

# Zurich Insurance Company South Africa Limited

Announcement of the reviewed Group results and dividend declaration for the year ended December 31, 2007

The Financial Sector Charter Council awarded the company an A rating and Global Credit Rating reaffirmed the company's AA+ claims paying ability rating

Insurance premium revenue ↑ 12.5% Net asset value ↑ 8%

Rand thousands			
Condensed Income Statement			
	2007	2006	% Change
Insurance premium revenue	4,400,960	3,910,639	12.5%
Insurance premium ceded to reinsurers	827,941	735,513	
<b>Net insurance premium revenue</b>	<b>3,573,019</b>	<b>3,175,126</b>	
Net insurance premium earned	3,539,125	3,115,547	
Reinsurance commission earned	114,959	138,032	
Pension fund surplus	19,753	230,764	
Other income – fee income	19,947	10,602	
Net investment income	225,595	202,224	
– Interest and dividends received	236,159	202,224	
– Interest paid	(10,564)	–	
Net fair value losses on assets held at fair value through income	(23,839)	(18,962)	
Net realised gains on financial assets – available-for-sale	94,512	71,334	
<b>Income</b>	<b>3,990,052</b>	<b>3,749,541</b>	<b>6.4%</b>
Net insurance claims	2,595,794	2,256,842	15.0%
Gross acquisition expenses	618,605	609,307	1.5%
Administrative and other operating expenses	349,759	447,250	(21.8%)
Investment expenses	4,734	3,594	
<b>Expenses</b>	<b>3,568,892</b>	<b>3,316,993</b>	<b>7.6%</b>
<b>Profit before tax</b>	<b>421,160</b>	<b>432,548</b>	<b>(2.6%)</b>
Income tax expense	130,128	105,666	
– Current year	111,554	111,218	
– Prior years under/(over) provision	18,574	(5,552)	
<b>Profit after tax</b>	<b>291,032</b>	<b>326,882</b>	
Minority interest	1,172	6,302	
<b>Net profit attributable to members of the Company</b>	<b>289,860</b>	<b>320,580</b>	<b>(9.6%)</b>

Rand thousands			
Condensed Balance Sheet			
	2007	2006	% Change
<b>Assets</b>			
Property and equipment	63,531	68,476	
Investments	1,111,752	1,071,347	3.8%
Intangible insurance assets – deferred acquisition expenses	113,127	98,736	
Retirement benefit fund surplus	96,196	230,764	
Assets arising from insurance contracts	481,928	605,614	
Current assets	1,301,940	1,048,678	
Cash and cash equivalents	1,583,650	1,482,314	
<b>Total assets</b>	<b>4,752,124</b>	<b>4,605,929</b>	<b>3.2%</b>
<b>Equity and liabilities</b>			
Shareholders' equity	1,900,130	1,758,933	8.0%
Minority shareholders' interest in subsidiaries	2,090	13,043	
Employee retirement benefit obligations	17,388	179,924	
Reinsurance commission	35,263	34,270	
Deferred tax liabilities	77,656	99,451	
Liabilities arising from insurance contracts	1,893,070	1,920,676	
Other liabilities	826,527	599,632	
<b>Total equity and liabilities</b>	<b>4,752,124</b>	<b>4,605,929</b>	

Rand thousands		
Condensed Statement of Changes in Equity		
	2007	2006
Balance at beginning of year	1,758,933	1,511,949
Net changes in available-for-sale financial assets on disposal	(87,880)	(66,495)
Revaluation of available-for-sale financial assets	44,018	131,253
Translation of foreign subsidiaries	(10,646)	(38,481)
Net profit for the year	289,860	320,580
Dividends paid	(94,155)	(99,873)
<b>Balance at end of year</b>	<b>1,900,130</b>	<b>1,758,933</b>

Rand thousands		
Condensed Cash Flow Statement		
	2007	2006
Cash retained from operating activities	266,947	498,275
– Cash generated from operations	195,031	220,046
– Net increase in working capital	14,085	146,711
– Dividends and net interest	225,595	202,224
– Taxation paid	(167,764)	(70,706)
Dividends paid	(94,155)	(99,873)
Cash effect of investing activities	(71,456)	66,384
<b>Net increase in cash and cash equivalents</b>	<b>101,336</b>	<b>464,786</b>
Cash and cash equivalents at beginning of year	1,482,314	1,017,528
<b>Cash and cash equivalents at end of year</b>	<b>1,583,650</b>	<b>1,482,314</b>

**Notes**  
1. Accounting policies  
The principal policies used in the preparation of the results for the year ended December 31, 2007 are consistent with those applied in the annual financial statements for the year ended December 31, 2006 in terms of International Financial Reporting Standards, except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures, including in some cases, revisions to accounting policies.

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Amendment: Presentation of Financial Statements
- IFRIC 8 Scope of IFRS 2
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 10 Interim Financial Reporting and Impairment

This announcement is also IAS 34 compliant.

**2. Prior years under/(over) provision for taxation**

This relates to adjustments to taxes in respect of assessments finalised relating to prior 2003. Included under net investment income is the interest paid in respect of these assessments.

**Comments**

The Group, after a concerted effort across all areas of the business, maintained profit before tax at a similar level as was achieved in the previous year. Gross premium income rose by an expected 12.5%. This increase was achieved despite a reduction in the contribution received from our Zimbabwean subsidiary due to currency devaluation. The growth in premium, although slightly lower than in the period to June 2007, is still satisfactory in a challenging market.

In 2007, the Group benefited from a net pension fund surplus of R43 million including related investment income (2006: R97 million, after accounting for a R133 million expense of conversion from a defined benefit to a defined contribution pension fund). The increase in both the number and the quantum of claims continued into the second half of the year. This resulted in an increase in claims of some 15%. The main area of concern remains the motor book.

Expenses increased by 11% after allowing for the effects of the offering in respect of the Pension Fund conversion to employees, discussed above. The expense ratio improved to 9.6% (2006: 10%).

After taking the above into account the Group achieved a satisfactory improvement in the underwriting result. Investment income showed an increase of R42 million which reflected the enhanced interest rates received by the Group on funds deposited at institutions. The through income fair value adjustment continued to show a loss. This was offset by the increase in realised gains on the disposal of equities held as available-for-sale. Investment related income therefore increased over 2006 levels by 16.4%. Taxation increased by R20 million due to an under-provision for the prior years. Excluding this, the tax rate is comparable to 2006. The Group's balance sheet remains strong with an increase in net asset value of 8%. Solvency is satisfactory at 53.2% and continues to remain within the Group's policy range.

**Changes in Directorate**

Gerard de Raouville was elected as Chairman of the Board on 9 May and, during the year, the Board welcomed Christopher Cron, Joseph Deiss, Mandiza Mbekeni and Dolly Mokgatle as directors. Al Paas resigned as a director during the year.

**Compliance**

The Group complies 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. 73**

The Directors have declared a final cash dividend for 2007 of 440 cents per share (2006: 430 cents per share)

The dividend is payable in accordance with the following timetable:

Last day to trade in order to participate in the dividend: Thursday, March 13, 2008

Shares commence trading ex the dividend from the commencement of business on: Friday, March 14, 2008

Record date: Thursday, March 20, 2008. Payment date: Tuesday, March 25, 2008. Shareholders may not dematerialise or rematerialise their holdings of shares in the Company between Friday, March 14, 2008 and Thursday, March 20, 2008, both days inclusive.

**On behalf of the Board**

JPG de Raouville (Chairman) NV Beyers (Chief Executive Officer)  
February 25, 2008, Bryanston

**Board of Directors**  
JPG de Raouville (Chairman)  
NV Beyers (Chief Executive Officer)  
DM Burton (Executive)  
CJ Cron (Non-Executive)

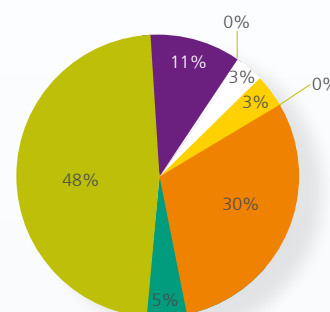
JPM Deiss (Non-Executive)  
MN Mbekeni (Independent Non-Executive)  
DD Mokgatle (Independent Non-Executive)  
SG Morris (Independent Non-Executive)

DS Phiri (Non-Executive)  
CN Zungu (Executive)

Rand thousands			
3. Financial highlights			
	2007	2006	% Change
Net profit attributable to members of the Company	289,860	320,580	(9.6%)
Adjusted for:			
Less gains on the disposal of plant and equipment	(1,405)	(2,170)	
Less gains on the disposal of land and buildings	(2,498)	–	
Less gains on disposal of available-for-sale financial assets	(92,013)	(71,334)	
Add tax effect	9,552	4,675	
<b>Headline earnings</b>	<b>203,496</b>	<b>251,751</b>	<b>(19.2%)</b>
Headline earnings per share (cents)	1,670.8	2,067.0	(19.2%)
Earnings per share (cents)	2,379.9	2,632.1	(9.6%)
Ordinary dividends declared per share (cents)	700	650	7.7%
Dividends paid per share (cents)	690	820	(15.9%)
Number of shares in issue	12,179,500	12,179,500	
Net asset value per share (cents)	15,601	14,442	8.0%
Solvency margin (%)	53.2%	55.8%	(4.7%)
Combined ratio (%)	97.5%	97.3%	0.2%
Return on equity (%)	15.8%	19.6%	(19.4%)

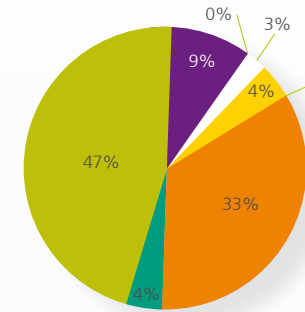
**4. Segmental Information**

Gross written premium December 31, 2007



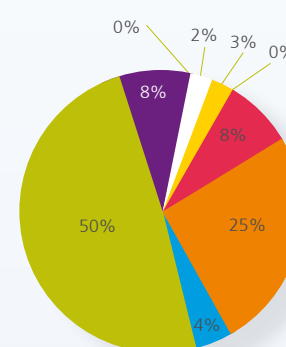
Total: R4,400,960 (R'000)

Gross written premium December 31, 2006



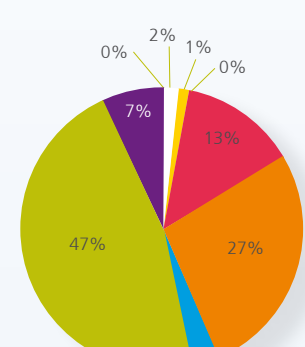
Total: R3,910,639 (R'000)

Segmental income December 31, 2007



Total: R3,990,052 (R'000)

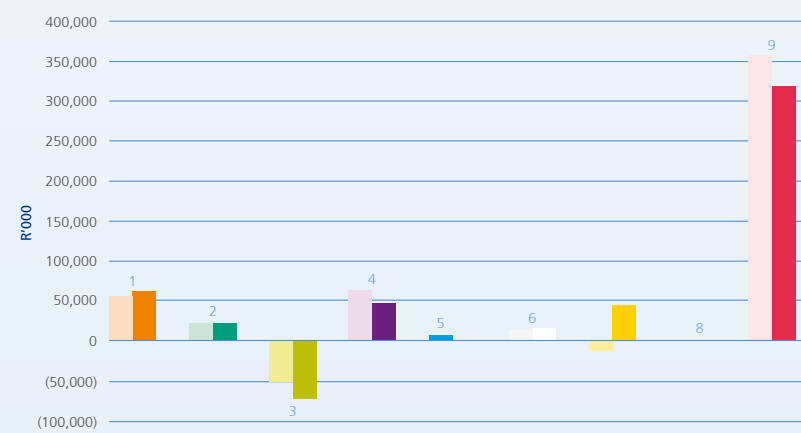
Segmental income December 31, 2006



Total: R3,749,541 (R'000)



**Segmental results before tax**



Segment	2006	2007
1 Property	R53,819	R59,038
2 Transport	R16,739	R17,586
3 Motor	(R52,339)	(R74,181)
4 Engineering	R59,778	R44,572
5 Guarantee	R118	R2,680
6 Liability	R8,327	R12,878
7 Accident & Health	(R12,333)	R40,259
8 Miscellaneous	R88	(R152)
9 Non-insurance	R358,351	R318,480

**Auditors**

PricewaterhouseCoopers Inc  
Chartered Accountants (SA)  
2 Eglon Road  
Sunninghill, 2157

**Transfer Secretaries**

Computershare Investor Services 2004 (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  
Zurich House  
The Braes  
193 Bryanston Drive  
Bryanston, 2021

**Sponsor**

RAND MERCHANT BANK  
(A division of FirstRand Bank Limited)