97.3%	<b>95.0%</b>	93.9%	<b>107.7%</b>	158.7%	n/a	n/a	<b>98.8%</b>	98.2%

**Statistical data per region –  
Life Insurance (unaudited)**

in USD millions

for the nine months ended September 30

	North America Consumer		Continental Europe	
	2004	2003	2004	2003
Gross written premiums, policy fees and insurance deposits	<b>842</b>	2,158	<b>6,429</b>	6,992
Gross written premiums and policy fees	<b>425</b>	891	<b>5,429</b>	5,915
Net earned premiums and policy fees	<b>318</b>	500	<b>5,339</b>	5,862
Management fees	–	–	<b>2</b>	1
Net investment income	<b>270</b>	500	<b>2,103</b>	2,096
Net capital gains/(losses) on investments and impairments	<b>(4)</b>	64	<b>159</b>	(498)
Other income (incl. net gain on divestments of businesses)	<b>1</b>	(106)	<b>319</b>	401
<b>Total revenues</b>	<b>585</b>	958	<b>7,922</b>	7,862
Insurance benefits and losses	<b>158</b>	253	<b>5,916</b>	6,598
Policyholder dividends and participation in profits	<b>2</b>	5	<b>480</b>	(239)
Underwriting and policy acquisition costs	<b>57</b>	171	<b>492</b>	437
Administrative and other operating expenses	<b>49</b>	114	<b>322</b>	306
Amortization of intangible assets	<b>14</b>	93	<b>61</b>	48
Interest expense on debt and other interest	<b>132</b>	307	<b>335</b>	336
<b>Total benefits, losses and expenses</b>	<b>412</b>	943	<b>7,606</b>	7,486
<b>Net income/(loss) before income taxes and minority interests</b>	<b>173</b>	15	<b>316</b>	376
<b>Net income/(loss)</b>	<b>113</b>	7	<b>242</b>	224
<b>Business operating profit</b>	<b>178</b>	162	<b>247</b>	155
Embedded value information				
Gross new business annual premiums equivalent (APE)	<b>86</b>	199	<b>612</b>	575
New business profit, after tax	<b>53</b>	60	<b>64</b>	37
New business profit margin (in % of APE)	<b>61.9%</b>	29.9%	<b>10.5%</b>	6.5%

UKISA		Rest of the World		Centrally Managed Businesses		Eliminations		Total	
2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
<b>5,722</b>	4,774	<b>966</b>	960	<b>706</b>	–	<b>(12)</b>	(9)	<b>14,653</b>	14,875
<b>1,586</b>	1,170	<b>483</b>	539	<b>233</b>	–	<b>(12)</b>	(9)	<b>8,144</b>	8,506
<b>1,386</b>	1,046	<b>436</b>	493	<b>49</b>	–	–	–	<b>7,528</b>	7,901
–	139	<b>10</b>	9	–	–	–	–	<b>12</b>	149
<b>2,079</b>	1,775	<b>98</b>	100	<b>28</b>	–	–	1	<b>4,578</b>	4,472
<b>1,484</b>	2,424	<b>30</b>	15	<b>(10)</b>	–	–	–	<b>1,659</b>	2,005
<b>258</b>	483	<b>72</b>	67	<b>15</b>	–	–	(2)	<b>665</b>	843
<b>5,207</b>	5,867	<b>646</b>	684	<b>82</b>	–	–	(1)	<b>14,442</b>	15,370
<b>922</b>	1,014	<b>325</b>	356	<b>37</b>	–	–	–	<b>7,358</b>	8,221
<b>2,746</b>	3,388	<b>19</b>	27	<b>2</b>	–	–	–	<b>3,249</b>	3,181
<b>645</b>	345	<b>104</b>	118	<b>28</b>	–	–	–	<b>1,326</b>	1,071
<b>323</b>	425	<b>139</b>	137	<b>17</b>	–	–	(1)	<b>850</b>	981
<b>63</b>	(20)	<b>3</b>	4	–	–	–	–	<b>141</b>	125
<b>105</b>	85	<b>3</b>	2	<b>11</b>	–	–	–	<b>586</b>	730
<b>4,804</b>	5,237	<b>593</b>	644	<b>95</b>	–	–	(1)	<b>13,510</b>	14,309
<b>403</b>	630	<b>53</b>	40	<b>(13)</b>	–	–	–	<b>932</b>	1,061
<b>274</b>	449	<b>44</b>	29	<b>(20)</b>	–	–	–	<b>653</b>	709
<b>302</b>	235	<b>27</b>	24	<b>(16)</b>	–	–	–	<b>738</b>	576
<b>766</b>	566	<b>148</b>	214	<b>n/a</b>	n/a	<b>n/a</b>	n/a	<b>1,612</b>	1,554
<b>54</b>	37	<b>(1)</b>	1	<b>n/a</b>	n/a	<b>n/a</b>	n/a	<b>170</b>	135
<b>7.0%</b>	6.6%	<b>(0.5%)</b>	0.7%	<b>n/a</b>	n/a	<b>n/a</b>	n/a	<b>10.5%</b>	8.7%

## Reconciliation of net income and business operating profit (unaudited)

in USD millions

for the nine months ended September 30

	2004	2003
Net income/(loss)	<b>1,902</b>	1,410
<i>Adjusted for:</i>		
Net capital (gains)/losses on investments and impairments, excluding capital markets and banking activities	<b>(1,859)</b>	(2,398)
Policyholder allocation of net capital gains/(losses) on investments and impairments	<b>1,646</b>	1,946
Tax expense/(benefit), adjusting for life policyholder tax	<b>851</b>	924
Net loss/(gain) on divestments of businesses	<b>(8)</b>	(311)
Realized (gain) on sale of non-operating assets	<b>(10)</b>	–
Restructuring provision	–	(39)
<b>Business operating profit</b>	<b>2,522</b>	1,532

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### **American Depositary Receipts**

Zurich Financial Services has an American  
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ADR holder assistance may also be obtained  
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### **Financial Calendar**

Annual Results Reporting 2004  
February 17, 2005  
  
Annual General Meeting 2005  
April 19, 2005

Zurich Financial Services is an insurance-based financial services provider with a global network that focuses its activities on its key markets in North America and Europe. Founded in 1872, Zurich is headquartered in Zurich, Switzerland. Zurich has offices in more than 50 countries and employs about 62,000 people.

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The Report for the Nine Months to September 30, 2004 is published in English, German and French. In the case of inconsistencies in the German and French translations, the English original version shall prevail.

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Persons requiring advice should consult an independent adviser.



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