

Zurich Insurance Company South Africa Limited

Announcement of the reviewed Group results and cash dividend declaration for the six months ended 30 June 2008

↑ Insurance premium revenue 21.7% ↓ Headline earnings 28.5% ↑ Profit attributable to shareholders 23.2% ↑ Strong cash flow 32.3%

Rand thousands

	Six months ended 30 June 2008	Six months ended 30 June 2007	% Change	Year ended 31 December 2007 (Audited)
Condensed Income Statement				
Insurance premium revenue	2,656,792	2,183,457	21.7%	4,400,960
Insurance premium ceded to reinsurers	623,737	460,784		827,941
Net insurance premium revenue	2,033,055	1,722,673		3,573,019
Net insurance premium earned	2,031,208	1,707,879	18.9%	3,539,125
Reinsurance commission earned	54,381	61,627		114,959
Pension fund surplus	-	6,126		19,753
Other income – fee income	4,700	6,366		19,947
Net investment income	122,717	100,463		225,595
– Interest and dividends received	130,079	104,118		236,159
– Interest paid	(7,362)	(3,655)		(10,564)
Net fair value loss on assets held at fair value through income	(48,280)	(18,066)		(23,839)
Net realised gains on financial assets – available-for-sale	97,465	35,489		94,512
Income	2,262,191	1,899,884	19.1%	3,990,052
Net insurance claims	1,510,818	1,233,774	22.5%	2,595,794
Gross acquisition costs	359,969	324,053		618,605
Administrative and other operating expenses	203,984	164,248		349,759
Investment expenses	2,470	1,778		4,734
Expenses	2,077,241	1,723,853	20.5%	3,568,892
Profit before tax	184,950	176,031		421,160
Income tax expense	33,764	53,222		130,128
Profit after tax	151,186	122,809		291,032
Minority interest	-	123		1,172
Net profit attributable to members of the Company	151,186	122,686	23.2%	289,860

Rand thousands

	30 June 2008	30 June 2007	% Change	31 December 2007 (Audited)
Condensed Balance Sheet				
Assets				
Property and equipment	81,250	63,607		63,531
Investments	1,079,706	1,120,253	(3.6%)	1,111,752
Intangible insurance assets – deferred acquisition costs	115,676	110,810		113,127
Retirement benefit fund surplus	80,721	74,020		96,196
Assets arising from reinsurance contracts	697,902	639,878		481,928
Current assets	1,086,265	982,328	10.6%	1,301,940
Cash and cash equivalents	1,981,961	1,497,550	32.3%	1,583,650
Total assets	5,123,481	4,488,446	14.1%	4,752,124
Equity and liabilities				
Shareholders' equity	1,905,608	1,850,668	3.0%	1,900,130
Minority shareholders' interest in subsidiaries	1,495	225		2,090
Employee retirement benefit obligations	14,562	14,270		17,388
Reinsurance commission	38,163	36,390		35,263
Deferred tax liabilities	44,144	56,382		77,656
Liabilities arising from insurance contracts	2,202,003	1,946,394		1,893,070
Other liabilities	917,506	584,117		826,527
Total equity and liabilities	5,123,481	4,488,446		4,752,124

Rand thousands

	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007 (Audited)
Condensed Statement of Changes in Equity			
Balance at beginning of year	1,900,130	1,758,933	1,758,933
Net changes in available-for-sale financial assets on disposal	(111,038)	(19,691)	(87,880)
Revaluation of available-for-sale financial assets	19,955	61,806	44,018
Translation of foreign subsidiaries	(1,034)	(19,575)	(10,646)
Net profit for the period	151,185	122,686	289,860
Dividends paid	(53,590)	(53,491)	(94,155)
Balance at end of the period	1,905,608	1,850,668	1,900,130

Rand thousands

	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007 (Audited)
Condensed Cash Flow Statement			
Cash retained from operating activities	494,222	96,234	266,947
– Cash generated/(utilised) from operations	35,437	(108,286)	195,031
– Net increase in working capital	352,920	166,754	14,085
– Net interest income and dividends	122,717	100,463	225,595
– Taxation paid	(16,852)	(62,697)	(167,764)
Dividends paid	(53,590)	(53,491)	(94,155)
Cash effect of investing activities	(42,321)	(27,507)	(71,456)
Net increase/(decrease) in cash and cash equivalents	398,311	15,236	101,336
Cash and cash equivalents at beginning of year	1,583,650	1,482,314	1,482,314
Cash and cash equivalents at end of the period	1,981,961	1,497,550	1,583,650

Notes

1. Accounting policies and basis of preparation

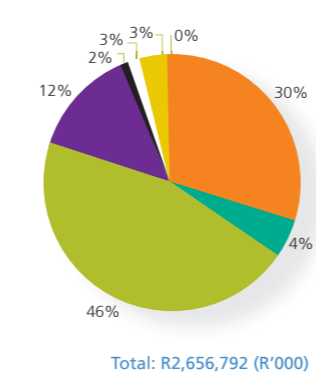
The principal policies used in the preparation of the reviewed results for the period ended 30 June 2008 are consistent with those applied in the annual financial statements for the year ended 31 December 2007 and for the results for the six months ended 30 June 2007 in terms of International Financial Reporting Standards, including IAS 34, except for the adoption of IFRIC 11 by the Group which results in the reallocation of equity components in the amount of R30.9 million. Comparative information in the condensed cash flow statement has been amended to accommodate disclosure in the current year.

Rand thousands

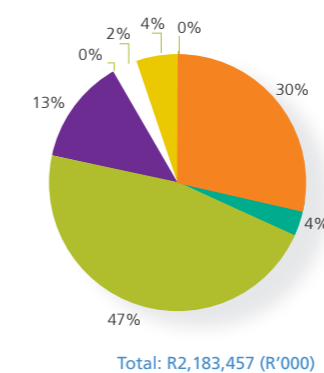
	Six months ended 30 June 2008	Six months ended 30 June 2007	% Change	Year ended 31 December 2007 (Audited)
2. Financial highlights				
Net profit attributable to members of the Company (IAS 33 Earnings)	151,186	122,686	23.2%	289,860
Adjusted for:				
Less loss/(gains) on disposal of plant and equipment (IAS 16)	1,512	-		(1,405)
Less gains on disposal of land and buildings (IAS 16)	-	-		(2,498)
Less gains on disposal of available-for-sale financial assets (IAS 16)	(97,465)	(35,489)		(92,013)
Add tax effect	8,884	2,523		9,552
Headline earnings	64,117	89,720	(28.5%)	203,496
Headline earnings per share (cents)	526.4	736.6	(28.5%)	1,670.8
Earnings per share (cents)	1,241.3	1,007.3	23.2%	2,379.9
Ordinary dividends declared per share (cents)	260	260		700
Dividends paid per share (cents)	440	430	2.3%	690
Number of shares in issue	12,179,500	12,179,500		12,179,500
Net asset value per share (cents)	15,646.0	15,194.9	3.0%	15,601.0
Solvency margin (%)	49.1%	55.0%		53.2%
Combined ratio (%)	99.5%	97.2%		97.5%
Return on average equity (%)	19.0%	18.2%		15.8%

3. Segmental Information

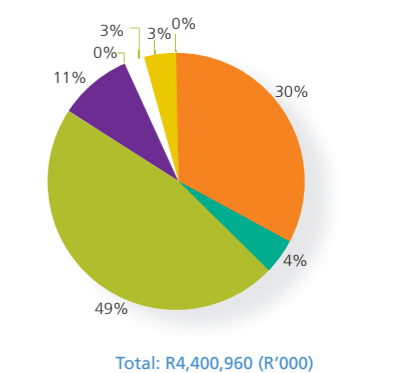
Gross written premium 30 June 2008



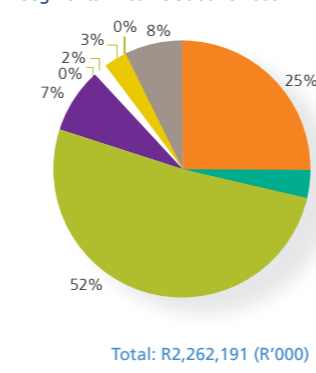
Gross written premium 30 June 2007



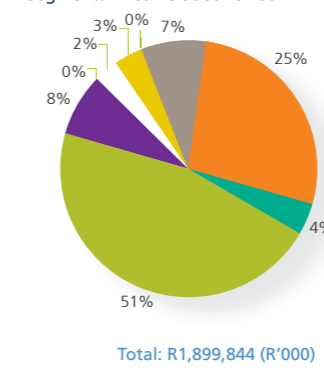
Gross written premium 31 December 2007



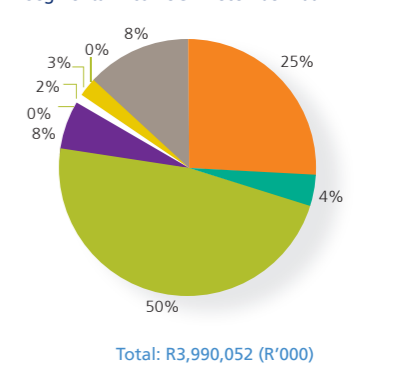
Segmental income 30 June 2008



Segmental income 30 June 2007



Segmental income 31 December 2007



Property Transport Motor Engineering Guarantee Liability Accident & Health Miscellaneous Investments and other

Segmental result before tax



Comments

Although the industry continues to operate in a competitive market, Zurich showed strong premium growth with premium revenue rising by 21.7% compared to the same period last year.

The first six months were characterised by a higher incidence of claims and increased claims costs on the property and motor accounts. Also, two severe, unseasonal floods in KwaZulu Natal in March and June negatively affected the underwriting result.

In spite of corrective action taken on the motor account, which included premium increases of more than 20%, the result continued to be impacted negatively due to an increase in the incidence of accidents and crime related losses. Motor repair costs, including the cost of repairing imported vehicles, continued to escalate well above inflation. The Group will, however, continue to take the necessary steps to limit the effect on the underwriting result.

Gains on the disposal of available-for-sale investments were higher than the previous period as the Group continued to rebalance its equity portfolio in line with its investment strategy.

Headline earnings were 28.5% lower compared to the same period last year. This was mainly as a result of the reduced underwriting result, as well as the unrealised losses on the Group's bond portfolio.

The balance sheet remained strong with cash resources of approximately R2 billion (R1.5 billion: 2007) representing a R400 million improvement since December 2007.

Solvency was satisfactory at 49.1% which was within the Group's target solvency range of 40% to 50%.

Given the satisfactory solvency position, the Directors have declared an interim cash dividend of 260 cents per share (260 cents per share: 2007).

The first six months were characterised by challenges, which are expected to persist for the balance of the year.

Messrs Burton and Zungu resigned as Executive Directors during the period. The Board thanks these outgoing Directors for their positive contribution over the years.

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

Review

The Company's auditors, PricewaterhouseCoopers Inc., have reviewed the information set out in the announcement and their unqualified review opinion is available for inspection at the Company's registered office.

Cash Dividend Declaration No. 74

1. The Directors have declared an interim cash dividend for 2008 of 260 cents per share (260 cents per share: 2007)

2. The cash dividend is payable in accordance with the following timetable:

Last day to trade in order to participate in the cash dividend: Friday, 12 September 2008

Shares commence trading ex the dividend from the commencement of business on: Monday, 15 September 2008

Record date: Friday, 19 September 2008

Payment date: Monday, 22 September 2008

Shareholders may not dematerialise or materialise their holdings of shares in the Company between Monday, 15 September 2008 and Friday, 19 September 2008, both days inclusive.

28 August 2008

By order of the Board
Bryanston

Board of Directors

JPG de Raerville Independent Non-Executive Chairman

NV Beyers Chief Executive Officer

CJ Cron Non-Executive

JPM Deiss Non-Executive

MN Mbekeni Independent Non-Executive

DD Mokgatle Independent Non-Executive

SG Morris Independent Non-Executive

DS Phiri Non-Executive

Sponsors

RAND MERCHANT BANK,
(A division of FirstRand Bank Limited)

Transfer Secretaries

Computershare Investor Services (Pty) Limited

70 Marshall Street

Johannesburg, 2001

Group Company Secretary and Registered Office

TA Pitman

Zurich Insurance Company South Africa Limited

Registration number 1965/006764/06

The Braes

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Bryanston, 2021