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FINANCIAL SERVICES

Impact of Changes to International Financial Reporting Standards (IFRS)

Analysts' presentation

Zurich, May 3, 2005

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Agenda

• Introduction	Patrick O’Sullivan
• Financial statement impacts	Louis Mannello
• Concluding remarks	Patrick O’Sullivan
• Appendix	

Introduction

Patrick O'Sullivan
Group Finance Director

May 3, 2005

Introduction

- Zurich is not a first-time adopter of IFRS
  - IAS has been applied since 1997
  - Reference to US GAAP where IAS (IFRS) has been silent

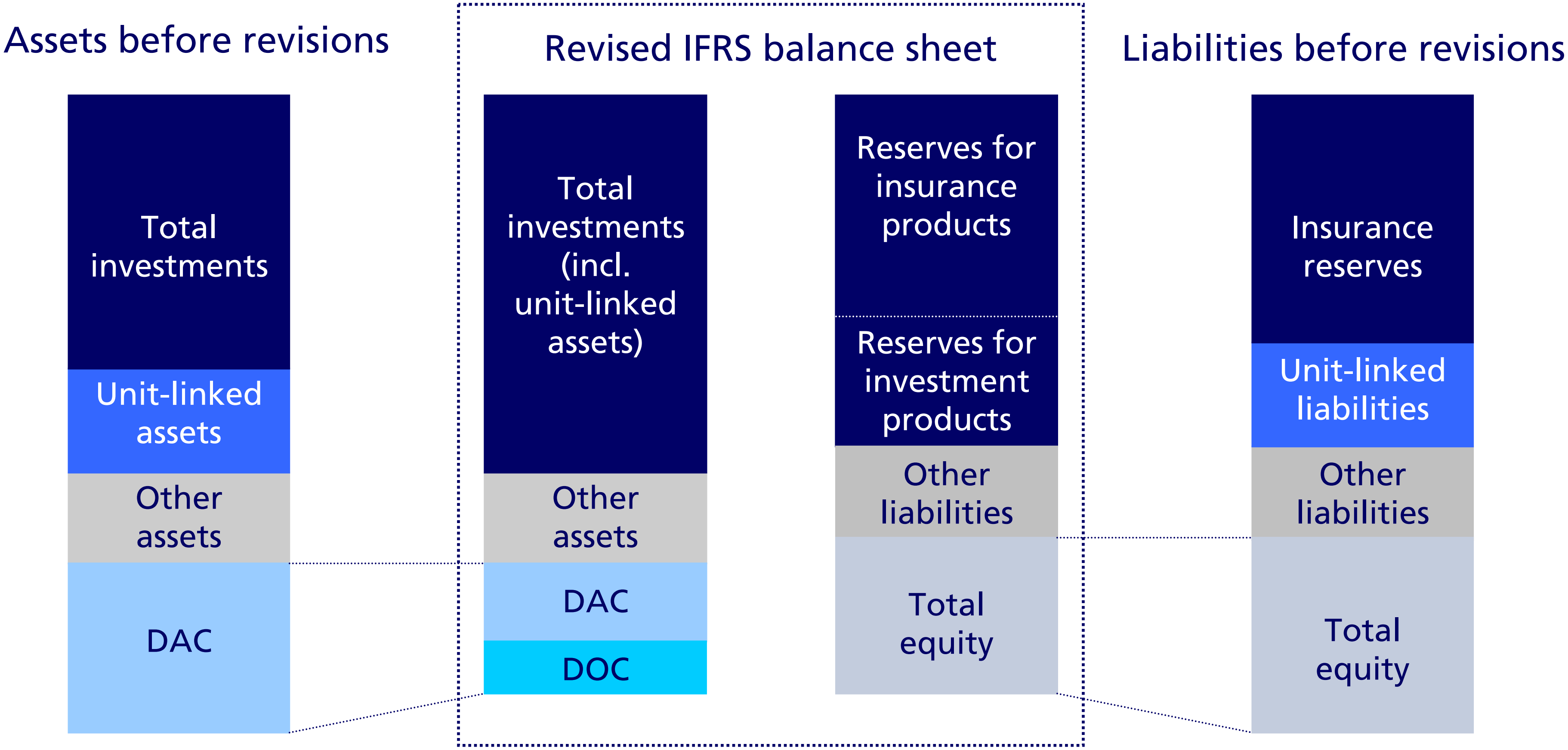
- However, IFRS has changed as of January 1, 2005
  - IFRS 4 – new insurance contract standard
  - 4 other new standards, one of which implemented in 2003
  - 17 other revised standards - some retrospective, some prospective

Primary impact on Zurich due to IFRS 4

	Accounting Standard changes
Retrospective	IFRS 4 – Insurance contracts IAS 1 – Presentation of financial statements IAS 27 – Consolidated financial statements IAS 39 – Financial Instruments
Prospective	IFRS 3 – Business combinations IFRS 5 – Assets held for disposal

- Effect on Zurich primarily from IFRS 4
- Main impact on Life Insurance business
- General Insurance not significantly impacted
- Balance Sheet and Income Statement presentational changes
- No benefit of release of equalization reserves
- Most investments already at market value

Illustration of major impacts on the Zurich balance sheet



IFRS changes do not affect business fundamentals

- No change in underlying economics of transactions
- No change in “real”cash flows
- No change in Embedded Value
- No change in regulatory capital requirements on a legal entity basis and risk based capital requirements

Financial statement impact

Louis Mannello
Group Controller

May 3, 2005

Restatement of 2004 Shareholders' Equity

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(in USD millions – unaudited)	Gross	Tax effect	Opening net impact Jan 1, 2004	% of opening S/H equity	Closing net impact Dec 31, 2004
As published in the 2004 Annual Report			18,934	100%	22,181
IFRS 4 adjustments					
a) Contract classification	-1,248	293	-955		-1,093
b) Centre discount unlocking	-239	-	-239		-252
c) Swiss pension	-129	3	-126		-183
Total IFRS 4 adjustments	-1,616	296	-1,320	-7.0%	-1,528
Other IAS / IFRS	25	-10	15		17
Total adjustments	-1,591	286	-1,305	-6.9%	-1,511
Shareholders' equity restated			17,629		20,670

IFRS 4 - Insurance Contracts

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- Definition of an insurance contract:
  - Mainly affects reclassification of contracts in Life insurance business
  - General Insurance business not significantly impacted

- Contracts no longer classified as insurance are accounted for as investment products with changes to presentation and measurement of related deferred acquisition cost

- Disaggregation of all unit-linked and separate account products

- Accounting policy unchanged for contracts defined as insurance

IFRS 4 impact:
a) Contract classification

- Certain life products in the UK, Ireland, Isle of Man and Australia no longer classified as insurance but as investment products
- These contracts are now subject to the accounting treatment for financial instruments under IAS 39 and IAS 18 in respect of cost deferral
- The primary impact is that fewer costs relating to acquisition (origination) of the product are deferrable
- Deferrable costs:
  - Lower for investment products (DOC - Deferred Origination Costs)
  - Reassessment of amortization policy for certain deferred acquisition costs on unit-linked products
  - The active DAC amortization approach in the UK and Isle of Man has been discontinued; DAC will now be amortized with expected gross margins over the life of the product
- There is no change to the economic value or cash flows from such contracts, only changes to the timing of recognition of profit
- Consolidation of all unit-linked and separate account products

IFRS 4 impact:
b) Centre discount unlocking

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- IFRS 4 permits changes for accounting for insurance products, where there is a more “relevant and reliable” treatment
- For certain life and health insurance contracts, Centre held investments as trading with the corresponding liability held at fixed or “locked-in” value
- Changes in the value of investments were recognized in the income statement with no offsetting movement in the value of the liability
- The discount rate for these insurance liabilities has now been “unlocked” and will be adjusted through the income statement at each reporting date to reflect current market rates
- Asymmetric accounting treatment has been removed

IFRS 4 impact:
c) Swiss pension

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- Currently, there is an insurance contract between the Group's Swiss pension fund and Zurich Life Insurance Company. IFRS 4 does not allow recognition of such a contract as insurance, though it is an admissible asset under Swiss law
- As the contract can no longer be treated as insurance, then, under IAS 19 (pension accounting), it can no longer be recognized as an asset backing the defined benefit pension obligation
- Until now a certain element of the deficit in the Swiss pension plan has not been recognized in the financial statements (as permitted under IAS19 through the so called "corridor"), but must now be booked in full
- As the insurance contract with the pension fund is no longer regarded as insurance, gross written premiums are reduced and the insurance reserve is reclassified as a pension liability

Restatement of 2004 Shareholders' Equity

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Main impact from IFRS 4, little impact from other IAS/IFRS standards

Impact on Zurich's 2004 net income

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(in USD millions – unaudited)	Dec 31, 2004	Mar 31, 2004
As published in the 2004 annual report	2,587	730
a) Contract classification	-67	-9
b) Centre discount unlocking	-12	-61
c) Swiss pension	-42	-16
Total adjustments	-121	-86
Net income after tax and minority interests restated for IFRS	2,466	644

Description of IFRS 4 impact on net income

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a) Contract classification and related:
   - Fewer costs related to new business are deferrable
   - Change to passive DAC amortization method

b) Centre discount unlocking:
   - Removal of volatility resulting from movement in investments not being matched by the value of the matching liability

c) Swiss pension:
   - Recognition of costs under IAS 19 for plan no longer considered funded from an IFRS perspective

Restated Q1 2004 net income by segment

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(in USD millions – unaudited)	As reported for Q1[1]	Adjustments for IFRS	Restated for IFRS	Adjustments for segment changes	As restated for segment changes
General Insurance	458	-7	451	-12	439
Life Insurance	220	-13	207	-1	206
Farmers Management Services	177	-	177	5	182
Other Businesses	16	-56	-40	-2	-42
Corporate Center	-141	-10	-151	10	-141
Total	730	-86	644	-	644

[1] as published in the 2004 annual report

Illustration of major impacts of accounting standards on the Zurich balance sheet

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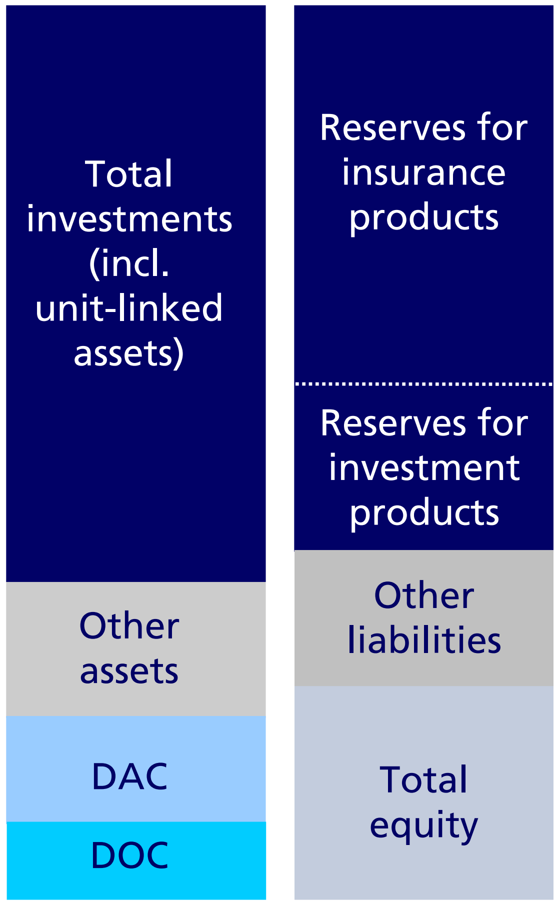
- IAS 1: liquidity option changes order of line items
- IAS27: consolidation of investment vehicles and venture capital investments resulting in the gross up of assets and liabilities
- IFRS 4 / IAS39: investments held on account and at risk of life insurance policyholders are disaggregated by type of investment
- IFRS4 / IAS 39: new line for deferred origination costs for investment products

Revised IFRS balance sheet



- IFRS 4 / IAS 39: reduction of insurance reserves by transfer of liabilities related to investment policies due to reclassification
- IAS 27: consolidation of investment vehicles and venture capital investments resulting in the gross up of assets and liabilities
- IAS 19: transfer from insurance reserves to pension liabilities for Swiss pension plan
- IAS 1: minority interests now included in total equity

IFRS - prospective impacts

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	IFRS 3 – Business combinations	IFRS 5 – Assets held for disposal
Balance Sheet	No impact on 2004 shareholders' equity	- No impact on 2004 shareholders' equity - Assets and liabilities identified for disposal are reclassified as a single line item
Income Statement	- Amortization of goodwill ceases as of January 1, 2005 - 2004 charge was USD 92m - Impairment tests may require recognition of loss if identified	No impact unless a loss is anticipated on disposal

New IFRS disclosures in the 2005 Annual Report

- Insurance loss development tables
- Maturity of General and Life Insurance reserves
- Roll forward of Life Insurance reserves
- Judgments and sensitivity information and their impact on the financial statements

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Concluding remarks

Patrick O'Sullivan

Group Finance Director

May 3, 2005

Concluding remarks

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- Zurich is not a first time adopter of IFRS
- The adoption of IFRS 4 has had a major impact on the financial statements
- IFRS changes do not affect business fundamentals:
  - No change in underlying economics of transactions
  - No change in "real" cash flows
  - No change in Embedded Value
  - No change in regulatory capital requirements on a legal entity basis and risk based capital requirements

Q&A

Appendix

IAS / IFRS changes

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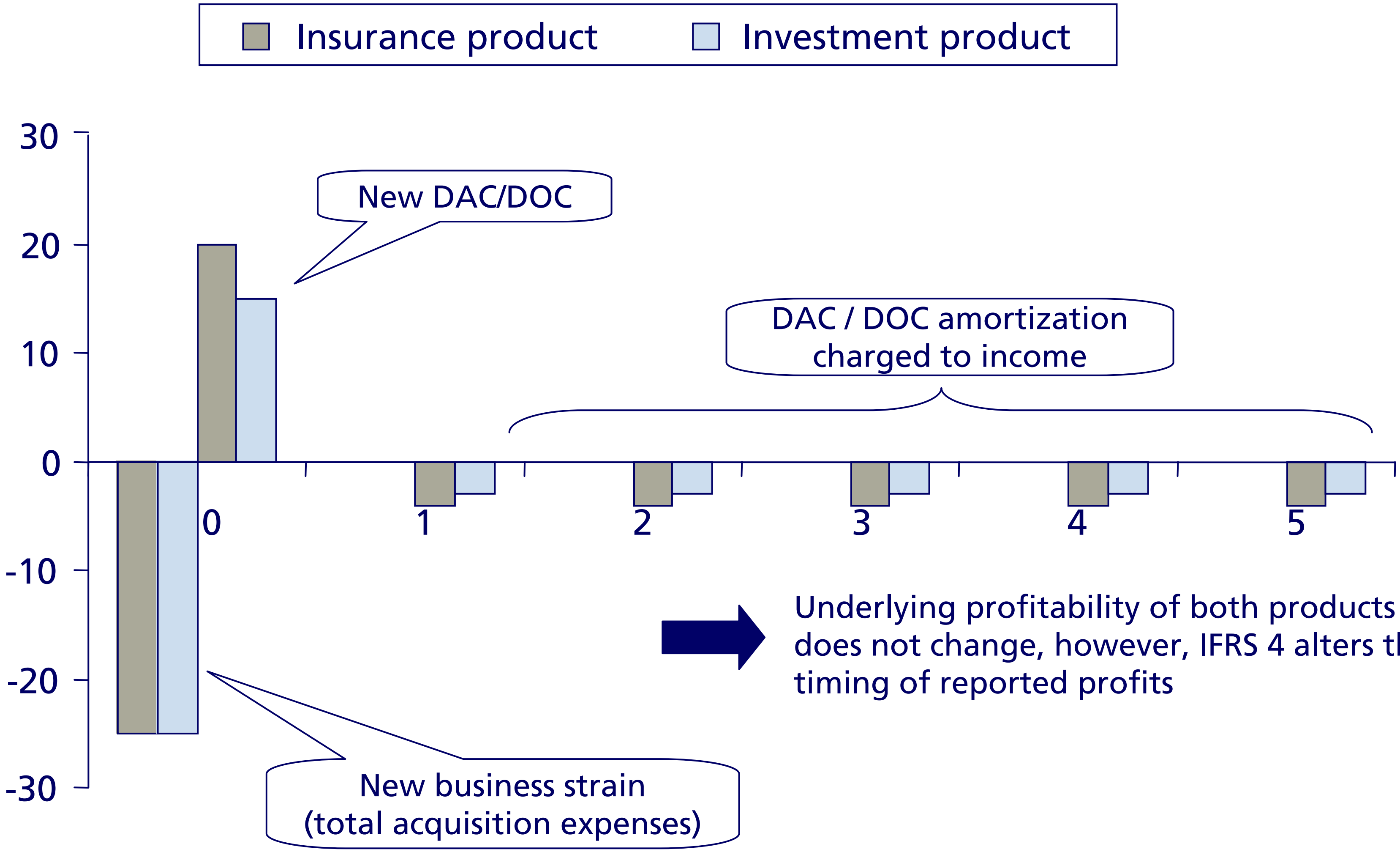
	Standard No.	Description
Revised	IAS 1	Presentation of Financial Statements
	IAS 2	Inventories
	IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
	IAS 10	Events after the Balance Sheet Date
	IAS 16	Property, Plant and Equipment
	IAS17	Leases
	IAS 21	The Effects of Changes in Foreign Exchange rates
	IAS 24	Related party Disclosures
	IAS 27	Consolidated and Separate Financial Statements
	IAS 28	Investments in Associates
	IAS 31	Interests in Joint Ventures
	IAS 32	Financial Instruments: Disclosures and Presentation
	IAS 33	Earnings per Share
	IAS 36	Impairment of Assets
	IAS 38	Intangible Assets
	IAS 39	Financial Instruments: Recognition and Measurement
	IAS 40	Investment Property
New	IFRS 1	First-time Adoption of International Financial Reporting Standards
	IFRS 3	Business Combinations
	IFRS 4	Insurance Contracts
	IFRS 5	Non-current Assets held for Sale and Discontinued Operations

Early adopted in 2003:

IFRS 2	Share-based payment transactions

Cash flow, deferral and amortization of insurance versus investment products



Underlying profitability of both products does not change, however, IFRS 4 alters the timing of reported profits

Deferred Origination Costs (1/3)

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- Origination costs are deferred for investment contracts at a different level to acquisition costs deferred for insurance contracts
- Origination costs relate to management services for investment contracts which are deferred and amortized over the period in which the management services are expected to occur, as per IAS 18
- Origination costs must be incremental and directly attributable to the issue of single contracts. Overheads and other administration should not be included
- The deferrable origination costs are to be amortized on a straight-line basis over the lifetime of the contract, or 20 years where there is no fixed maturity and flow through the operating statement
- The deferred origination cost asset needs to be tested for recoverability

Deferred Origination Costs (2/3)

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Examples of different costs incurred and whether they qualify as DOC or DAC

Description	Qualify for DOC ?	Qualify for DAC ?
Initial commission	Yes	Yes
Commission to direct sales force	Yes	Yes
Production bonuses payable to direct sales force	Yes, incremental	Yes
Salaries payable to direct sales force	No, not incremental	Yes[1]
Direct marketing costs	No, not incremental	Yes[1]
Sales support, advertising and product development	No, not incremental	Yes[1]
Administration, call center staff	No, not incremental	Yes[1]

➡ Origination costs are deferrable to a lesser extent than 'standard' acquisition costs of insurance products

[1] only for those costs that vary with and are primarily related to the acquisition of new business

Deferred Origination Costs (3/3)

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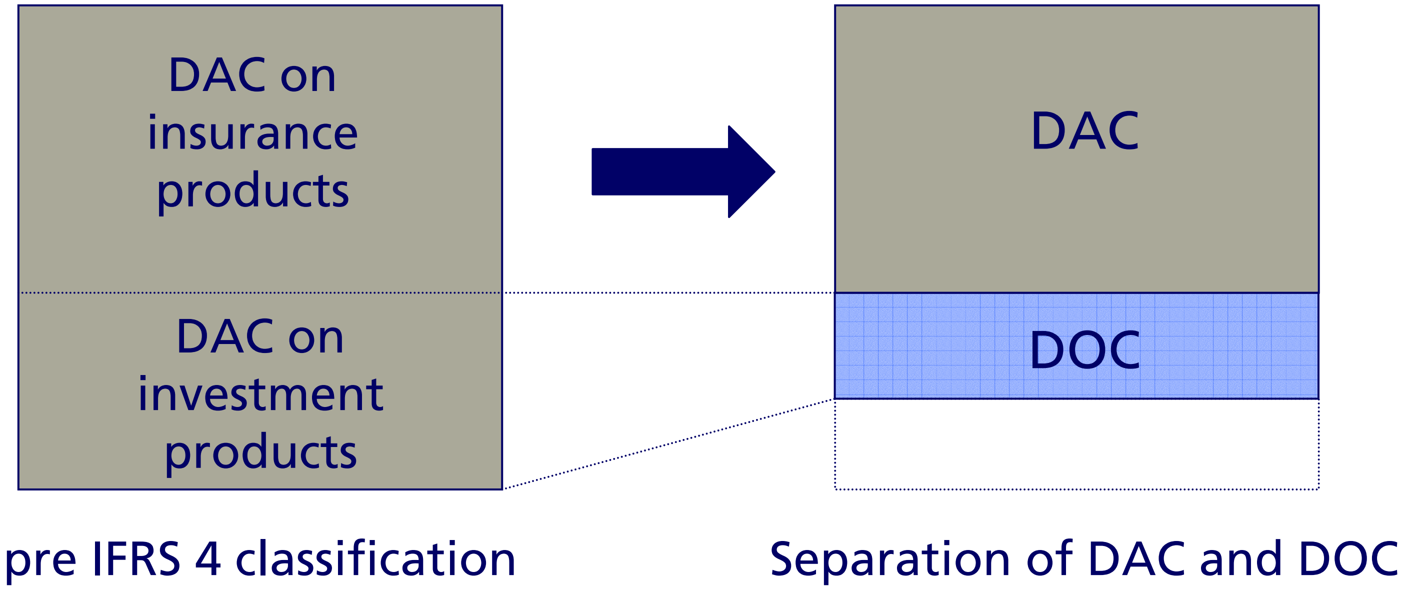

- 'pre IFRS 4'-DAC on investment products will be reclassified as Deferred Origination Costs (DOC)
- since origination costs are deferrable to a lesser extent than acquisition costs, the DOC is significantly lower than the 'pre IFRS 4'-DAC on investment products