



ZURICH
FINANCIAL SERVICES

Q3

Zurich Financial Services Group

Report for the Nine Months
to September 30, 2005

Financial Highlights

The following table presents the summarized consolidated results of the Group for the nine months ended September 30, 2005 and 2004 and the financial position as of September 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 nine months ended September 30	2005	2004	Change
Gross written premiums and policy fees	36,571	37,521	(3%)
Net investment result	17,086	9,137	87%
Business operating profit	2,863	2,490	15%
Net income attributable to shareholders	2,256	1,857	21%

Consolidated balance sheets

in USD millions, as of	09/30/05	12/31/04	Change
Total investments	275,536	282,155	(2%)
Reserves for insurance contracts	219,421	227,087	(3%)
Reserves for insurance contracts and liabilities related to investment contracts	259,678	267,133	(3%)
Senior and subordinated debt	6,048	5,871	3%
Shareholders' equity	22,123	20,670	7%

General Insurance key performance indicators

for the nine months ended September 30	2005	2004	Change
Business operating profit (in USD millions)	1,354	1,387	(2%)
Combined ratio	100.9%	99.3%	(1.6 pts)

Life Insurance key performance indicators

for the nine months ended September 30	2005	2004	Change
Business operating profit (in USD millions)	830	733	13%
New business profit margin (as % of APE)	11.9%	10.5%	1.4 pts

Return on common stockholders' equity (ROE)

returns for the periods ended ¹	09/30/05	09/30/04	12/31/04
Return on common stockholders' equity (ROE)	14.9%	14.4%	13.4%
Business operating profit (after tax) return on common stockholders' equity	13.1%	13.4%	12.5%

Per share data

for the nine months ended September 30	2005	2004	Change
Diluted earnings per share (in CHF)	18.75	15.97	17%

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

Dear Shareholders

In the first nine months of 2005, the underlying strength of our businesses came through once again. The Group's business operating profit rose by 15% to USD 2.9 billion and net income increased 21% to USD 2.3 billion. These were records for the period, despite the net impact of USD 1.1 billion in the wake of an extraordinary series of natural catastrophes in the United States and Europe. We also delivered an annualized return on common stockholders' equity of 14.9%. This is in excess of our profitability target and it places us in the top range of our industry.

Responding to catastrophes is part and parcel of our business. What counts in challenging times is our ability to deliver value to our customers. This requires operating discipline, financial strength and a readiness to go the extra mile. Over the last years, we have worked tirelessly to improve our processes and we will continue to do so.

But claims incurred due to catastrophes are only a fraction of all claims processed

by Zurich in any given year. We are in the business to serve our customers and cover a broad spectrum of risks based on the strength of our balance sheet and operations.

We are confident about the strength of our businesses. Our key performance indicators have improved across the board, and our balance sheet is healthy. The strong underlying profitability trend in General Insurance, in combination with growing and substantial profit contributions from our Life and Farmers segments, reinforces our strategy of driving a diversified portfolio.

In our Life Insurance operations, improvements are further taking hold. The businesses are gaining market share as a result of our strong distribution capability, with particularly encouraging results in Spain and Italy. New products and measures to produce more efficiently are also generating excellent results in Switzerland and Germany. The UK is showing further progress resulting from the consolidation

of the remaining portfolio into one single unit and the successful launch of Openwork. Overall, the Life Insurance segment's new business profit margin was 11.9%, an improvement of 1.4 percentage points compared with the first nine months of 2004.

Farmers Management Services reported business operating profit of USD 926 million, an increase of 10%. This result benefited from the strong performance of the Farmers Exchanges, which we manage but do not own. They successfully implemented measures to improve distribution and foster premium growth and they continued to make good progress toward achieving their USD 1 billion surplus growth target.

In General Insurance, progress is most visible in our European operations, where the combined ratio improved by 2.3 percentage points to 94.4%. This result mitigated the impact the catastrophes had on our North America Commercial and Global Corporate business divisions. Overall, the combined ratio rose from 99.3% to 100.9%, with

catastrophes adding 4.9 percentage points to the ratio in the current year.

We are also pleased to report a strong performance achieved by Group investments. Net investment income rose 8% to USD 5.9 billion. This increase was the result of a higher average assets invested and higher interest rates particularly in the United States. The total investment return for Group investments was 4.6% (not annualized) compared with 3.8% in the first nine months of 2004.

Following higher than expected catastrophe losses, reinsurers have announced their intention to raise renewal rates. This may also impact general insurance prices in the course of next year. We continue to write good business at attractive prices and we expect the current favorable conditions in the general insurance markets to hold well into 2006.

In the last three years, we have laid the foundation for profitable growth. To sustain the positive momentum achieved in the first nine months, we are

committed to the pursuit of operational excellence based on the common methodologies of The Zurich Way. These initiatives were designed to generate operating improvements of USD 500 million in the current year, with more than three quarters of the benefits expected to come from efficiency gains in distribution, claims processing and underwriting. After the first nine months, we are well on our way to achieve this goal. For the next two years, we are planning to generate improvements of USD 1 billion, bringing the total to USD 1.5 billion for the three year period ending in 2007.

The Group's financial strength is reflected in the equity attributable to shareholders' of USD 22.1 billion, which increased 7% compared with December 31, 2004. This places us in an excellent position to benefit from favorable general insurance market conditions on both sides of the Atlantic and leverage our leadership in selected life insurance markets. Our strategy is designed to offer a unique customer experience. This holds for our

customers in personal lines as well as in commercial and corporate businesses, which comprise many large, national and international corporations that have complex risk profiles and require custom-tailored solutions.

The achievement of our strategic goals vitally depends on our market presence and ability to attract and retain new customers. That is why we are building Zurich into a global brand. In the fourth quarter, we will be rolling out a new brand campaign. The focus of our brand initiatives will be on reducing several dozens of active brands to a handful of powerful brands.

This is an exciting step forward. Together with The Zurich Way, the brand initiatives will support our transformation to operational excellence and our aspiration to leadership in chosen markets that began more than three years ago. By enhancing our standing in the market, we expect to create new business opportunities and prepare our operations for sustainable profitable growth.

Over the last 12 months, we introduced our employees to the yet unlocked potential of the Zurich brand. The success of our initiative will vitally depend on our employees living and incorporating the values of our brand. We are confident that our employees will rise to these



Manfred Gentz
Chairman of the Board

challenges as they have risen to so many challenges in the past. We would like to thank them for their hard work. We are also thankful to our customers and shareholders for their continued loyalty and support.



James J. Schiro
Chief Executive Officer

Group Financial Review

Amounts for 2004 have been restated for the implementation of several new and revised accounting standards within the International Financial Reporting Standards (IFRS) framework, which became effective January 1, 2005. Details are set out in the section "Basis of Presentation". Amounts for 2004 have also been restated to conform to the current presentation of our segments.

Interim results are not indicative of full-year results.

Group Highlights

Zurich Financial Services Group (the Group) recorded net income attributable to shareholders of USD 2.3 billion for the nine months ended September 30, 2005, an increase of 21% over the same period in 2004, generating an annualized return on common stockholders' equity (ROE) of 14.9%.

Business operating profit improved by 15% to USD 2.9 billion. We have continued the trend of strong underlying results shown in the first half of the year after consideration of the impact of natural catastrophe losses in the third quarter. All our businesses contributed to the increase in the Group's business operating profit.

Performance highlights

in USD millions, for the nine months ended September 30	2005	2004	Change
Gross written premiums and policy fees	36,571	37,521	(3%)
Net investment result ¹	17,086	9,137	87%
<i>net of policyholder dividends and participation in profits</i>	6,296	5,223	21%
Business operating profit	2,863	2,490	15%
Net income before income taxes	3,945	2,832	39%
Net income attributable to shareholders	2,256	1,857	21%
General Insurance combined ratio	100.9%	99.3%	(1.6 pts)
Life Insurance new business profit margin (as % of APE)	11.9%	10.5%	1.4 pts
Diluted earnings per share (in CHF)	18.75	15.97	17%
returns for the period ended ²	09/30/05	09/30/04	12/31/04
Return on common stockholders' equity (ROE) ²	14.9%	14.4%	13.4%
Business operating profit (after tax) return on common stockholders' equity ²	13.1%	13.4%	12.5%

¹ Net investment result includes net investment income and net capital gains on investments and impairments.

² Returns for the periods ended September 30, 2005 and 2004 are annualized on a compound basis using the results for the nine months ended September 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.

Performance Overview

Business operating profit increased by USD 373 million, or 15%, in the first nine months of 2005 to USD 2.9 billion. Excluding the impact of natural catastrophes in both years, business operating profit increased by USD 913 million from USD 3.0 billion in 2004 to USD 3.9 billion in 2005.

- The **hurricanes** impacted the Group's business operating profit by USD 952 million net of reinsurance recoveries and after including USD 116 million of reinstatement premiums. This includes the USD 725 million before tax, previously announced as the net impact of Hurricane Katrina.
- The **floods** in Europe over the summer reduced business operating profit by USD 113 million. The most significant floods occurred in Switzerland, with smaller losses in Austria and Germany.
- **Life Insurance** and **Farmers Management Services** continued the improvement in their performance with 13% and 10% increases in their business operating profit, respectively, for the nine months ended September 30, 2005, as compared with 2004.
- **Net investment income** increased by USD 801 million. The increase primarily arose from higher retentions, increased cash flows in North America Commercial resulting in a higher average invested asset base, and higher interest rates in the United States.

Net income before income taxes increased by USD 1.1 billion, or 39%, to USD 3.9 billion from USD 2.8 billion for the first nine months of 2005 compared with the prior year.

- **Net capital gains on investments and impairments** from Group investments increased by USD 1.2 billion to USD 1.7 billion. These gains, which are substantially distributed to life policyholders, primarily resulted from the continued strong performance of both bond and equity markets.

Net income attributable to shareholders increased by USD 399 million, or 21%, to USD 2.3 billion in the first nine months of 2005 compared with USD 1.9 billion in the same period of 2004.

- The **shareholders' effective tax rate** was 30.4% compared with 31.1% for the first nine months of 2004. The Group's overall effective income tax rate includes the impact of income tax expenses attributable to policyholders in certain jurisdictions. This rate increased by 7.7 percentage points to 40.9% for the first nine months of 2005.

Segmental Performance

Business operating profit by segment

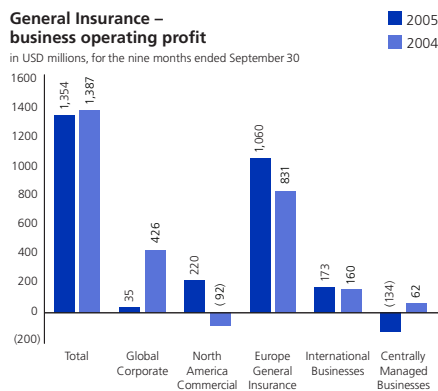
in USD millions, for the nine months ended September 30

	2005	2004
General Insurance	1,354	1,387
Life Insurance	830	733
Farmers Management Services	926	841
Other Businesses	308	64
Corporate Functions	(555)	(535)
Total	2,863	2,490

General Insurance

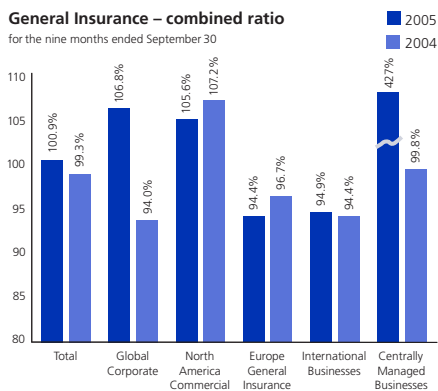
General Insurance – business operating profit

in USD millions, for the nine months ended September 30



General Insurance – combined ratio

for the nine months ended September 30



The third-quarter hurricanes and European floods were the most significant drivers of the General Insurance result. These events impacted business operating profit by USD 1.0 billion, or 4.9 percentage points to the combined ratio for the first nine months of 2005 as compared with catastrophe losses of USD 505 million arising from hurricanes in the United States in the same period of 2004.

Summary of catastrophe impacts for General Insurance	2005					2004
	Katrina	Rita	Dennis and Ophelia	Euro- pean floods	Total	Total
in USD millions, for the nine months ended September 30						
Gross losses and loss adjustment expenses	1,962	181	21	166	2,330	618
Losses and loss adjustment expenses ceded	(1,382)	–	–	(57)	(1,439)	(133)
Net losses and loss adjustment expenses	580	181	21	109	891	485
Reinstatement premiums incurred	115	1	–	4	120	20
Total pre-tax impact	695	182	21	113	1,011	505
Net earned premiums					20,767	19,883
Impact on the combined ratio	3.3%	0.9%	0.1%	0.5%	4.9%	2.5%

Due to the apparent increased frequency and severity of catastrophes, we are currently evaluating the impact, if any, that these losses may have on the carrying value of our deferred tax asset in our entities domiciled in the United States. The Zurich Holding Company of America and Centre consolidated United States tax groups have reported tax losses in recent years, thereby creating net operating loss carryforwards, and related deferred tax assets of USD 840 million. Other timing differences in these tax groups also give rise to deferred tax assets so that the total net deferred tax assets are USD 1.5 billion.

The Group continues to manage its exposure to natural catastrophes. After Hurricane Katrina, we purchased additional reinsurance to mitigate future exposures to such events for the remainder of the year, the costs of which will be reflected in the fourth quarter. We continually review our pricing and where we see increased risk exposure, we will increase prices accordingly. If we are unable to obtain the right price for risk exposures, we will discontinue writing that business.

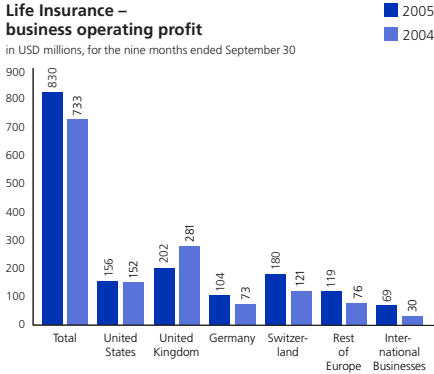
Excluding the impact of the hurricanes and floods, **business operating profit** increased by USD 473 million, or 25%, to USD 2.4 billion for the first nine months of 2005. The increase was driven by the USD 220 million increase in the underwriting result in Europe General Insurance, lower prior year loss development in North America Commercial and Global Corporate, and a USD 214 million increase in net investment income in North America Commercial.

Excluding the effect of the recent natural catastrophes, the **combined ratio** would have decreased by 0.8 percentage points to 96.0% as compared with 96.8% in 2004. This improvement is due to the strong underwriting performance in Europe General Insurance, primary drivers of which were lower premiums ceded to reinsurers and an improved loss ratio from favorable loss development and decreased loss expenses in the United Kingdom. Additionally, Spain and Italy contributed a higher volume of gross written premiums in their personal lines.

Life Insurance

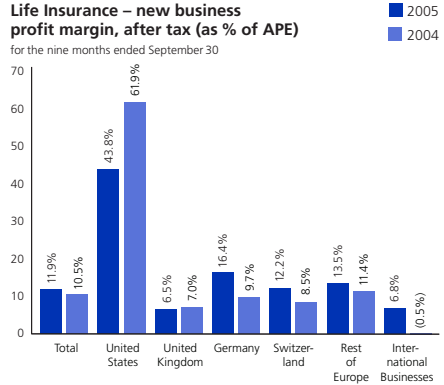
Life Insurance – business operating profit

in USD millions, for the nine months ended September 30



Life Insurance – new business profit margin, after tax (as % of APE)

for the nine months ended September 30



Life Insurance operations continued the trend of the first half of the year reflecting the sustained improvement in Europe through our focus on profitable products. In Switzerland, we redesigned our group pension business model, and in the United Kingdom we consolidated our remaining life portfolios into a single entity, permitting further operating and commercial synergies. We are concentrating on protection and lump-sum savings products, especially unit-linked business, and de-emphasizing guaranteed products or those with low margins.

After adjusting for the redesign of the group pension business model in Switzerland, **new business premiums** have remained stable in 2005 in local currency. At the same time, the focus on profitability has seen the **new business profit margin** increase from 10.5% to 11.9% due to adjustments made to the business model in 2004, and earlier in 2005.

Driven by the results in Germany, Switzerland and Italy, the **business operating profit** of Life Insurance increased by USD 97 million, or 13%, to USD 830 million.

The overall improvement in the Life Insurance result was partially offset by the United Kingdom where business operating profit decreased by USD 79 million to USD 202 million. The most significant factor driving this decrease was start-up costs arising from the introduction of our new distribution unit, Openwork.

The United Kingdom Continuous Mortality Investigation Bureau has recently released new models to help illustrate potential future changes to life expectancies. We are analyzing these models and have yet to determine the impact, if any, on our reserves.

Farmers Management Services

Business operating profit increased by USD 85 million primarily due to an increase of USD 55 million in our **management fees and other related revenue**. Driving this increase are higher gross earned premiums in the personal, specialty and commercial lines of business for the Farmers Exchanges, which we manage but do not own. The Exchanges have continued to record steady growth (12%) in their underwriting result in the first nine months of 2005 despite the impact of the natural catastrophes in the United States. **Management expenses and other related expenses** have increased marginally for the first nine months of 2005 compared with the same period in 2004, in line with management's planned expenditures.

Net investment income increased by USD 27 million in the first nine months of 2005 due to a higher average invested asset base.

Other Businesses

Farmers Re provides reinsurance services to the Farmers Exchanges. Net earned premiums decreased by USD 704 million, or 31%, in the first nine months of 2005 primarily due to the non-renewal of an auto quota share treaty between Farmers Re and the Farmers Exchanges. The Farmers Re **business operating profit** decreased by USD 47 million, or 27%, in the first nine months of 2005, due to the non-renewal mentioned above and the impact of the hurricanes, compared with the same period of 2004.

Centre improved its **business operating profit** by USD 154 million to USD 112 million in the first nine months of 2005 from a loss of USD 42 million in 2004, primarily from successful commutation of several contracts resulting in a reduction of 16% of the reserves for losses and loss adjustment expenses to USD 1.5 billion. Centre continues to actively pursue commutation and asset disposal opportunities.

The remainder of the improvement in business operating profit for the segment of USD 137 million arose from the continued successful run-off of certain businesses, which is expected to be neutral over time, but for which we recorded reserves in prior years.

Corporate Functions

Business operating profit decreased by USD 20 million, or 4%, to a loss of USD 555 million in the first nine months of 2005. The main driver of the result was higher administrative and other operating expenses, which are more than offset by recharges to operating businesses, ultimately lowering expenses for the Group. Higher financing costs were offset by changes in exchange rates impacting the value of derivatives used to manage the Group's currency exposures.

Investment Performance

Total investments, as shown in the consolidated balance sheets, include Group investments, where the Group bears part or all of the investment risk, and investments for unit-linked products, where policyholders bear the investment risk. Investments for unit-linked products include investments held for liabilities related to insurance and investment contracts except for investment policies with discretionary participation features where the investments are managed as part of Group investments.

Net investment result and investments in USD millions, for the nine months ended September 30	Group investments		Investments for unit-linked products		Total	
	2005	2004	2005	2004	2005	2004
Net investment income	5,886	5,457	1,508	1,136	7,394	6,593
Net capital gains on investments and impairments	1,720	547	7,972	1,997	9,692	2,544
Net investment result ¹	7,606	6,004	9,480	3,133	17,086	9,137
in USD millions, as of	09/30/05	12/31/04	09/30/05	12/31/04	09/30/05	12/31/04
Investments	185,509	196,457	90,027	85,698	275,536	282,155

¹ Net investment result, net of policyholder dividends and participation in profits amounted to USD 6.3 billion and USD 5.2 billion for the nine months ended September 30, 2005 and 2004, respectively.

We manage our diversified Group investment portfolio to optimize benefits for 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, whether classified as insurance or investment policies, 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	2005	2004	Change
Net investment income	5,886	5,457	8%
Net capital gains on investments and impairments	1,720	547	214%
Net investment result	7,606	6,004	27%
Movements in net unrealized gains on investments included in shareholders' equity	816	522	56%
Total investment result	8,606	6,734	28%
Average investments ¹	186,728	178,434	5%
Total return ²	4.6%	3.8%	0.8 pts

¹ Including investments classified as held for sale of USD 1.2 billion but excluding average cash received as collateral for securities lending of USD 4.9 billion and USD 2.3 billion in 2005 and 2004, respectively.

² Not annualized and before investment expenses.

Net investment income from Group investments increased by 8% to USD 5.9 billion as compared with the prior year. This improvement was a result of higher interest rates in the United States as well as a higher average invested asset base.

Net capital gains on investments and impairments for Group investments increased to USD 1.7 billion in the first nine months ended September 30, 2005 from USD 547 million over the same period in 2004. In the first nine months of 2005, equity indices in Europe, in particular the United Kingdom, increased in a range from +13% to +19% compared with -4% to +2% in 2004. A substantial portion of the net capital gains on investments and impairments relate to our Life Insurance segment. After taking into account the portion attributable to policyholders, net capital gains on investments and impairments which flowed through to net income were USD 745 million and USD 300 million for the first nine months of 2005 and 2004, respectively.

The total investment return for Group investments was 4.6% compared with 3.8% in 2004. This return includes net investment income, net capital gains on investments and impairments in the consolidated operating statements and movements in unrealized gains recorded in shareholders' equity. The total investment result was USD 8.6 billion for the first nine months of 2005 compared with USD 6.7 billion for the same period in 2004, benefiting from higher unrealized capital gains from stronger equity markets included in shareholders' equity.

Currency Translation Impact

The Group operates worldwide in multiple currencies and seeks to match its foreign exchange exposures on an economic basis. However, as the Group has chosen the US dollar as its reporting currency, differences arise when local operating currencies are translated into the Group's reporting currency. The balance sheet is translated at the closing rates where the strength of the US dollar has had a negative impact on total equity of USD 879 million. However, in the operating statements, which are translated at the average rates, the US dollar declined against the Swiss franc, euro and British pound. The tables below show the key financial highlights for September 30, 2005.

Selected operating statement items	Currency translation impact	
	in USD millions	in %
Variance over the prior period, for the nine months ended September 30, 2005		
Gross written premiums and policy fees	600	2%
Net earned premiums and policy fees	516	2%
Net income attributable to shareholders	43	2%

Selected balance sheet items	Currency translation impact	
	in USD millions	in %
Variance over December 31, 2004, as of September 30, 2005		
Total investments	(21,625)	(8%)
Gross reserves for insurance contracts	(16,685)	(7%)
Cumulative translation adjustment in total equity	(879)	(4%)

Balance Sheet Highlights

Following the announcement of the expected divestment of Universal Underwriters Group (UUG), assets and liabilities relating to that business have been designated as held for sale and as such have been included within other assets and other liabilities.

Balance sheet highlights

in USD millions, as of	09/30/05	12/31/04	Change
Group investments	185,509	196,457	(6%)
Investments for unit-linked products	90,027	85,698	5%
Total investments	275,536	282,155	(2%)
Gross reserves for losses and loss adjustment expenses	59,926	57,765	4%
Gross reserves for other insurance contracts, excluding unit-linked products	105,187	118,474	(11%)
Gross reserves for insurance contracts, excluding unit-linked products	165,113	176,239	(6%)
Gross reserves for unit-linked insurance products	54,308	50,848	7%
Total gross reserves for insurance contracts	219,421	227,087	(3%)
Liabilities for investment contracts (primarily unit-linked)	40,257	40,046	1%
Total financial debt and equity	28,967	27,381	6%

Total investments

Total investments decreased by USD 6.6 billion; however, after adjusting for currency translation effects, total investments have increased by USD 15.0 billion since December 31, 2004.

The increase was driven primarily by higher equity markets, contributing USD 9.7 billion and an increase of USD 6.2 billion in debt securities arising from increased cash flows and higher values from some reductions in short-term interest rates in Europe.

Reserves for losses and loss adjustment expenses

We establish **reserves for losses and loss adjustment expenses**, which are estimates of future payments of reported and unreported claims for losses and related expenses, with respect to insured events that have occurred. These estimates are based on assumptions regarding the development of reserved claims, which may be different from the actual development of claims over time. Any changes in estimates are reflected in the operating statement in the period in which estimates are changed. In addition, due to the exceptional scale and intensity of the recent natural catastrophes, Hurricane Katrina in particular, the eventual amount of claims paid could be different than the Group's estimate.

Development of reserves for losses and loss adjustment expenses

in USD millions	2005	2004	Change
As of January 1 (opening balance)			
Gross reserves for losses and loss adjustment expenses	57,765	51,007	13%
Reinsurers' share	(14,278)	(14,036)	2%
Net reserves for losses and loss adjustment expenses	43,487	36,971	18%
Net losses and loss adjustment expenses incurred			
Current period	16,982	16,030	6%
Prior years	161	962	(83%)
Total	17,143	16,992	1%
Total net losses and loss adjustment expenses paid	(13,023)	(12,716)	2%
Divestments of companies and businesses, including transfer to liabilities held for sale	(1,108)	(266)	317%
Currency translation effects	(2,230)	(331)	574%
As of September 30 (closing balance)			
Net reserves for losses and loss adjustment expenses	44,269	40,650	9%
Reinsurers' share	15,657	14,087	11%
Gross reserves for losses and loss adjustment expenses	59,926	54,737	9%

Of the **net reserves for losses and loss adjustment expenses**, USD 40.2 billion related to General Insurance and USD 4.1 billion to other segments as of September 30, 2005.

As of the nine months ended September 30, 2005, our net reserves for losses and loss adjustment expenses for the Group were USD 44.3 billion. The prior year reserve movement for the third quarter (stand alone) was, in aggregate, USD 64 million, or 0.1%, of the net reserves.

Capitalization and indebtedness

in USD millions, as of	09/30/05	12/31/04	Change
Collateralized loans	3,148	4,135	(24%)
Debt related to capital markets and banking activities	2,344	3,880	(40%)
Obligation to repurchase securities	5,830	5,009	16%
Total operational debt	11,322	13,024	(13%)
Senior debt	3,072	3,355	(8%)
Subordinated debt	2,976	2,516	18%
Total financial debt	6,048	5,871	3%
Minority interests	796	840	(5%)
Shareholders' equity	22,123	20,670	7%
Total equity	22,919	21,510	7%
Total financial debt and equity	28,967	27,381	6%

As of September 30, 2005 **total operational debt** was USD 11.3 billion, a decrease of USD 1.7 billion since December 31, 2004. Collateralized loans, which are secured by mortgage loans given as collateral of the same amount, decreased by USD 1.0 billion to USD 3.1 billion as of September 30, 2005. Debt relating to capital markets and banking activities decreased by USD 1.5 billion arising mainly from the continued winding down of business in Zurich Capital Markets (ZCM), which is included in Other Businesses. Our obligation to repurchase securities increased by USD 821 million in the first nine months of 2005 to USD 5.8 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.

The increase in **total financial debt** of USD 177 million, or 3%, resulted primarily from a new bond issue, partially offset by currency translation effects. On June 15, 2005, Zurich Finance (USA), Inc. issued a 4.5% EUR 500 million bond under the Group's EMTN Programme, guaranteed by Zurich Insurance Company on a subordinated basis. The bond is due in 2025 and is callable from June 15, 2015. The coupon is fixed until June 15, 2015, and will then become floating at the three month Euribor plus a spread of 2.2%. In line with the Group's policy of managing its interest rate risk and foreign currency exposure, cross-currency interest rate swaps have been used for fair value hedging of this debt until the first call date. After taking into account the cross-currency interest rate swaps, this issuance has become a floating rate US dollar obligation, with a variable rate coupon being reset every six months.

The size of the Group's EMTN Programme, which allows for the potential issuance of senior and subordinated notes, was increased on March 10, 2005 from a maximum of USD 4 billion to a maximum of USD 6 billion.

The Group has access to a syndicated revolving **credit facility** of USD 3 billion which was put in place in April 2004. This 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 facility and can draw up to USD 1.25 billion, USD 1.5 billion and USD 250 million, respectively. No borrowings were outstanding under this facility as of September 30, 2005.

The reduction in **minority interests** of USD 44 million, or 5%, primarily resulted from currency translation effects.

Cash Flows

Summary of cash flows

in USD millions, for the nine months ended September 30

	2005	2004
Net income attributable to shareholders	2,256	1,857
<i>Adjustments for:</i>		
Net capital gains on investments and impairments	(9,692)	(2,544)
Net loss on divestments of businesses	9	(8)
Equity in income of investments in associates	(107)	(67)
Depreciation, amortization and impairments of fixed and intangible assets	323	469
Other non-cash items	(11)	4
Changes in operational assets and liabilities ¹	12,722	9,762
Net cash provided by operating activities	5,500	9,473
Net cash used in investing activities	(3,950)	(6,790)
Net cash used in financing activities	(80)	(21)
Effect of exchange rate changes on cash and cash equivalents	(1,310)	(123)
Change in cash and cash equivalents ^{2,3}	160	2,539
Change in cash received as collateral for securities lending	(340)	4,616
Cash and cash equivalents reclassified to assets held for sale	(509)	–
Cash and cash equivalents as of January 1 ^{3,4}	22,457	15,889
Cash and cash equivalents as of September 30 ^{3,4}	21,768	23,044

¹ Cash flows related to investments held for trading purposes are reflected in "cash flows from operating activities."

² Excluding change in cash received as collateral for securities lending.

³ Cash and cash equivalents have been restated as a result of the IFRS changes effective January 1, 2005. Previously, we reported the balance "Investment held on account and at risk of life insurance policyholders." This balance included various types of investments, including cash and cash equivalents, which are now segregated into their individual investment categories.

⁴ Including cash received as collateral for securities lending.

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. Farmers Management Services 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 investments may be used to fund operating cash flow deficits.

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

The payout for commutation of certain Centre treaties in the third quarter of 2005 resulted in a decrease to policyholders' contract deposits and other funds reflecting an operating cash outflow of USD 3.0 billion. This payout was effected by selling the debt securities, being the assets backing these reserves, resulting in an investing cash inflow of USD 2.8 billion. Additionally, the continued run-off of Zurich Capital Markets reduced the level of trading assets and liabilities resulting in a decrease to net operating cash inflows of USD 918 million.

EUR 500 million of new external debt was raised in June 2005 as part of the bond issuance through the EMTN Programme by Zurich Finance (USA), Inc.

The cash impact of the hurricanes that occurred in the third quarter can be mitigated on a temporary basis by utilizing USD 590 million of uncovered letter of credit capacity.

Regulatory Capital

Several regulatory initiatives are under way to reform and modernize the capital requirements of insurance companies and insurance groups and this may lead to increased regulatory capital requirements for certain individual Group companies. The Swiss insurance supervisory law will become effective in January 2006 and will introduce new risk-based capital (RBC) requirements, while Solvency II is being developed for application to insurance businesses in the European Union. In October 2005, the National Association of Insurance Commissioners (NAIC) adopted changes to RBC requirements for variable annuities with guarantees.

The changes adopted by the NAIC known as C-3 Phase II, address the equity, interest rate and expense recovery risks associated with variable annuities and group annuities that contain death benefits or certain living benefit guarantees, including the types of benefits included in products written by Kemper Investors Life Insurance Company. The C-3 Phase II calculations use models that involve a range of scenarios and assumptions, including those regarding expected market rates of return and volatility, contract surrender rates, annuitization elections and mortality experience. As we study the impact of these new models, there may be a requirement for additional regulatory capital.

Litigation and Regulatory Investigations

The Group and its subsidiaries are continuously involved in legal proceedings, claims and litigation arising, for the most part, in the ordinary course of their business operations. The Group and its subsidiaries are also involved in a number of industry-wide civil and criminal investigations issued by State Insurance Departments in the United States, State Attorneys General in the United States, the United States Attorney's Office for the Southern District of New York, the United States Securities and Exchange Commission, other United States authorities and supervisory bodies and other non-United States authorities regarding certain business practices involving insurance brokers and insurance companies, the purchase and sale of "non-traditional" products, certain reinsurance transactions engaged in by the Group and its subsidiaries, and other matters, such as financing of hedge funds engaging in market timing activities. The Group has been conducting its own internal reviews with respect to some of these matters and is cooperating fully in these investigations.

Various Group subsidiaries are also involved in corporate class action litigation, and they intend to defend such actions vigorously. Certain class actions are brought by private parties based on matters which are the subject of the investigation regarding business practices involving insurance brokers and insurance carriers. By entering into a Memorandum of Understanding with the class action plaintiffs subject to various contingencies, Zurich Financial Services and certain of its United States subsidiaries have created a platform to negotiate settlement with class action plaintiffs that could be terminated or changed in material respects if efforts to negotiate satisfactory separate settlements with State Insurance Departments and State Attorneys General in the US are unsuccessful. Zurich Financial Services is a defendant in class action lawsuits brought on behalf of the holders of securities issued by Convergium AG.

The outcome of such current legal proceedings, claims, litigation and investigations could have a material effect on operating results and/or cash flows when resolved in a future period. At this time we are unable to predict the potential effects, if any, that the investigations and related actions may have upon the insurance and the reinsurance markets and industry business practices or what, if any, changes may be made to laws and regulations regarding the industry. Any of the foregoing could adversely affect our business, results of operations and financial condition. Management is, however, not aware that these matters would materially affect the Group's consolidated financial position.

Acquisitions and Divestments in 2005

During 2005, the Group divested businesses in markets where we did not have a significant presence or which were no longer part of our business strategy.

In the nine months ended September 30, 2005, the Group completed the sale of its interest in Zurich National Life Assurance Company Limited in Thailand to National Finance Public Company Limited, the sale of its majority interest in ZC Sterling Corporation to Trident III, L.P. and a stake of 10% of the total issued share capital of South African Eagle Insurance Company Limited, a majority-owned subsidiary, to Royal Bafokeng Finance in support of Black Economic Empowerment in South Africa. The Group completed the acquisition of the life business portfolio of ING Insurance Argentina.

The Group completed the sale of 100% of the share capital of Claims Management Group Limited (CMGL) to Sovereign Capital Partners LLP and the management of CMGL. After the sale, CMGL continues to manage insurance and reinsurance portfolios on behalf of the Group. CMGL is a major provider of outsourced claims management and insurance administration services to London Market companies, Lloyd's syndicates, large corporates and general insurers.

For the nine months ended September 30, 2005, the Group recognized a net loss of USD 9 million before tax for divestments of businesses and adjustments to divestments in prior periods compared with a net gain of USD 8 million before tax in the same period of 2004.

On April 4, 2005, the Group announced the sale of Universal Underwriters Group (UUG) to an investor group led by Hellman & Friedman LLC. The assets and liabilities of UUG have been classified as held for sale as of September 30, 2005 in accordance with IFRS 5. During preparation for the closing, regulatory matters came to light for which the Group has booked a provision of approximately USD 100 million. The Group, together with the purchaser, continue to work towards finalization of the terms and the closing conditions of the transaction.

Basis of Presentation

The Group has implemented several new and revised accounting standards, which became effective January 1, 2005. The main adjustments for the Group result from the adoption of IFRS 4, which relates to the definition of insurance contracts. They primarily affect the accounting treatment of the Life business with impacts on both the Group's balance sheet and operating statement. Details of these impacts are set out in note 3 to the Annual Report 2004 Consolidated Financial Statements.

On May 3, 2005, we presented the impact of these new and revised accounting standards. Further information, including an audio-webcast, a presentation and certain restated 2005 financial tables, can be found in the Investor Relations section of our Web site www.zurich.com.

A summary of the key changes to the Group's consolidated shareholders' equity as of December 31, 2004 as well as net income attributable to shareholders and business operating profit for the first nine months of 2004 is set out below.

	Net income attributable to shareholders for the nine months ended September 30, 2004	Business operating profit for the nine months ended September 30, 2004	Shareholders' equity as of December 31, 2004
in USD millions			
As published in the Report for the Nine Months to September 30, 2004	1,902	2,522	22,181
IFRS 4 adjustments	(45)	(32)	(1,528)
Other IAS/IFRS adjustments	–	–	17
Total adjustments	(45)	(32)	(1,511)
Restated	1,857	2,490	20,670

The adoption of the new and revised accounting standards does not change the Group's business fundamentals, its underlying profitability or cash flows, Life Insurance embedded value results or the regulatory capital position of its legal entities. The restatement largely reflects changes in the timing of profit recognition, primarily in our Life business.

Financial Supplement (unaudited)¹

Financial highlights – Operating statements by business segment

in USD millions, for the nine months ended September 30

	General Insurance		Life Insurance	
	2005	2004	2005	2004
Revenues				
Direct written premiums and policy fees	24,855	25,318	8,092	7,787
Assumed written premiums	960	786	70	86
Gross written premiums and policy fees	25,815	26,104	8,162	7,873
Less premiums ceded to reinsurers	(3,980)	(5,029)	(571)	(446)
Net written premiums and policy fees	21,835	21,075	7,591	7,427
Net change in reserves for unearned premiums	(1,068)	(1,192)	19	11
Net earned premiums and policy fees	20,767	19,883	7,610	7,438
Farmers management fees	–	–	–	–
Net investment income	1,991	1,649	4,941	4,652
Net capital gains on investments and impairments	230	73	8,288	1,882
Net gain/(loss) on divestments of businesses	(16)	(42)	(8)	41
Other income	257	315	628	622
Total revenues	23,229	21,878	21,459	14,635
Intersegment transactions	(723)	(253)	(116)	(113)
Benefits, losses and expenses				
Losses and loss adjustment expenses, net of reinsurance	15,924	15,116	60	64
Life insurance death and other benefits, net of reinsurance	63	66	7,172	8,940
(Decrease)/increase in future life policyholders' benefits, net of reinsurance	4	9	(549)	(1,692)
Insurance benefits and losses, net of reinsurance	15,991	15,191	6,683	7,312
Policyholder dividends and participation in profits, net of reinsurance	5	6	10,267	3,520
Underwriting and policy acquisition costs, net of reinsurance	3,419	2,997	1,241	1,236
Administrative and other operating expenses	2,011	1,968	1,050	926
Amortization and impairments of intangible assets	69	79	73	124
Interest expense on debt	163	136	20	27
Interest credited to policyholders and other interest	117	127	555	547
Total benefits, losses and expenses	21,775	20,504	19,889	13,692
Net income/(loss) before income taxes	1,454	1,374	1,570	943

Business operating profit	1,354	1,387	830	733
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¹ Certain 2004 amounts have been restated for new and revised accounting standards as discussed in this Financial Supplement. Certain reclassifications have also been made to 2004 amounts to conform to the current presentation. Interim results are not indicative of full-year results.

Farmers Management Services		Other Businesses		Corporate Functions		Eliminations		Total		
2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	
-	-	281	381	-	-	12	21	33,240	33,507	
-	-	2,410	3,344	142	92	(251)	(294)	3,331	4,014	
-	-	2,691	3,725	142	92	(239)	(273)	36,571	37,521	
-	-	(443)	(346)	(136)	(92)	239	273	(4,891)	(5,640)	
-	-	2,248	3,379	6	-	-	-	31,680	31,881	
-	-	90	94	6	9	-	-	(953)	(1,078)	
-	-	2,338	3,473	12	9	-	-	30,727	30,803	
1,538	1,483	-	-	-	-	-	-	1,538	1,483	
113	86	554	527	467	403	(672)	(724)	7,394	6,593	
(1)	1	1,006	533	169	55	-	-	9,692	2,544	
-	-	7	10	8	(1)	-	-	(9)	8	
1	12	200	216	529	320	(557)	(353)	1,058	1,132	
1,651	1,582	4,105	4,759	1,185	786	(1,229)	(1,077)	50,400	42,563	
(13)	(6)	84	(325)	(461)	(380)	1,229	1,077	-	-	
-	-	1,152	1,821	7	12	-	(21)	17,143	16,992	
-	-	530	547	13	6	(2)	21	7,776	9,580	
-	-	17	58	53	(47)	(7)	-	(482)	(1,672)	
-	-	1,699	2,426	73	(29)	(9)	-	24,437	24,900	
-	-	518	388	-	-	-	-	10,790	3,914	
-	-	959	1,168	(21)	3	-	-	5,598	5,404	
691	661	308	429	749	586	(497)	(341)	4,312	4,229	
35	69	2	9	5	6	-	-	184	287	
-	-	124	121	718	601	(692)	(618)	333	267	
-	-	155	144	5	30	(31)	(118)	801	730	
726	730	3,765	4,685	1,529	1,197	(1,229)	(1,077)	46,455	39,731	
925	852	340	74	(344)	(411)	-	-	3,945	2,832	
								Income tax expense attributable to policyholders	(597)	(89)
								Income tax expense attributable to shareholders	(1,018)	(852)
								Net income attributable to minority interests	(74)	(34)
								Net income attributable to shareholders	2,256	1,857
926	841	308	64	(555)	(535)	-	-	2,863	2,490	

**Financial highlights –
Assets and liabilities by business segment**

in USD millions, as of

	General Insurance		Life Insurance	
	09/30/05	12/31/04	09/30/05	12/31/04
Assets				
Total investments	73,393	71,623	176,257	179,957
Reinsurers' share of reserves for insurance contracts	15,128	14,753	1,591	1,361
Deposits made under assumed reinsurance contracts	56	190	10	24
Deferred policy acquisition costs	2,168	2,143	8,420	8,932
Deferred origination costs	–	–	691	736
Goodwill	152	164	456	514
Other related intangible assets ¹	–	–	758	860
Other assets	14,211	14,286	9,274	11,344
Total assets after consolidation of investments in subsidiaries	105,108	103,159	197,457	203,728

Liabilities

Liabilities for investment contracts	–	–	40,502	40,288
Reserves for losses and loss adjustment expenses, gross	53,767	52,162	133	116
Reserves for unearned premiums, gross	12,562	13,293	110	146
Future life policyholders' benefits, gross	78	174	69,854	79,234
Policyholders' contract deposits and other funds, gross	846	1,038	14,104	14,232
Reserves for unit-linked products, gross	–	–	38,103	34,875
Reserves for insurance contracts, gross	67,253	66,667	122,304	128,603
Debt related to capital markets and banking activities	–	–	–	–
Senior debt	8,326	8,680	373	679
Subordinated debt	–	–	–	–
Other liabilities	18,785	18,521	22,929	23,459
Total liabilities	94,364	93,868	186,108	193,029

¹ "Other related intangible assets" consists of the present value of profits of acquired insurance contracts and attorney-in-fact relationships.

Farmers Management Services		Other Businesses		Corporate Functions		Eliminations		Total	
09/30/05	12/31/04	09/30/05	12/31/04	09/30/05	12/31/04	09/30/05	12/31/04	09/30/05	12/31/04
3,907	3,037	32,802	36,711	16,977	17,095	(27,800)	(26,268)	275,536	282,155
201	199	6,689	6,368	75	84	(1,608)	(1,846)	22,076	20,919
-	-	2,420	3,122	5	7	(61)	(61)	2,430	3,282
-	-	166	206	-	-	-	-	10,754	11,281
-	-	-	-	-	-	-	-	691	736
-	-	4	60	5	6	-	-	617	744
1,024	1,024	-	-	-	-	-	-	1,782	1,884
1,167	950	3,127	3,933	2,100	1,566	(2,638)	(2,194)	27,241	29,885
6,299	5,210	45,208	50,400	19,162	18,758	(32,107)	(30,369)	341,127	350,886
-	-	-	-	-	-	(245)	(242)	40,257	40,046
-	-	6,720	6,350	155	158	(849)	(1,021)	59,926	57,765
-	-	782	880	38	48	(65)	(136)	13,427	14,231
-	-	2,775	2,642	433	470	(677)	(668)	72,463	81,852
-	-	4,383	7,197	-	-	(36)	(76)	19,297	22,391
-	-	16,205	15,973	-	-	-	-	54,308	50,848
-	-	30,865	33,042	626	676	(1,627)	(1,901)	219,421	227,087
-	-	3,332	5,009	-	-	(988)	(1,129)	2,344	3,880
-	-	1,110	1,247	18,478	16,655	(25,215)	(23,906)	3,072	3,355
-	-	-	-	4,574	3,749	(1,598)	(1,233)	2,976	2,516
1,791	1,367	7,349	9,058	1,718	2,045	(2,434)	(1,958)	50,138	52,492
1,791	1,367	42,656	48,356	25,396	23,125	(32,107)	(30,369)	318,208	329,376

Equity

Common stockholders' equity	21,027	19,574
Preferred securities	1,096	1,096
Shareholders' equity	22,123	20,670
Minority interests	796	840
Total equity	22,919	21,510
Total liabilities and equity	341,127	350,886

**Financial highlights –
Reconciliation of net income before shareholders' taxes
and business operating profit**

in USD millions, for the nine months ended September 30

	2005	2004
Net income/(loss) before shareholders' taxes	3,348	2,743
<i>Adjusted for:</i>		
Net capital gains on investments and impairments, excluding capital markets and banking activities and certain securities held for specific economic hedging purposes	(9,487)	(2,445)
Policyholder allocation of net capital gains on investments and impairments	8,947	2,244
Net income attributable to minority interests	(74)	(34)
Net loss/(gain) on divestments of businesses	9	(8)
Restructuring provision and other	120	(10)
Business operating profit	2,863	2,490

Financial calendar and contacts

Financial Calendar

Investors' Day

January 17, 2006

Annual Results Reporting 2005

February 16, 2006

Annual General Meeting 2006

April 20, 2006

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American Depositary Receipts

Zurich Financial Services has an American
Depositary Receipt program with The Bank of
New York (BNY). For more information call BNY's
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or outside the USA on +1-610-382-7836.
ADR holder assistance may also be obtained
from BNY at www.adrbny.com.

The Report for the Nine Months to
September 30, 2005 is available on our Web site:
www.zurich.com

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.

The Report for the Nine Months to September 30, 2005 is published in English, German and French. In the case of inconsistencies in the German and French translations, the English original version shall prevail.

Printed end of November 2005

Disclaimer & 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.

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

Persons requiring advice should consult an independent adviser.

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