

European Embedded Value as of December 31, 2005 – Improving the management of our life business

Analysts' presentation
Zurich, July 6, 2006

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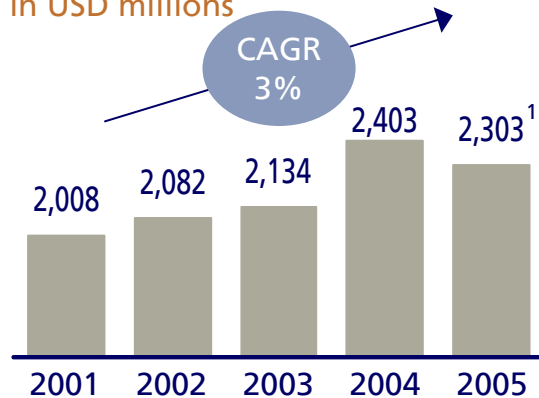
It should be noted, that past performance is not a guide to future performance. Persons requiring advice should consult an independent adviser.

- Introduction
- Zurich's approach to European Embedded Value
- Methodology
- Results
- EEV as management tool for the Life Business

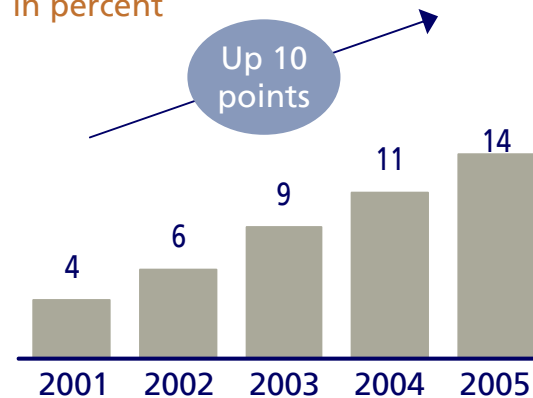
Our financials have improved significantly over the past 5 years



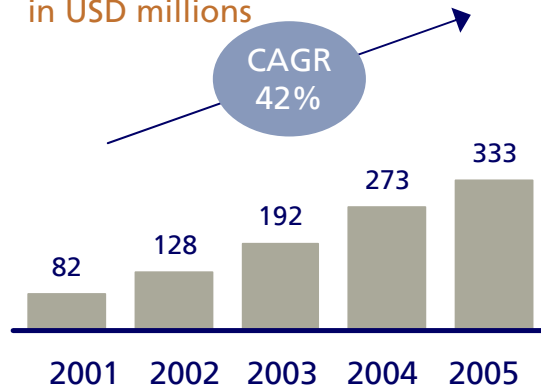
New business APE
in USD millions



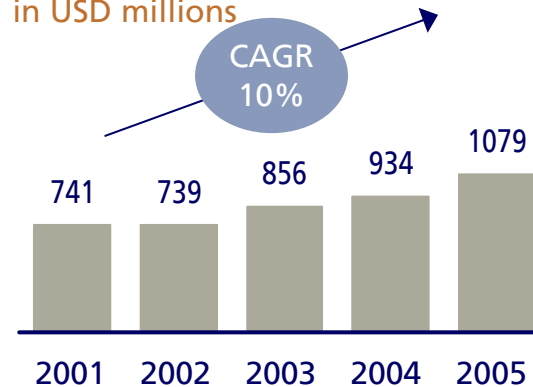
New business margin (NBM)
in percent



New business value (NBV)
in USD millions



Business operating profit (BOP)²
in USD millions



Q1 2006

- APE +16%
- NBV +90%
- NBM +6.6pts
- BOP +62%

¹ excludes Australia's investment business

² 2001-2003 as reported, 2004 restated for IFRS changes

Innovation, focus and discipline have driven this transformation



Innovation

- Changing the business models
- Implementing new products
- Managing distribution

Focus

- Geography
- Products – moving to unit linked and protection

Disciplined Execution

- Global Life
- Metrics
- TZW initiatives

Transformational Change

We innovated the Business Model in multiple markets



UK

- Consolidation of five legal entities
- Separation of distribution from manufacturing / successful launch of Openwork
- Release of USD 1.1 billion
- Overhaul of cost base
- Outsourcing of non-core back office functions to Capita

Germany

- Service Company model
- Restructuring balance sheet and investment portfolio
- Continued emphasis on unit-linked products
- Consolidation of legal entities

Switzerland

- Change of business model for the group pension business
- Transfer all of the processing onto the German product platform
- Integration of Zurich Life and Geneva Life legal entities

Zurich Internat.¹

- Business worldwide written on a single balance sheet
- Using a single computer system with two processing centres
- Flexible and efficient expansion and efficient meeting the demand from expatriates worldwide

The story so far – two thirds of business in targeted niches and products



	Overall market share ¹		Niche market share ¹	Contribution of niche to Zurich's new business ²
USA	1.4%	Farmers customers	15%	100%
UK	4.3%	Unit linked bonds ISA's/PEP's ³	10% 11%	68%
Germany	6.1%	Unit linked	16.5%	63%
Spain	4.2%	Unit linked	34%	84%
Ireland	7.5%	Broker pension/risk and unit linked	15%	85%
Isle of Man	n/a	Expatriates	14%	95%

¹ Local public market data 2005

² Company data

³ Individual Saving Accounts / Personal Equity Plans

We execute applying The Zurich Way discipline through tight governance...



Global Life Governance

- Established Global Life Team
- Move from local to central governance
- Establish Program Office to coordinate and drive local projects
- Implemented common metrics

"The Zurich Way" Life

Product Management

Distribution

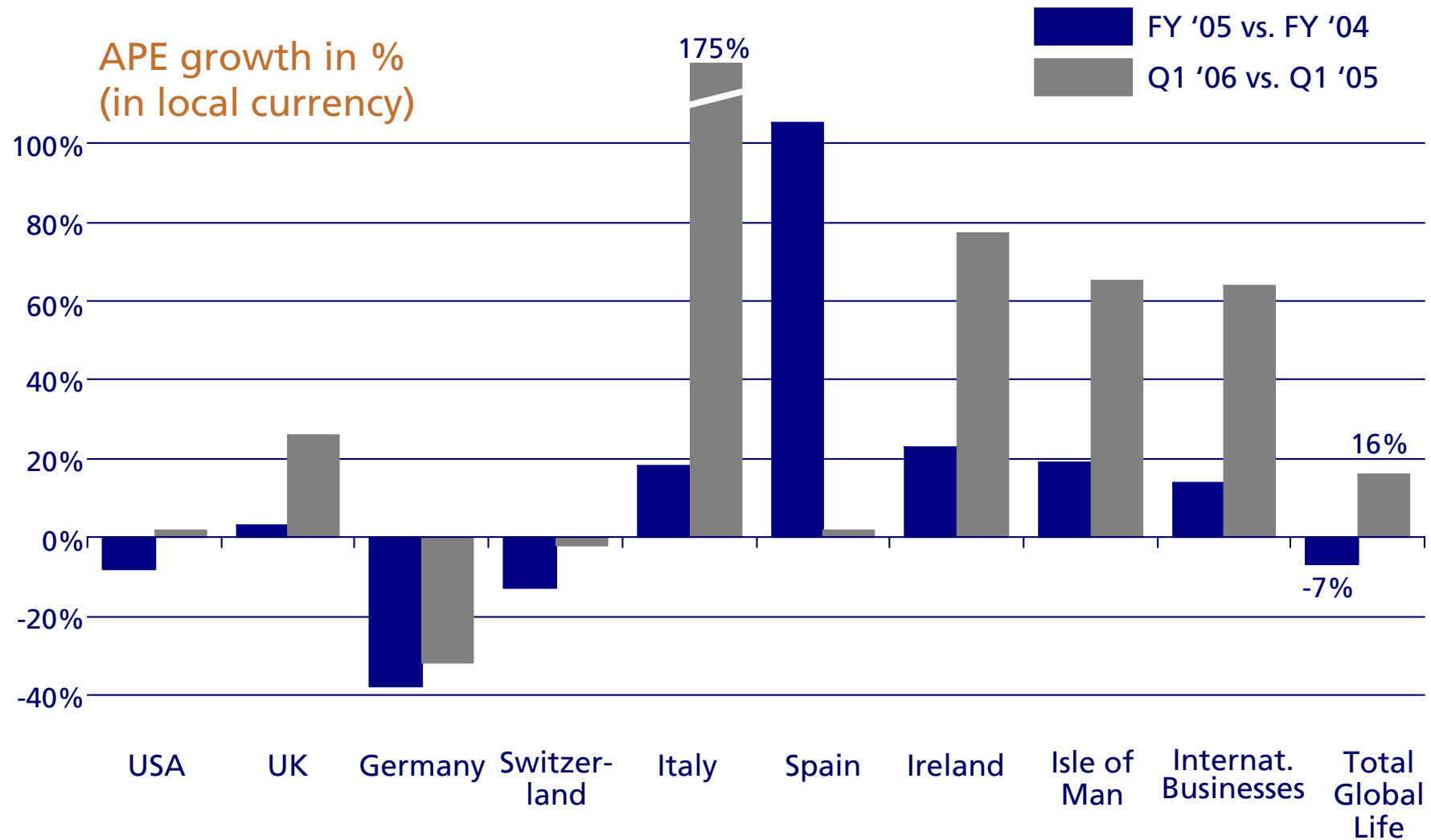
Service Mgt. & Administration

Capital Optimization

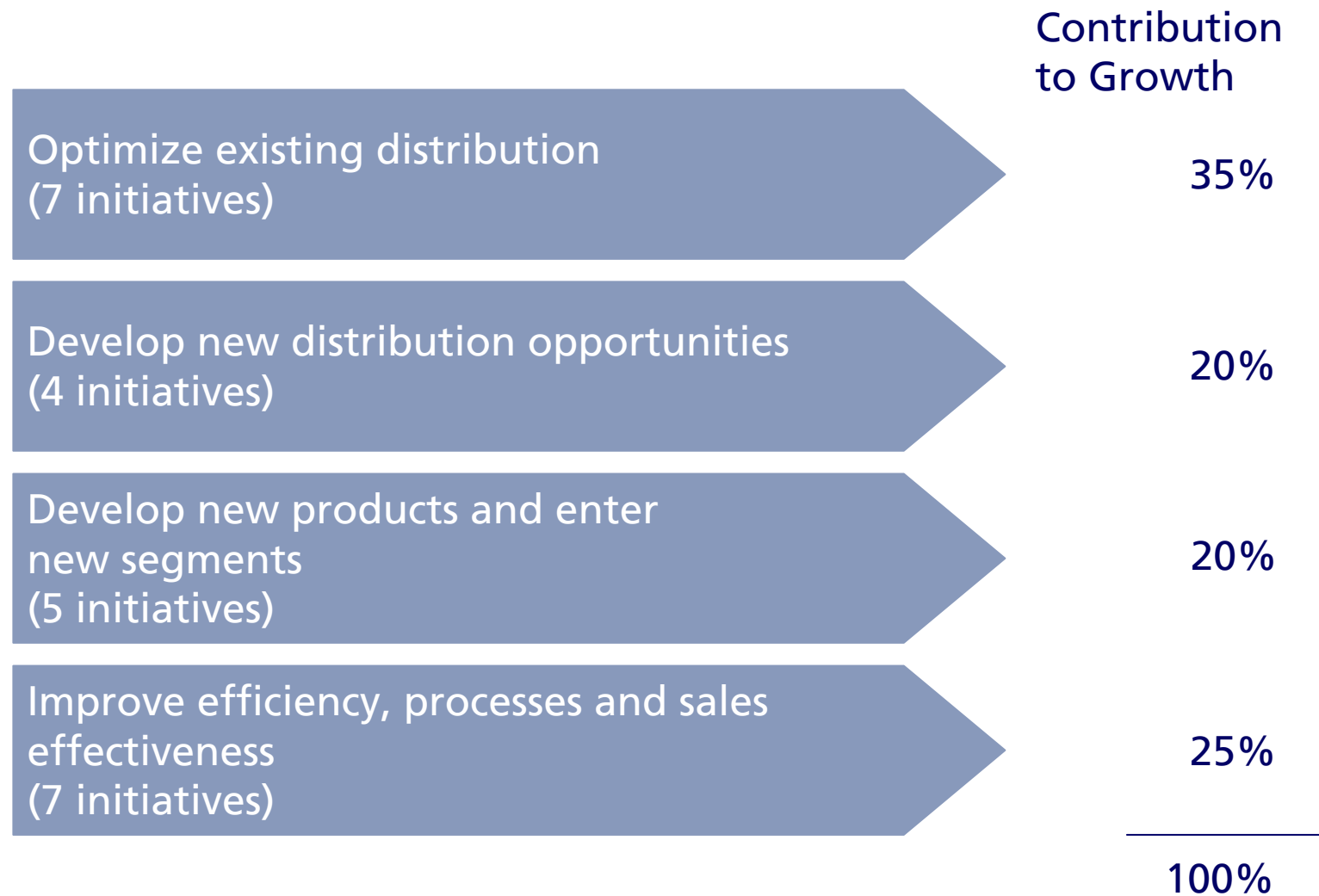
Projects / Initiatives

- Four work streams
- Globally driven but locally implemented taking market/regulatory specifics into account

The next phase is growth



Immediate growth underpinned by 23 Zurich Way initiatives



Other recent developments add to growth momentum



- UK: TALA launch
- UK: IFA protection launch
- Switzerland: Swisscanto bancassurance deal (Swiss cantonal banks)
- Switzerland: VITA foundation
- Zurich International Solutions: Opening of Singapore branch
- Farmers: focus on Hispanic market
- Farmers: Small Business development

EEV has confirmed our strategic direction and given us new insights



- Confirmed strategy of focus on unit-linked and protection
- Validated decision to implement new business model in Swiss group pensions
- Validated withdrawal from with profits products and annuities in UK
- New insights into cost of options has lead to product optimization in multiple markets
- Driving process down to product pricing models
- Stochastic basis for RBC
- EEV as basis for core performance metrics

- Introduction
- Zurich's approach to European Embedded Value
- Methodology
- Results
- EEV as management tool for the Life Business

Zurich's approach to European Embedded Value (EEV)



- “Bottom up” market consistent allowance for risk
 - Asset and liability cash flows are valued consistently with market prices
 - Options and guarantees are valued by reference to market prices
- Explicit allowance for non market risk
- Frictional costs on total available capital
- Use of objective market data (implied volatilities)

Zurich has chosen the market consistent approach to manage its Life Business



- Objective approach to allow for market risk (no subjective setting of risk discount rates)
- Profitability information at product level
- Enhanced risk management analysis
- Improved transparency for investors



Consistent with the way we manage our business

Small reduction from Traditional EV and strong performance in 2005



in USD millions
as of December 31, 2005

	European Embedded Value	Traditional Embedded Value ¹	Change
Shareholders' net assets	6,053	6,010	0.7%
Value business in-force	5,627	5,872	-4.2%
Total embedded value	11,680	11,882	-1.7%
EEV operating profit, after tax ²	1,557	1,344	15.8%
EEV operating return, after tax ²	14.0%	10.9%	+3.1 pts

- The benefits of our diversified life businesses result in a small reduction from Traditional EV to EEV of only USD 202 million or 1.7% overall
- EEV operating return is 3.1 points higher, mainly due to the move to a market consistent valuation

¹ as reported in the Annual Report 2005

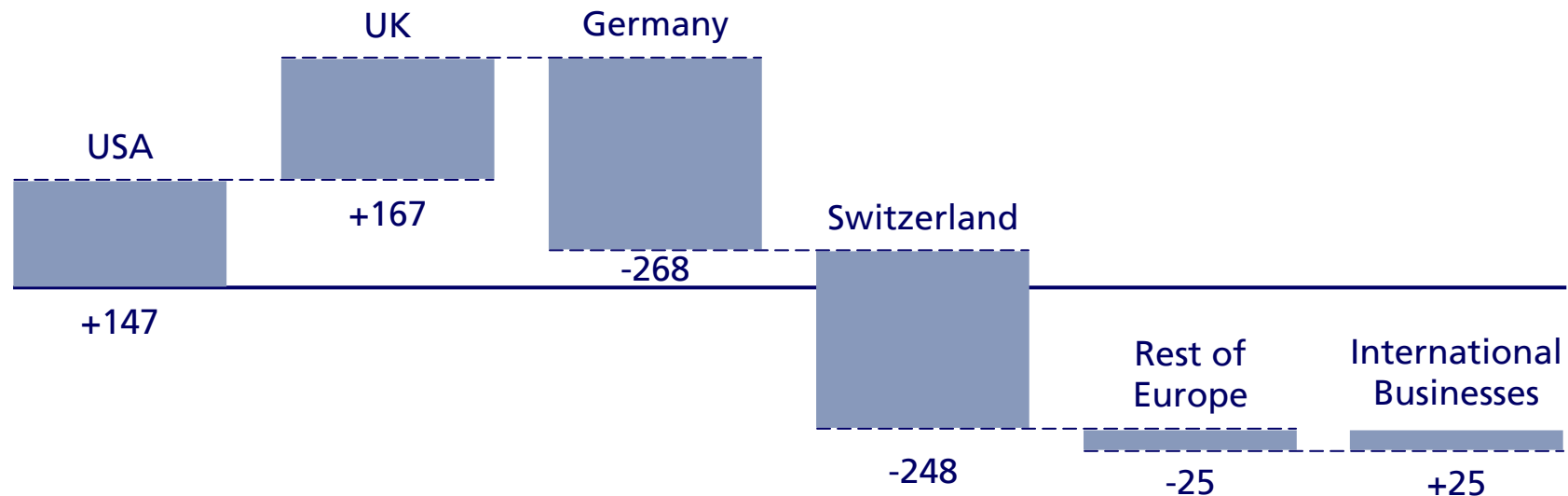
² for the year ended December 31, 2005

Change to EEV varies by country



Overall reduction of USD 202 million from Traditional EV to EEV

in USD millions
as of December 31, 2005



- Positive effects from US protection and UK unit linked business
- Offset by the cost of options and guarantees in Germany and Switzerland

Higher new business profit under EEV reflects lower new business risk profile



in USD millions
for the year ended December 31, 2005

	European Embedded Value	Traditional Embedded Value ¹	Change
New business profit, after tax	406 ²	333	21.9%
New business profit margin – as % of APE ³	17.7%	14.5%	3.2pts
New business profit margin – as % of PVNBP ³	2.2% ⁴	1.8%	0.4pts

New business profit increase reflects actions taken by Global Life to de-risk products sold in 2005 (unit linked and protection business)

¹ as reported in the Annual Report 2005

² New business profit before tax is USD 594 million

³ after tax

⁴ New business profit margin as % of PVNBP before tax is 3.2%

New business profitability by country



for the year ended December 31, 2005	New business profit ¹ (in USD millions)	New business profit margin ¹ (% of APE)	New business profit margin ¹ (% of PVNBP)
United States	71	64.4%	6.7%
United Kingdom	116	11.4%	1.4%
Germany	86	16.5%	2.1%
Switzerland	6	5.8%	0.6%
Italy	18	17.3%	1.9%
Spain	24	22.8%	2.4%
Ireland	38	22.9%	3.2%
Other European Countries	5	14.9%	1.7%
International Businesses	42	30.7%	5.3%
Total Global Life	406	17.7%	2.2%

¹ after tax

EEV for the Life business outside the Global Life segment



in USD billions as of December 31, 2005	Estimated EEV
Shareholders' net assets	1.2
Value of business in force	0.1
Time value of options and guarantees	-0.3
Cost of non market risk	-0.3
Total EEV	0.7

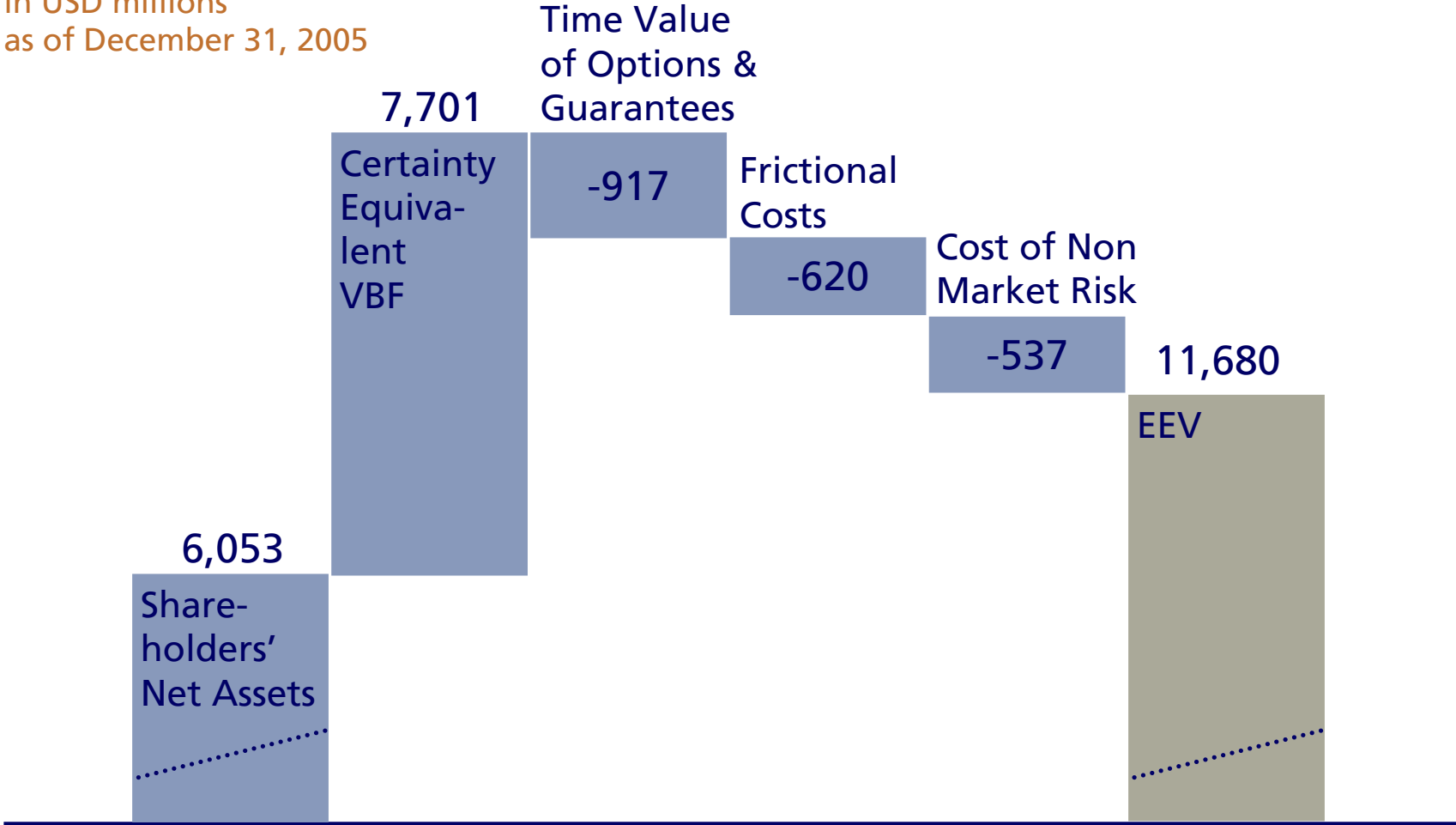
- These businesses are not in the management structure of Global Life but are centrally managed and reported in the "Other businesses" segment.
- The EEV of these businesses is not included in the results of Global Life.

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Our market consistent EEV is the sum of five components



in USD millions
as of December 31, 2005



Shareholders' net assets show small differences from Traditional EV

Based on local statutory accounting reflecting shareholders' interests in the market value of net assets



Differences in Shareholders' net assets between EEV and Traditional EV due to the following:

- Under Traditional EV, some shareholders' free reserves are only released over time. The cost of locking-in these reserves reduces the net assets
- Under EEV, all frictional costs associated with net assets are allocated to the value of business in force

Certainty equivalent value of business in force is the first step to market consistency



Calculated consistently with the valuation of cash flows in the capital markets, ignoring the optionality in the cash flows



- Future investment returns on all assets, adjusted for risk, are equal to risk-free rates
- The risk free rates are given by the following swap yield curves

	1 Year	2 Year	5 Year	10 Year	20 Year	40 Year
<i>as of December 31, 2005</i>						
USA	4.8%	4.8%	4.8%	4.9%	5.1%	5.3%
United Kingdom	4.7%	4.6%	4.6%	4.5%	4.4%	4.1%
Euro Zone	2.9%	3.0%	3.3%	3.5%	3.8%	3.9%
Switzerland	1.5%	1.7%	2.1%	2.5%	2.7%	2.8%

Time Value of Options & Guarantees (TVOG) is a major improvement of methodology



- Based on stochastic scenarios, using dynamic assumptions
- Calibrated to observable market data and implied volatilities



in USD millions, as of December 31, 2005

		TVOG
Switzerland	Profit sharing with minimum interest rates and guaranteed surrender values	-355
Germany	Profit sharing with minimum interest rates and guaranteed surrender values	-229
USA	Interest & surrender guarantees from universal life and deferred annuity	-157
UK	With profit business and small time value from UL with death guarantees	-69
Other	Profit sharing and interest rates guarantees	-107
Total		-917

Economic scenarios and implied volatilities are calibrated to market prices



- Interest rates for 4 major economies modelled using Libor market model
- Equity and other assets assumed on average to earn the risk free rate



At-the-money-forward equity volatilities implied in our economic scenarios (e.g. Euro)

	1 year	2 year	5 year	10 year	20 year	40 year
Euro Zone (Eurostoxx)	16.7%	17.4%	20.6%	24.7%	28.8%	32.5%

At-the-money-forward interest rate swaption volatilities implied in our economic scenarios (e.g. Euro)

	1 year option	2 year option	5 year option	10 year option	20 year option	40 year option
as of December 31, 2005						
1 year Euro swap	20.9%	19.8%	18.8%	18.6%	16.3%	14.3%
2 year Euro swap	20.6%	19.4%	18.5%	18.3%	16.1%	14.1%
5 year Euro swap	19.6%	18.4%	17.6%	17.5%	15.5%	13.8%
10 year Euro swap	18.2%	17.0%	16.4%	16.4%	14.6%	13.3%
20 year Euro swap	16.2%	15.0%	14.6%	14.6%	13.1%	12.6%

Management and policyholder behaviour is modelled dynamically and prudently



- Policyholders' behaviour is modelled dynamically relative to interest rate scenarios, and
- Takes into account crediting strategies determined by management rules



Dynamic lapse illustration: When crediting rates fall significantly behind market interest rates, surrender experience is expected to be higher...

Dynamic lapse rates	Base	Spread between market and credited interest rate			Maximum
		+1%	+2%	+3%	
<i>estimated as of December 2005</i>					
USA: Deferred Annuity	9%	11%	18%	27%	44%
Germany: With profit endowment ¹	5%	5%	7%	11%	30%
Switzerland: With profit endowment ¹	5%	9%	15%	25%	25%

¹ regular premium

Frictional Costs (FC) are reflected more comprehensively and objectively

- FC are applied to total Shareholders' Net Assets corresponding to 200% of minimum solvency margin
- FC relate to tax on future investment income and investment management costs
- FC for new business are calculated on minimum solvency margin



as of December 31, 2005



Cost of non market risk (CNMR) is explicit and measurable

- Insurance, business and operational risks are in theory diversifiable
- In practice, asymmetries in shareholder value exist, e.g. expenses, longevity
- Therefore, an explicit allowance for these risks is made



Zurich's approach for the cost of non market risk based on evaluation of potential impacts on shareholder value

- Stresses to shareholder value consistent with Swiss Solvency Test for insurance and business risk
- Additional stress for operational risks included
- Valuation at product level, for each country

Main areas for Zurich

- USA: portfolio of term assurances (mortality)
- UK: closed block of annuities (longevity)
- Germany and Switzerland: expenses and annuity businesses

Additional key aspects of the methodology make EEV more refined and detailed



Corporate Center costs

- Global Life segment portion of these costs is included in our expense assumptions

“Look through” principle

- EEV and new business profit include the profits and/or losses arising from the service companies within the Global Life segment

Employee pension schemes

- No allowance is made in our EEV for past service surplus/deficit
- Expense assumptions used in the EEV calculations include an allowance for expected future service pension scheme costs

Additional remarks on disclosure



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- **Deloitte** have reviewed our results
 - Methodology and assumptions are appropriate
 - Assumptions taken together are reasonable
 - Compliant with the EEV Principles set out by the CFO Forum
 - EEV and value of new business have been properly compiled
 - **Tillinghast** provided additional support in the development of EEV methodology
 - **Planned EEV disclosure for 2006**
 - HY '06: New business by country with comparatives and total EEV as of June 30, 2006 (no comparatives for 2005, no break down by country)
 - Thereafter, regular scope of disclosure as before

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Focus on three areas



Bridging from
Traditional EV
to EEV

Useful to understand how subjective RDR in traditional EV would reconcile to objective allowance for risk under EEV

Analysis of EEV
profit

EEV profit under EEV, enhanced disclosure with shareholders' net assets and value of business in force split

Sensitivities of
EEV and NB
profit

Key to manage our business

Equivalent Risk Discount Rates (RDR)

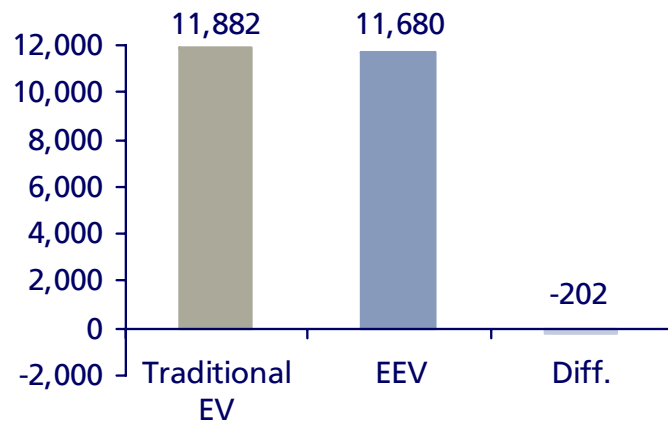
demonstrate the effect of de-risking



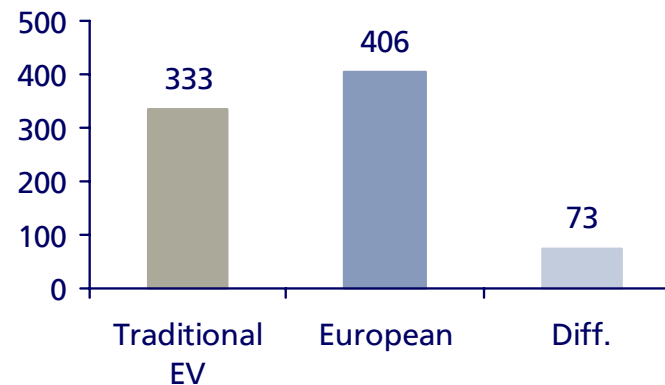
in USD millions

as of December 31, 2005 and for the year ended December 31, 2005, respectively

In-force: Small reduction for EEV is mirrored in 0.2% RDR increase



New business profit: Lower risk profile than in-force reflected in 0.9% RDR reduction



	Risk Free Rate	Market Risk	TVOG	CNMR	Equivalent RDR	Trad. EV RDR
In-force		1.4 %	1.1 %	0.9 %	7.7 %	
	4.3 %					7.5 %
New business		0.9 %	0.8 %	0.6 %	6.6 %	

The “Equivalent RDR” is the rate that would be used in a Traditional EV framework which would result in the same value as the EEV or new business profit

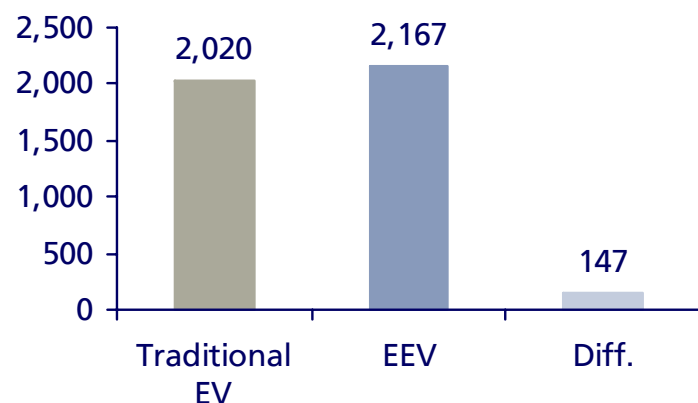
US businesses improve as EEV gives credit for low risks



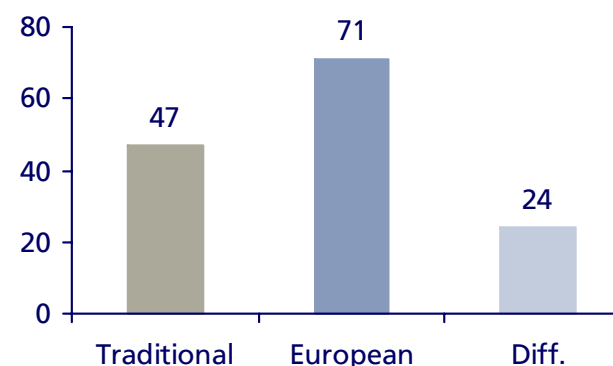
in USD millions

as of December 31, 2005 and for the year ended December 31, 2005, respectively

In-force



New business profit



	Risk Free Rate	Market Risk	TVOG	CNMR	Equivalent RDR	Trad. EV RDR
In-force	4.9 %	1.1 %	0.7 %	0.5 %	7.2 %	8.0 %
New business		0.9 %	0.3 %	0.4 %	6.5 %	

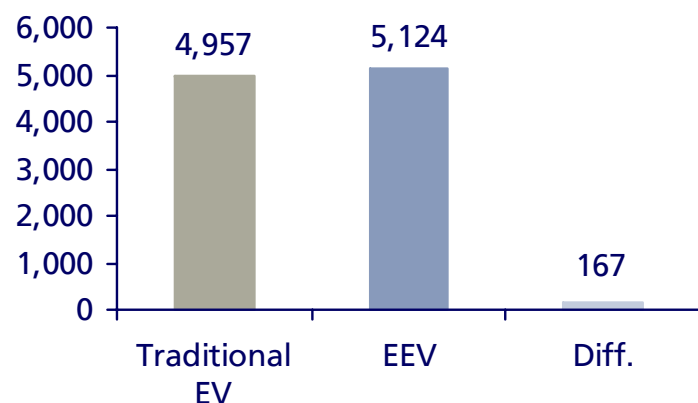
- In-force: EEV increase due to the recognition of quality of the term risk market, which is a major business of Farmers. TVOG includes interest & surrender guarantees from general account universal life and deferred annuity interest sensitive business.
- New business: The proportion of interest sensitive new business is lower than for the existing in-force business.

UK businesses also improve due to credit for low risks

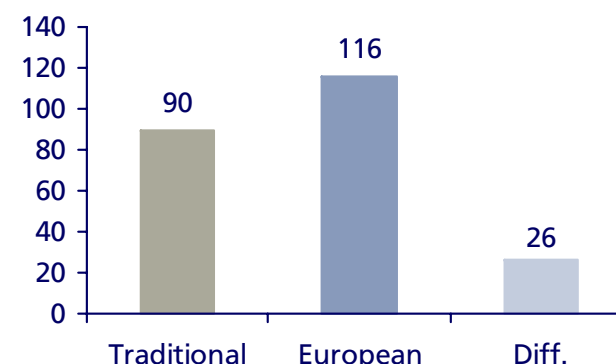


in USD millions
as of December 31, 2005 and for the year ended December 31, 2005, respectively

In-force



New business profit



	Risk Free Rate	Market Risk	TVOG	CNMR	Equivalent RDR	Trad. EV RDR
In-force	4.5 %	1.0 %	0.3 %	0.9 %	6.7 %	7.4 %
New business		0.7 %	0.9 %	0.4 %	6.5 %	

- In-force: unit linked business has no financial options and guarantees (other than for payments on death). Small burn-through cost for the with profit business because of the investment matching strategy put in place.
- New business: Death guarantees on certain investment contracts sold in 2005 have a significant TVOG. The remaining unit linked business and term assurances have low market risk.

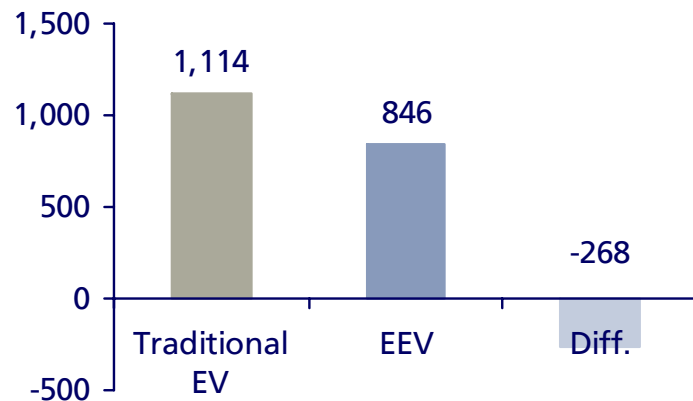
Appropriate reflection of additional risks affects our German businesses...



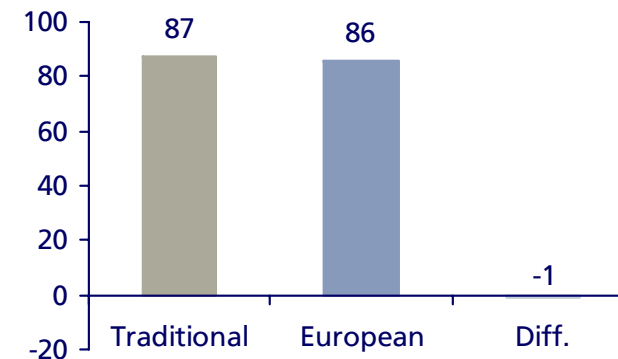
in USD millions

as of December 31, 2005 and for the year ended December 31, 2005, respectively

In-force



New business profit



	Risk Free Rate	Market Risk	TVOG	CNMR	Equivalent RDR	Trad. EV RDR
In-force	3.6 %	2.8 %	4.0 %	1.4 %	11.8 %	7.0 %
New business		1.6 %	1.0 %	0.8 %	7.0 %	

- In-force: Market risks include high cost of capital (investment income on shareholders' funds is profit shared). TVOG impacted by historically low level of interest rates which are close to guarantees, and high interest rate volatility.
- New business: Conventional with profit business still material. However, this risk is offset by lower guaranteed interest rate and by an increasing proportion of unit linked products.

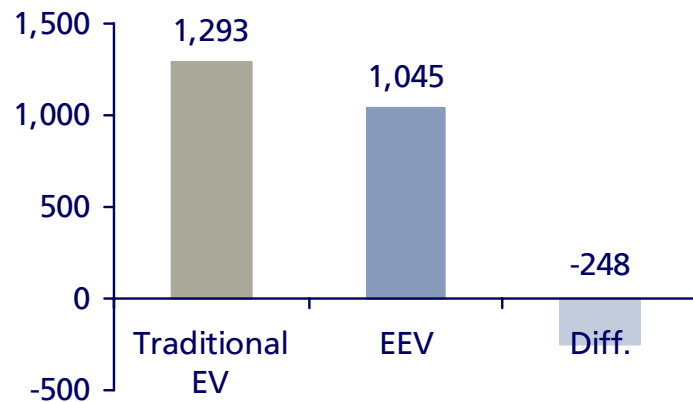
...as well as our Swiss businesses



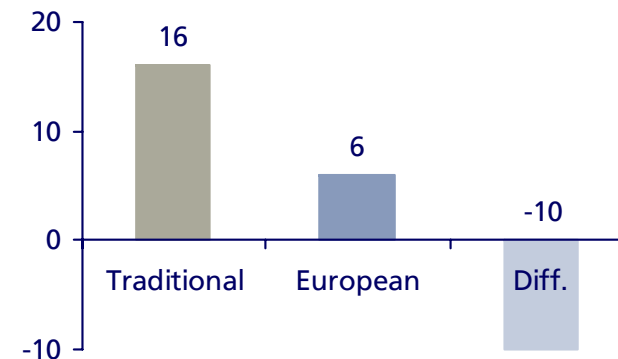
in USD millions

as of December 31, 2005 and for the year ended December 31, 2005, respectively

In-force



New business profit



	Risk Free Rate	Market Risk	TVOG	CNMR	Equivalent RDR	Trad. EV RDR
In-force	2.5 %	3.5 %	4.7 %	0.9 %	11.6 %	7.5 %
New business		2.7 %	3.3 %	1.4 %	9.9 %	

- In-force: Value of individual business impacted by high guaranteed interest rates vs. low market rates. High TVOG also due to guaranteed surrender values.
- New Business: With profit business constitutes a significant part of new business written and impacts the market risk and TVOG. However, risk is lower than in-force because of the lower guaranteed interest rates.

EEV profit is shown for shareholders' net assets and value of in force separately



in USD millions for the year ended December 31, 2005	Shareholders' Net Assets	Value of in-force	Total
Opening European Embedded Value	7,030	5,515	12,545
Expected return on in-force business and net assets, after tax	291	524	815
Expected transfer from value of in-force business to net assets, after tax	907	-907	0
New business profit, after tax	- 662	1,068	406
Operating variance, after tax	281	55	336
Total operating profit, after tax	817	740	1,557
Economic variance	468	-275	193
EEV profit/(loss), after tax	1,285	465	1,750
Dividends and capital movements	-1,630	114	-1,516
Closing EEV before currency translation effects	6,685	6,094	12,779
Currency translation effects	-632	-467	-1,099
Closing European Embedded Value	6,053	5,627	11,680

Total EEV operating performance in 2005 higher than Traditional EV



in USD millions
for the year ended December 31, 2005

	European Embedded Value	Traditional Embedded Value ¹	Change
USA	341	267	27.7%
UK	601	375	60.3%
Germany	81	148	-45.3%
Switzerland	250	224	12.1%
Other	284	330	-13.9%
Total operating profit, after tax	1,557	1,344	15.8%
Total operating return, after tax	14.0%	10.9%	3.1 pts

Reasons for improvement in operating return include:

- move to market consistent valuation, incl. improvements in stochastic models
- increased value of new business profit
- reduction in frictional costs due to dividends paid

¹ as reported in the Annual Report 2005

Sensitivities of EEV and new business profit in the Global Life segment



Impacts on EEV by 1% interest rate increase/decrease

in USD millions
for the year ended December 31, 2005

	USA	Rest	Total
+1% interest rates	-205	237	32
-1% interest rates	185	-934	-749

25% fall in equity and property market

- EEV reduces by USD 1.4 billion or -12%

10% increase in interest rate implied volatilities (e.g. from 15% to 25%)

- EEV reduces by USD 854 million
- NB profit reduces by USD 39 million

150% of minimum solvency margin (for comparability with peers only)

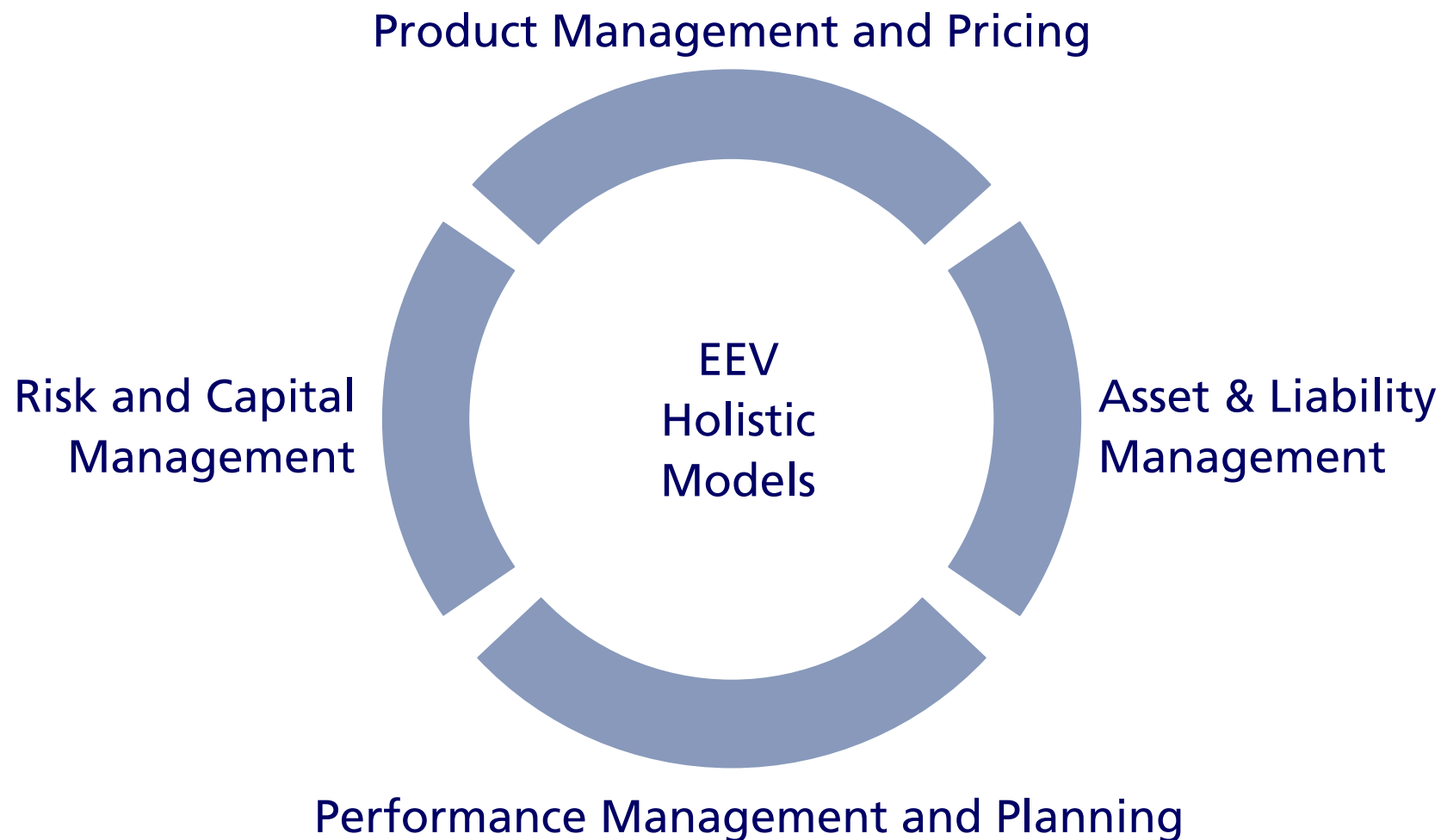
- EEV increases by USD 194 million
- New Business profit reduces by USD 16 million

Agenda



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 - EEV as management tool for the Life Business

We use EEV to improve the management of our life businesses and to increase shareholder value



Summary



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- Zurich implemented European Embedded Value (EEV) based on a “market consistent” approach, now recognized as best practice
 - 2005 year end EEV is 1.7% lower than traditional EV, reflecting the mix of the business across all the countries
 - Value of New Business written in 2005 is 21% higher than traditional EV, reflecting management actions already taken to mitigate risk

- 
- EEV validates the Global Life turn-around actions
 - EEV is a key tool to drive profitable growth

Q & A