



**ZURICH**<sup>®</sup>  
Zurich Insurance Company  
South Africa Limited

(Incorporated in the Republic of South Africa)  
(Registration number 1965/006764/06)  
Share code: ZSA ISIN: ZAE000094496  
("Zurich" or "the Group" or "the Company")

Announcement of the unaudited Group results and cash dividend declaration  
for the six months ended 30 June 2011

- Interim dividend declared
- Ongoing underwriting actions impact business volumes but benefit claims costs
- Business well positioned for controlled growth strategy

**Condensed statement of financial performance**  
for the six months ended 30 June 2011

Rand thousands	Six months ended	Six months ended	% Change	Year ended
	30 June 2011	30 June 2010		31 December 2010
	Unaudited	Unaudited		Audited
Gross written insurance premium	2,074,951	2,426,538	(14%)	4,632,362
Insurance premium ceded to reinsurers	(506,411)	(535,480)	(5%)	(978,900)
<b>Net written insurance premium</b>	<b>1,568,540</b>	<b>1,891,058</b>	<b>(17%)</b>	<b>3,653,462</b>
Net insurance premium earned	1,566,899	1,876,009	(16%)	3,713,765
Reinsurance commission earned	73,748	77,897	(5%)	168,526
Other income	6,640	12,823	(48%)	5,747
Employee benefits surplus	–	–	–	105,552
Net investment income	98,049	96,206	2%	215,349
<b>Net income</b>	<b>1,745,336</b>	<b>2,062,935</b>	<b>(15%)</b>	<b>4,208,939</b>
Net insurance claims	1,084,338	1,321,192	(18%)	2,576,852
Gross commission	321,723	377,646	(15%)	747,659
Administrative and other operating expenses	281,335	422,710	(33%)	692,029
<b>Expenses</b>	<b>1,687,396</b>	<b>2,121,548</b>	<b>(20%)</b>	<b>4,016,540</b>
<b>Profit/(loss) before tax</b>	<b>57,940</b>	<b>(58,613)</b>	<b>199%</b>	<b>192,399</b>
Income tax (expense)/credit	(20,944)	15,958	(231%)	(47,982)
<b>Profit/(loss) after tax</b>	<b>36,996</b>	<b>(42,655)</b>	<b>187%</b>	<b>144,417</b>
<b>Earnings per share (cents)</b>	<b>303.8</b>	<b>(350.2)</b>	<b>187%</b>	<b>1,185.7</b>

**Condensed statement of comprehensive income**  
for the six months ended 30 June 2011

Rand thousands	Six months ended	Six months ended	% Change	Year ended
	30 June 2011	30 June 2010		31 December 2010
	Unaudited	Unaudited		Audited
Profit/(loss) for the period	36,996	(42,655)	187%	144,417
<b>Other comprehensive income</b>				
Foreign currency translation difference	869	336	159%	(5,246)
Unrealised gains on available-for-sale financial assets	3,843	23,705	(84%)	94,060
Realised gains on available-for-sale financial assets	(4,177)	–	(100%)	(6,809)
Impairment losses	210	–	100%	11,998
Taxation	(24)	(3,334)	99%	(13,913)
<b>Total comprehensive income/(expense) for the period</b>	<b>37,717</b>	<b>(21,948)</b>	<b>272%</b>	<b>224,507</b>

**Condensed statement of financial position**  
as at 30 June 2011

Rand thousands	As at	As at	% Change	Year ended
	30 June 2011	30 June 2010		31 December 2010
	Unaudited	Unaudited		Audited
<b>Assets</b>				
Buildings, property and equipment	98,897	114,520	(14%)	112,690
Intangibles	55,762	19,208	190%	53,519
Investments	2,107,889	1,798,315	17%	2,075,996
Loans and receivables	889,273	908,495	(2%)	965,423
Pre-payments	128,413	35,138	265%	134,544
Reinsurance assets	735,039	966,472	(24%)	970,283
Deferred taxation asset	8,485	93,581	(91%)	18,468
Deferred acquisition costs	96,918	104,912	(8%)	102,192
Income tax asset	9,449	28,019	(66%)	26,355
Cash and cash equivalents	1,151,574	1,384,705	(17%)	1,072,454
<b>Total assets</b>	<b>5,281,699</b>	<b>5,453,365</b>	<b>(3%)</b>	<b>5,531,924</b>
<b>Equity and liabilities</b>				
Total equity	1,921,544	1,632,285	18%	1,883,827
Financial liabilities held at amortisation cost	269,598	346,004	(22%)	281,597
Employee benefits obligation	44,623	40,365	11%	41,494
Insurance liabilities	2,163,393	2,551,951	(15%)	2,447,738
Deferred reinsurance commission	13,448	11,770	14%	17,264
Income tax liability	–	4,842	(100%)	–
Trade, other payables and provisions	869,093	866,148	–	860,004
<b>Total equity and liabilities</b>	<b>5,281,699</b>	<b>5,453,365</b>	<b>(3%)</b>	<b>5,531,924</b>

**Condensed statement of changes in equity**  
as at 30 June 2011

Rand thousands	As at	As at	% Change	Year ended
	30 June 2011	30 June 2010		31 December 2010
	Unaudited	Unaudited		Audited
Share capital	3,045	3,045	–	3,045
Share premium	1,605	1,605	–	1,605
Revaluation reserve	293,793	228,975	28%	293,941
Translation reserve	(36,039)	(31,326)	15%	(36,908)
Statutory contingency reserve	347,810	449,291	(23%)	375,365
Retained profit	1,311,330	980,695	34%	1,246,779
<b>Balance at end of the period</b>	<b>1,921,544</b>	<b>1,632,285</b>	<b>18%</b>	<b>1,883,827</b>

**Condensed cash flow statement**  
for the six months ended 30 June 2011

Rand thousands	Six months ended	Six months ended	% Change	Year ended
	30 June 2011	30 June 2010		31 December 2010
	Unaudited	Unaudited		Audited
Cash retained from operating activities	117,029	223,802	(48%)	175,623
– Cash flows from operations	98,646	41,041	140%	(125,972)
– Dividend and interest income	12,438	102,091	(88%)	227,185
– Taxation paid	5,945	80,670	(93%)	74,410
Dividends paid	–	–	–	–
Cash effect of financing activities	(37,907)	128,207	(130%)	(135,865)
Cash effect of investing activities	–	–	–	–
<b>Net increase in cash and cash equivalents</b>	<b>79,122</b>	<b>352,009</b>	<b>(78%)</b>	<b>39,758</b>
Translation losses on cash and cash equivalents	(2)	–	(100%)	–
Cash and cash equivalents at beginning of the period	1,072,454	1,032,696	4%	1,032,696
<b>Cash and cash equivalents at end of the period</b>	<b>1,151,574</b>	<b>1,384,705</b>	<b>(17%)</b>	<b>1,072,454</b>

**Notes**

**1. Accounting policies and basis of preparation**  
The financial results have been prepared in accordance with International Financial Reporting Standards (IFRS), in particular IAS34. The principal policies used in the presentation of the unaudited results for the period ended 30 June 2011 are consistent with those applied in the Annual Financial Statements for the year ended 31 December 2010.

**2. Financial highlights**

Rand thousands	Six months ended	Six months ended	% Change	Year ended
	30 June 2011	30 June 2010		31 December 2010
	Unaudited	Unaudited		Audited
Profit/(loss) for the period	36,996	(42,655)	187%	144,417
Adjusted for:				
Loss on disposal of plant and equipment	31	700	(96%)	2,668
Gains on disposal of available-for-sale financial assets	(4,177)	–	(100%)	(6,809)
Impairment of available-for-sale financial assets	210	3,595	(94%)	11,998
Tax effect	551	(602)	(192%)	(1,100)
<b>Headline earnings</b>	<b>33,611</b>	<b>(38,962)</b>	<b>186%</b>	<b>151,174</b>
Headline earnings per share (cents)	276.0	(319.9)	186%	1,241.2
Earnings per share (cents)	303.8	(350.2)	187%	1,185.7
Ordinary dividends declared per share (cents)	100	–	–	–
Dividends paid per share (cents)	–	–	–	–
Number of shares in issue	12,179,500	12,179,500	–	12,179,500
Net asset value per share (cents)	15,777	13,402	18%	15,467
International solvency margin (%)	57.7	41.3	40%	51.6
Combined ratio (%)	100.7	99.4	1%	97.5

**3. Segmental information**

Rand thousands	Six months ended	Six months ended	% Change	Year ended
	30 June 2011	30 June 2010		31 December 2010
	Unaudited	Unaudited		Audited
<b>Gross written insurance premium</b>	<b>745,503</b>	<b>872,492</b>	<b>(15%)</b>	<b>1,634,330</b>
Property	68,940	95,964	(28%)	170,825
Transport	939,301	1,110,152	(15%)	2,152,051
Motor	179,830	198,815	(10%)	384,088
Engineering	(516)	(582)	(11%)	513
Guarantee	50,693	55,837	(9%)	113,322
Liability	91,200	93,856	(3%)	177,233
Accident & Health	–	4	(100%)	–
Miscellaneous	–	–	–	–
<b>Total insurance premium income</b>	<b>2,074,951</b>	<b>2,426,538</b>	<b>(14%)</b>	<b>4,632,362</b>
<b>Net income</b>	<b>486,103</b>	<b>569,857</b>	<b>(15%)</b>	<b>1,131,119</b>
Property	62,640	76,650	(18%)	145,796
Transport	899,479	1,060,768	(15%)	2,105,553
Motor	113,286	167,872	(33%)	335,527
Engineering	55	48	15%	(28,006)
Guarantee	34,756	54,467	(36%)	99,456
Liability	44,328	50,841	(13%)	92,846
Accident & Health	–	(26,597)	(100%)	–
Miscellaneous	104,689	109,029	(4%)	326,648
<b>Total net income</b>	<b>1,745,336</b>	<b>2,062,935</b>	<b>(15%)</b>	<b>4,208,939</b>
<b>General insurance result</b>	<b>(23,728)</b>	<b>(17,061)</b>	<b>39%</b>	<b>(64,244)</b>
Property	25,558	13,528	89%	14,722
Transport	(10,249)	23,812	(143%)	112,364
Motor	(11,893)	23,449	(151%)	61,945
Engineering	(8,006)	(21,248)	(62%)	(67,524)
Guarantee	(9,614)	(3,911)	146%	(8,308)
Liability	26,338	(744)	(3,640%)	45,868
Accident & Health	–	(7,070)	(100%)	–
Miscellaneous	–	–	–	–
<b>Net underwriting result</b>	<b>(11,594)</b>	<b>10,755</b>	<b>(208%)</b>	<b>94,823</b>
Attributable investment income	42,501	43,911	(3%)	95,418
<b>General insurance result</b>	<b>30,907</b>	<b>54,666</b>	<b>(43%)</b>	<b>190,241</b>

**Notes (continued)**

**4. Supplementary income statement**

Rand thousands	Six months ended	Six months ended	% Change	Year ended
	30 June 2011	30 June 2010		31 December 2010
	Unaudited	Unaudited		Audited
Gross written insurance premium	2,074,951	2,426,538	(14%)	4,632,362
Insurance premium ceded to reinsurers	(506,411)	(535,480)	(5%)	(978,900)
<b>Net written insurance premium</b>	<b>1,568,540</b>	<b>1,891,058</b>	<b>(17%)</b>	<b>3,653,462</b>
Net insurance premium earned	1,566,899	1,876,009	(16%)	3,713,765
Net insurance claims	(1,084,338)	(1,321,192)	(18%)	(2,576,852)
Net commission incurred	(247,974)	(299,749)	(17%)	(579,134)
Administrative and other operating expenses	(246,181)	(244,313)	1%	(462,956)
<b>Net underwriting result</b>	<b>(11,594)</b>	<b>10,755</b>	<b>(208%)</b>	<b>94,823</b>
Attributable investment income	42,501	43,911	(3%)	95,418
<b>General insurance result</b>	<b>30,907</b>	<b>54,666</b>	<b>(43%)</b>	<b>190,241</b>
Impairments on available-for-sale financial assets	(210)	(3,595)	(94%)	(11,998)
Employee benefits surplus	–	–	–	105,552
Non-technical expenses	(28,783)	(168,033)	(83%)	(223,325)
Investment income	58,692	60,639	(3%)	130,059
Investment expenses	(6,843)	(2,290)	199%	(4,939)
Net realised gains on disposal of investments	4,177	–	100%	6,809
<b>Profit/(loss) before tax</b>	<b>57,940</b>	<b>(58,613)</b>	<b>199%</b>	<b>192,399</b>
Income tax (expense)/credit	(20,944)	15,958	(231%)	(47,982)
<b>Profit/(loss) after tax</b>	<b>36,996</b>	<b>(42,655)</b>	<b>187%</b>	<b>144,417</b>

**Comments**

Whilst the results have been impacted by a decline in business volumes of 14% to R2.1 billion (2010: R2.4 billion) they are reflective of ongoing actions taken to improve underwriting profitability and challenging market conditions.

These actions, alongside the implementation of a number of claims initiatives, have positively impacted the cost of claims which, at R1.1 billion, reflect an 18% improvement from R1.3 billion in the prior period, despite major weather-related losses in the first quarter of the year. Expenses have been well controlled and reflect the benefits from the business transformation programme in 2010 and additional initiatives undertaken in the first half of the year.

The general insurance result is a surplus of R30.9 million (2010: R54.7 million) and the underwriting result, which reflects a deficit of R11.6 million (2010: R10.8 million surplus), is expected to be strengthened through the delivery of a focused growth strategy flowing into 2012.

Attributable investment income of R42.5 million (2010: R43.9 million) is slightly down on prior year due to lower premium volumes and a declining interest rate environment.

Non-technical expenses have reduced by 83% in comparison to prior year, predominantly as a result of the cost of the business transformation programme being absorbed in the results for 2010.

The international solvency ratio has improved from 51.6% at year end to 57.7%.

**Changes in Directorate**

No changes have been made to the Directorate in 2011.

**Audit**

The information set out in the announcement has not been audited or reviewed by the Company's auditors, PricewaterhouseCoopers Inc.

**Compliance**

The Group complies in all material respects with the Listings Requirements of the JSE Limited and the King Report Code of Corporate Practices and Conduct.

**Cash Dividend Declaration No. 76**

1. The Directors have declared an interim cash dividend for the six month period ending 30 June 2011 of 100 cents per share

2. The cash dividend is payable in accordance with the following timetable:  
Last day to trade in order to participate in the dividend: Thursday, 4 August 2011  
Shares commence trading ex the dividend from the commencement of business on: Friday, 5 August 2011  
Record date: Friday, 12 August 2011  
Payment date: Monday, 15 August 2011

Shareholders may not dematerialise or materialise their holdings of shares in the Company between Friday, 5 August 2011 and Friday, 12 August 2011, both days inclusive.

By order of the Board