



Zurich reports strong results in the first half of 2005 with an increase in net income of 21% to USD 1.8 billion

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Zurich, August 18, 2005 – Zurich Financial Services Group (Zurich) reports a record operating performance for the first half of 2005. Robust underwriting management, tight expense controls and a strong balance sheet underpin the Group's ability to deliver on its strategy and generate attractive shareholder returns. Performance highlights include:

- **Net income¹ of USD 1,799 million, an increase of 21%² and a return on equity (ROE)³ of 18.4% (annualized); earnings per share (diluted) of CHF 14.77, an increase of 15%**
- **Business operating profit (BOP) of USD 2,305 million, an increase of 17% and an annualized BOP ROE³ after tax of 16.5%**
- **Gross written premiums in General Insurance of USD 18.6 billion, an increase of 1% and a combined ratio of 96.9%**
- **Gross written premiums and policy fees in Life Insurance stable at USD 5.5 billion; new premiums written (APE) of USD 1.1 billion, an increase of 4%, and new business profit margin of 10.9%, an increase of 1.2 percentage points**
- **Management fees and other related revenue at Farmers Management Services of USD 1.0 billion, an increase of 4%, and business operating profit of USD 609 million, an increase of 10%**
- **Group investments achieved net investment income of USD 4.0 billion, an increase of 10%, and total investment return of 3.4% (not annualized)**

James J. Schiro, Chief Executive Officer of Zurich, said: "We are pleased to see that the quality of our results has improved with all core businesses and Group investments contributing to the bottom line. Key drivers of our strong performance were customer focus, operational excellence, and talent development."

Zurich's focus on financial and operational discipline and improved underwriting and claims management are reinforcing the Group's competitive position. In General Insurance, Zurich is strategically well positioned to maintain profitability on the strength of its diversified portfolio, while maintaining its conservative stance on reserving. The Group achieved a strong underwriting performance in Europe General Insurance, which focuses on personal lines, and North America Commercial with its primary focus on small and medium enterprises. In line with the Group's profitable growth strategy, the overall General Insurance portfolio has been rebalanced to expand Zurich's presence in lines of business with more attractive returns.

In Life Insurance, the introduction of new products and the changes made to the business model in the last two years continue to generate positive results. The half-year performance is based on excellent results particularly in Germany and Switzerland, but also the emerging recovery in the United Kingdom. On June 1, Openwork was successfully launched. It is the largest multi-tied network in the UK, and sales of life insurance products are already very encouraging.

Going forward, the strategy is to focus on superior customer service. A strong and well recognized brand is vital for Zurich's presence in global markets. The breadth of the Group's products and its attention to service quality contribute to high customer retention in the Global Corporate business. The Group's sophisticated underwriting and robust customer segmentation enhance also the profitability of its personal lines business. Through The Zurich Way of transferring best practices and promoting improvements in all technical areas, the Group is creating a foundation for future earnings growth. The initiatives of The Zurich Way are expected to

generate operating improvements in General and Life Insurance of USD 500 million in 2005. After six months, these initiatives are well on track to do so.

Segment performance²

General Insurance. The segment's operating performance was strong on continued process improvements and the increased scale of shared services platforms. Business operating profit increased 10% to USD 1,384 million. All core businesses achieved positive underwriting results.

In Europe General Insurance, smaller losses and better expense controls generated a sizeable improvement in the net underwriting profit, which increased 117% to USD 321 million. The region's shared services initiative generated tangible benefits and laid a foundation for sustained improvements in the future. North America Commercial also contributed a much improved performance with the net underwriting profit amounting to USD 109 million. The strong performance in Europe General Insurance and North America Commercial more than compensated for the lower net underwriting result of USD 83 million in Global Corporate, which was affected by higher than average claims related to fire and flooding in Europe. Gross written premiums and policy fees in International Businesses increased 3% to USD 1.5 billion mainly on strong growth in South Africa, Japan and Australia and the division's net underwriting profit was USD 45 million.

In a competitive market General Insurance gross written premiums and policy fees grew 1% to USD 18.6 billion in the half year. After adjusting for currency translation effects and divestments of businesses, they declined 1%, while net earned premiums increased like-on-like by 4% to USD 13.9 billion. The top line movements reflect the retention of attractive business as

well as Zurich's commitment to pricing discipline and the Group's strategic management of profitable opportunities in selected lines of business.

Life Insurance. The segment's business operating profit rose 22% to USD 536 million in the half year and the new business profit margin rose to 10.9%, an improvement of 1.2 percentage points.

New premiums written (using the industry standard measure Annual Premium Equivalent – APE) increased 4% to USD 1.1 billion. This growth was driven by a strong performance in Europe, while new production at Farmers New World Life, which is owned and consolidated by the Zurich Group, was essentially stable in a declining market.

Farmers Management Services. Farmers Management Services continued to benefit from higher revenue as a result of earned premium growth in the Farmers Exchanges (which Zurich manages but does not own) and increased investment income on a higher asset base. Fee income grew 4% to USD 1.0 billion and business operating profit increased 10% to USD 609 million. The Exchanges improved their combined ratio 3.3 percentage points to 94.4%. They contributed USD 320 million to surplus in the first half year, bringing total surplus growth to USD 783 million since January 1, 2004, which is more than three quarters of their three-year USD 1 billion commitment.

Other Businesses. Business operating profit in the Other Businesses segment, which can fluctuate from quarter to quarter, was USD 158 million mainly due to the strong result of Farmers Re, the unit providing reinsurance services to the Farmers Exchanges. The Centre businesses achieved a business operating profit of USD 10 million. The Group continues to expect the run off of Centre to be neutral over time.



Investment performance. Net investment income from Group investments increased 10% to USD 4.0 billion. Including net realized and unrealized capital gains and losses, the total return on average Group investments was 3.4% (not annualized) for the half year compared with 1.7% in the first six months 2004. Capital gains reflect both an active realization strategy and mark-to-market revaluations of investments. The investment performance was achieved in an environment of strong equity markets, rising short-term interest rates and declining bond yields. It benefited from positive currency translation effects and strengthened expense discipline.

¹ Attributable to shareholders.

² Comparisons refer to the first six months of 2004 (restated for new and revised IFRS), unless stated otherwise. Interim results are not indicative of full-year results.

³ ROE calculated on common stockholders' equity. See the Financial Supplements and the Group Financial Review on the Investor Relations page of our Web site www.zurich.com for further information on shareholders' and common stockholders' equity.

Note to editors:

There will be a media conference at 10 a.m. CET at the Zurich Development Center, Keltenstrasse 48, Zurich.

The conference call with analysts and investors will be audio webcast on our Web site www.zurich.com live from 1 p.m. CET followed by a webcast playback available after 7 p.m. CET.

The media presentation and the presentation for analysts and investors as well as supplemental information will be available on our Web site www.zurich.com. Please click on the "Half Year Results 2005 – Media view" button on the bottom right corner of our homepage.

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 57,000 people.

Financial highlights (unaudited)

The following table presents the summarized consolidated results of the Group for the six months ended June 30, 2005 and 2004 and the financial position as of June 30, 2005 and as of December 31, 2004. The 2004 amounts have been restated for the implementation of new and revised accounting standards. Certain prior year amounts have also been reclassified to conform to the 2005 presentation. Interim results are not indicative of full-year results.

Consolidated operating statements			
in USD millions, for the six months ended June 30	2005	2004	Change
Gross written premiums and policy fees	25'954	26'356	(2%)
Net investment result	9'479	6'058	56%
Business operating profit	2'305	1'978	17%
Net income attributable to shareholders	1'799	1'484	21%
Consolidated balance sheets			
in USD millions, as of	6/30/2005	12/31/2004	Change
Total investments	273'799	282'155	(3%)
Reserves for insurance contracts	219'807	227'087	(3%)
Reserves for insurance contracts and liabilities related to investment contracts	257'220	267'133	(4%)
Senior and subordinated debt	5'993	5'871	2%
Shareholders' equity	21'934	20'670	6%
General Insurance key performance indicators			
for the six months ended June 30	2005	2004	Change
Business operating profit (in USD millions)	1'384	1'260	10%
Combined ratio	96.9%	96.6%	(0.3 pts)
Life Insurance key performance indicators			
for the six months ended June 30	2005	2004	Change
Business operating profit (in USD millions)	536	440	22%
New business profit margin (as % of APE)	10.9%	9.7%	1.2 pts
Return on common stockholders' equity (ROE)¹			
returns for the periods ended	6/30/2005	06/30/2004	12/31/04
Return on common stockholders' equity (ROE)	18.4%	18.5%	13.4%
Business operating profit (after tax) return on common stockholders' equity	16.5%	16.7%	12.5%
Per share data			
for the six months ended June 30	2005	2004	Change
Diluted earnings per share (in CHF)	14.77	12.84	15%

¹ Returns for the periods ended June 30, 2005 and 2004 are annualized on a compound basis using the results for the six months ended June 30. Returns for the period ended December 31, 2004 are for the year ended December 31, 2004. Performance measures for 2004 periods are based on financial information as restated. ROE is based on net income attributable to common stockholders.

Disclaimer and cautionary statement

Certain statements in this document are forward-looking statements, including, but not limited to, statements that are predicated on or indicate future events, trends, plans or objectives. Forward-looking statements include statements regarding our targeted profit improvement, return on equity targets, expense reductions, pricing conditions, dividend policy and underwriting claims improvements. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results and Zurich Financial Services' plans and objectives to differ materially from those expressed or implied in the forward looking statements (or from past results). Factors such as (i) general economic conditions and competitive factors, particularly in our key markets; (ii) performance of financial markets; (iii) levels of interest rates and currency exchange rates; (iv) frequency, severity and development of insured claims events; (v) mortality and morbidity experience; (vi) policy renewal and lapse rates; and (vii) changes in laws and regulations and in the policies of regulators may have a direct bearing on Zurich Financial Services' results of operations and on whether Zurich Financial Services will achieve its targets. Zurich Financial Services undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise.

This communication is directed only at persons who (i) have professional experience in matters relating to investments or (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (as amended) or to whom it may otherwise lawfully be communicated (all such persons together being referred to as relevant persons). This communication must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates is available only to relevant persons and will be engaged in only with relevant persons.

It should be noted that past performance is not a guide to future performance. Please also note that interim results are not indicative of the full year results.

Persons requiring advice should consult an independent adviser.