Embedded Value Results – Life Insurance (unaudited)

in USD millions, for the years ended December 31	North America Consumer 2004	2003
Gross new business premiums including deposits	**252**	711
of which:		
Annual premiums	**106**	175
Single premiums	**146**	536
Gross new business annual premiums equivalent (APE)	**120**	229
Embedded value information:		
Opening embedded value	**2,555**	3,160
Operating profit expected from in-force business and net assets, after tax	**176**	232
New business profit, after tax	**74**	71
Operating variance, after tax	**(1)**	(5)
Operating assumption changes	**81**	20
Total operating profit, after tax	**330**	318
Economic variance:		
Investment variance	**4**	78
Change in economic assumptions	**(15)**	(37)
Embedded value profit, after tax	**319**	359
Dividends and capital movements	**(472)**	(964)
Closing embedded value before foreign currency translation effects	**2,402**	2,555
Foreign currency translation effects	**–**	–
Closing embedded value after foreign currency translation effects	**2,402**	2,555
of which:		
Shareholders' net assets	**1,012**	1,308
Value of business in-force	**1,390**	1,247
After-tax operating return before foreign currency translation effects	**15.0%**	10.0%
After-tax return on opening embedded value before foreign currency translation effects	**14.5%**	11.4%
New business profit margin (as % of APE)	**61.0%**	31.1%
Embedded value economic assumptions:		
Discount rate	**8.0%**	8.0%
Investment returns before tax:		
Fixed interest	**5.4%**	4.9%
Equities	**8.0%**	8.0%
Property	**–**	–
Expense inflation	**2.3%**	2.3%
Attributed tax rate	**35.0%**	35.0%

Embedded value notes: The above information should be read in conjunction with additional notes on the following page.

External Review: Deloitte & Touche LLP ("Deloitte"), our consulting actuaries, have reviewed the choice of methodology together with the assumptions and calculations made by Zurich Financial Services Group ("the Group") in the calculation of the embedded value results of its Life Insurance business as of December 31, 2004. Deloitte have reported to the Group that they consider that the methodology is appropriate, the Group's assumptions are together reasonable and that the embedded value results as published above have been properly compiled on the basis of the methodology and assumptions chosen. For the purpose of this report, Deloitte have performed certain checks on data provided by the Group, but have not verified and have relied on financial information underlying the Group's financial statements.

Continental Europe		UKISA		Rest of the World		Total	
2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
2,724	2,600	**5,770**	4,286	**1,189**	770	**9,935**	8,367
873	599	**489**	483	**98**	184	**1,566**	1,441
1,851	2,001	**5,281**	3,803	**1,091**	586	**8,369**	6,926
1,059	799	**1,017**	863	**207**	243	**2,403**	2,134
2,510	1,944	**4,608**	4,309	**739**	675	**10,412**	10,088
139	142	**452**	320	**75**	69	**842**	763
134	63	**59**	59	**6**	(1)	**273**	192
(98)	31	**(132)**	(140)	**(1)**	(12)	**(232)**	(126)
244	144	**(115)**	82	**24**	(16)	**234**	230
419	380	**264**	321	**104**	40	**1,117**	1,059
129	274	**42**	22	**30**	(16)	**205**	358
159	(359)	**17**	(74)	**(35)**	(19)	**126**	(489)
707	295	**323**	269	**99**	5	**1,448**	928
(501)	(121)	**1,175**	(446)	**–**	(53)	**202**	(1,584)
2,716	2,118	**6,106**	4,132	**838**	627	**12,062**	9,432
217	392	**454**	476	**24**	112	**695**	980
2,933	2,510	**6,560**	4,608	**862**	739	**12,757**	10,412
1,403	1,162	**3,862**	1,660	**596**	478	**6,873**	4,608
1,530	1,348	**2,698**	2,948	**266**	261	**5,884**	5,804
23.8%	19.6%	**4.7%**	7.4%	**13.7%**	5.9%	**10.8%**	10.5%
40.2%	15.2%	**5.7%**	6.2%	**13.1%**	0.7%	**14.0%**	9.2%
12.7%	7.9%	**5.8%**	6.9%	**3.1%**	(0.5%)	**11.4%**	9.0%
7.3%	7.9%	**7.5%**	8.0%	**9.4%**	9.8%	**7.7%**	8.1%
3.8%	4.2%	**4.4%**	5.0%	**5.7%**	4.6%	**4.2%**	4.5%
7.2%	7.8%	**6.9%**	7.6%	**8.2%**	8.8%	**7.1%**	7.8%
4.8%	4.9%	**6.8%**	7.3%	**6.6%**	6.8%	**5.0%**	5.2%
1.6%	1.6%	**3.0%**	3.0%	**3.1%**	2.3%	**2.4%**	2.4%
32.7%	32.9%	**28.9%**	28.7%	**25.5%**	27.5%	**30.7%**	31.2%

Additional notes to the embedded value results

1. The after-tax operating return and after-tax return on opening embedded value have been calculated to reflect the incidence of capital movements in and out of the embedded value.
2. The 2003 year-end embedded value included the value of certain life operations which are now centrally managed outside the Life Insurance segment.
   The IFRS financial statements as of December 31, 2004 reflect this change and these operations are included in "Other Businesses" for IFRS reporting. The life embedded value results as of December 31, 2004, assume that these operations have been transferred out of the Life Insurance segment at their embedded value as of January 1, 2004 (USD 770 million). The regions affected by this change are North America Consumer and Continental Europe. In the UKISA region during 2004 there was a large capital inflow of assets in exchange for a holding of a general insurance company. These assets were brought in to the embedded value at their locked in value.
3. The Life Insurance segment includes some non-insurance subsidiary companies. Where appropriate, we have included the value of these companies in accordance with our embedded value methodology. For those companies for which no embedded value has been calculated, these have been included at their shareholders' equity value, as calculated in accordance with IFRS, which represents approximately 2% of our total published embedded value.
4. The UK Life business distribution network generated an additional USD 16 million of new business profit for the Group relating to a product accounted for in a non-insurance subsidiary which from year-end 2004 is not included in the life value of new business. In 2003, sales of this product accounted for USD 20 million of new business profit, without which the new business margin would have been 4.6% for UKISA and 8.1% for the total Group.
5. The UKISA operating profit, after tax, for 2004 has been adversely affected by an increase in provisions for settling customer complaints relating to past sales of mortgage endowment and other contracts (reducing the operating profit by USD 208 million). Without this effect, the after-tax operating return on embedded value would have been 8.4% for UKISA and 12.8% for the total Group.
6. The published embedded value assumes that at least the locally required minimum statutory capital is held to support the business. In some countries, a higher amount has been locked in where this is in line with management strategy or market practice. In 2004, the amount of shareholder capital used to meet these requirements was USD 5.0 billion, which produced an associated shareholder economic cost of USD 1.6 billion.
7. In 2004, the capital strain on writing new business was approximately USD 0.7 billion. The after-tax internal rate of return on new business is 11 to 12%. The new business profit before cost of solvency is USD 352 million.
8. For both 2003 and 2004 the new business profit and new business premium information are shown gross of any minority holdings although the embedded value is shown net of minority holdings. The minorities share of new business profit is reversed out through the line "operating variance, after tax" in the table of embedded value results on the preceding pages. Most of the minorities share of new business profit relates to our subsidiary Deutscher Herold Lebensversicherung AG in Continental Europe. The new business profit and APE net of minority holdings for 2004 are USD 254 million and USD 2,243 million, respectively.

Embedded value sensitivities

The following tables show the sensitivity of our 2004 embedded value and value of new business to changes in several key assumptions:

Change in embedded value in USD millions	Discount rate 1% increase	Discount rate 1% decrease	Investment return 1% increase	Investment return 1% decrease	MV of equities 10% decrease	Renewal expenses 10% decrease	Demo-graphy 10% worsening	Lapses 10% worsening
Change in embedded value	**(667)**	**795**	**596**	**(861)**	**(290)**	**207**	**(548)**	**(197)**

Change in new business value in USD millions	Discount rate 1% increase	Discount rate 1% decrease	Investment return 1% increase	Investment return 1% decrease	Initial expenses 10% decrease	Renewal expenses 10% decrease	Demo-graphy 10% worsening	Lapses 10% worsening
Change in new business value	**(62)**	**75**	**59**	**(57)**	**70**	**21**	**(29)**	**(46)**

Please note that the figures shown above are "sensitivities" – for each assumption change, all other assumptions have remained unchanged. The exceptions to this are the investment return sensitivities. The investment return sensitivity assumes a change to future new money rates for fixed interest securities and a change to returns on both existing assets and future new money rates for equities and properties. These sensitivities reflect the change to embedded value in this changed investment environment. For example, where appropriate, changes to statutory valuation bases or policyholder bonuses have been reflected accordingly. In addition, changes to the market values of fixed interest assets have been reflected where appropriate. However, these investment return sensitivities assume that the risk discount rates remain unaffected.

Embedded value methodology

The embedded value represents the shareholders' interest, excluding any value from future new business, in the entities included in the Life Insurance segment as per the IFRS financial statements. It is the total of the shareholders' interest in the net assets of these life insurance entities and the present value of the projected releases to shareholders arising from the business in-force, less a charge for the cost of capital supporting the solvency requirements of the business. The discount rate used to value the in-force business in each country reflects long term government bond rates at the valuation date plus a risk margin. The assumptions for mortality, persistency and expenses reflect recent and expected experience. All changes in assumptions not classified as "economic" are included in the "operating assumption changes" line item. Gross new business annual premium equivalent (APE) is calculated as new annual premiums plus 10% of single premiums.

Embedded value profit is the change in the embedded value over the year, after adjustment for any dividends and capital movements. The profit is calculated on an after-tax basis.

Embedded value profit consists of the following components, the first two of which in aggregate are referred to as operating profit:

- new business profit, after tax, which represents the value added by new business written during the period, including allowance for the cost of holding solvency capital, and is valued at point of sale using the applicable discount rate
- the operating profit from existing business, which is equal to:
  - the profit expected from the in-force business and net assets, after tax, including allowance for the cost of holding solvency capital,
  - the experience variances caused by the differences between the actual experience during the period and the expected experience assumed in the prior-year embedded value, and
  - the impact of changes in assumptions of future operating experience;
- the economic variance, which is equal to:
  - the investment variance caused by differences between the actual and the expected experience over the reporting period, and
  - the change in future economic assumptions, such as changes in discount rates and future investment rates. This also includes, where appropriate, changes in legislation.

The calculation of embedded values necessarily makes numerous assumptions with respect to economic conditions, operating conditions, taxes, and other matters, many of which are beyond the Group's control. Although the assumptions used represent estimates which the Group and Deloitte believe are together reasonable, actual future experience may vary from that assumed in the calculation of the embedded value results, and such variation may be material. Deviations from assumed experience are normal and are to be expected. The embedded value results have been prepared using generally accepted actuarial methods that use deterministic projections that do not allow for all of the cost of options and guarantees on a market consistent basis.