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## **Half Year Results Reporting 2005 – Media Conference**

*Remarks by James J. Schiro*

*Chief Executive Officer*

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I am delighted to report a strong operating performance, and I am particularly pleased that we were able to over-deliver and beat the market's expectations. What my colleagues and I find most encouraging is that all core businesses contributed to the strong bottom line. As you look at it, we are earning money in the right places and for the right reasons – through strong underwriting, good claims management, and active sales promotion in both General and Life Insurance. At the same time, we maintained our conservative approach to reserving.

Business operating profit grew 17% and exceeded the 2.3 billion dollar mark for the first time in a six month period. Net income increased 21% to 1.8 billion dollars, generating an annualized return on equity of 18.4%. We believe that this performance shows that we are successfully executing our strategy. We have built a platform from which we will continue to generate attractive returns for our shareholders.

The Zurich Way is our response to the ongoing challenges of competitive markets. It is our approach to improve the activities essential for the success of our business. At the core is the transfer of best practices not only in underwriting, claims management and reserving, but also in finance and – more importantly – talent management, because people make the difference and the success of this organization.

The changes we have introduced over the last three years are becoming engrained in the culture of our organization. They ensure that current improvements can be sustained over time. They are also generating concrete benefits. As announced in November 2004, we expect operational improvements of more than 500 million dollars arising both in the General and Life Insurance segments in 2005. After six months, we are well on track to deliver this.

As we demonstrated through our Investor Days since January, The Zurich Way is more than an exercise in cost cutting. It has been, and it continues to be, profoundly changing the way we go about doing our business. The profitability of Personal Lines, for example, is benefiting from our strengthened underwriting skills, more sophisticated customer segmentation capabilities and faster claims processing. Similarly, in the Global Corporate business, the breadth of our product offering and our increased attention to customer service quality has contributed to the high customer retention we are enjoying today. These initiatives are not only improving our current bottom line, their overall impact is designed to ensure that operational improvements will be sustained over time.

The half year results have also benefited from our well-diversified portfolio. Movements in the top line reflect our commitment to price discipline. Our tools enable us to better assess risks and the expected profitability of our activities, and we have never shied away from making the tough choices to preserve the quality of our earnings. While we were able to retain well-priced business and expand our presence in a number of markets that we have seen as attractive, we were also rigorous in reducing our exposure where rates and margins have come under pressure.

Our performance demonstrates that we have the right organizational setup, the technical competence and the proactive market strategy to succeed in our business. But we cannot stand still. We must enhance our market presence and our ability to attract and retain new customers. The Zurich brand initiative, which we will roll out later in the fall, is designed to deliver precisely that.

The focus will be on reducing the more than 60 active brands in our portfolio to a handful of powerful brands. This will allow us to refocus our advertising spend and direct the financial resources to our Group-wide endeavor. We are determined to manage our brands to excellence and global recognition. I am convinced that these initiatives will support organic growth and deliver tangible shareholder value.

Looking at the dynamics of our industry today, there seems to be a trend toward national and cross-border consolidation. Although we positioned Zurich to be a consolidator, we are not prepared to rush into transactions. Acquisitions must meet the same hurdle rates as any other growth initiative requiring our capital.

At the beginning of the second half of 2005, it is prudent to remind ourselves that this business is a risky business. I have no doubt that the remainder of the year will bring its challenges. But our record shows that we have the financial strength, we have the technical competence, and we have the operational discipline to deal with them. Our goal is to deliver consistent operating performance while maintaining attractive returns for our shareholders.

We are confident, and I am confident, about the ability of our people to do so. We are well positioned in attractive markets. Our businesses continue to generate profitable growth, and we have demonstrated that we can deliver on our promises.