

Embedded Value Reporting – Life Insurance (unaudited)

Zurich Financial Services Group (Zurich) has adopted the CFO Forum Principles (the Principles), for its Embedded Value (EV) reporting for the companies and business reported in its Global Life segment (the covered business), as from December 31, 2005 and has restated its new business results for the nine months ended September 30, 2005 in line with the Principles. The methodology adopted uses a “bottom-up” market consistent approach to allow explicitly for market risk.

EV is derived from the statutory and International Financial Reporting Standards (IFRS) financial statements of entities representing the covered business and is presented net of minority interests.

New business profit is presented by region and gross of minority interests on a before and after tax basis.

The EV information in this supplement includes:

- New Business
- New business information by region
- Embedded Value economic assumptions

New Business

The table below shows new business profit in its component parts.

New business profit, after tax	in USD millions, as of September 30	
	2006	2005
Certainty equivalent value new business profit, after tax	405	357
Frictional costs	(16)	(17)
Time value of options and guarantees	(30)	(43)
Cost of non-market risk	(37)	(33)
New business profit, after tax	322	264

New business is valued on a point of sale basis. Explicit allowance is made for frictional costs, the time value of options and guarantees and the cost of non-market risk. These have been calculated using assumptions as of September 30, 2006.

New business information is presented gross of minority interests. After deducting minority interests, mostly in the German business, the covered business reported APE of USD 1.6 billion, new business profit, after tax of USD 311 million and a new business profit margin, after tax of 19.4%.

For a regional breakdown of the new business information refer to page 2 of this supplement.

New business information by region

in USD millions, for the nine months ended September 30	Europe													
	United States		United Kingdom ¹		Germany		Switzerland		Rest of Europe ¹		International Businesses ²		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Gross new business premiums including deposits, of which:	135	142	4,185	3,620	510	555	209	268	2,733	2,319	280	244	8,052	7,148
<i>Annual premiums</i>	75	74	181	225	288	348	42	49	271	238	103	76	960	1,010
<i>Single premiums</i>	60	68	4,004	3,395	222	207	167	219	2,462	2,081	177	168	7,092	6,138
Gross new business annual premium equivalent (APE)	81	81	581	564	310	369	59	71	517	446	121	93	1,669	1,624
Present value of new business premiums (PVNBP)	742	797	5,236	4,881	2,392	2,840	509	672	3,960	3,399	617	568	13,456	13,157
New business profit, before tax ³	83	93	103	74	91	100	19	4	124	93	39	41	459	405
New business profit margin, before tax (as % of APE)	102.8%	114.7%	17.6%	13.1%	29.4%	27.1%	32.0%	5.4%	24.0%	20.9%	32.4%	44.3%	27.5%	25.0%
New business profit margin, before tax (as % of PVNBP)	11.2%	11.7%	2.0%	1.5%	3.8%	3.5%	3.7%	0.6%	3.1%	2.7%	6.3%	7.3%	3.4%	3.1%
New business profit, after tax	44	51	72	52	55	60	14	3	105	68	32	30	322	264
New business profit margin, after tax (as % of APE)	55.1%	63.3%	12.3%	9.2%	17.7%	16.3%	24.0%	3.8%	20.3%	15.4%	26.3%	32.1%	19.3%	16.3%
New business profit margin, after tax (as % of PVNBP)	6.0%	6.4%	1.4%	1.1%	2.3%	2.1%	2.8%	0.4%	2.6%	2.0%	5.2%	5.3%	2.4%	2.0%

¹ Reclassification of the Isle of Man from the United Kingdom to the Rest of Europe has been reflected in the restated new business results for the nine months to September 30, 2005.

² The single premium volumes for Australia have been restated to exclude wholesale investment contracts, for which only administration services are provided.

³ In certain countries, particularly in the United Kingdom, where life insurance companies pay tax in respect of both policyholders and shareholders, the new business profit, before tax is before shareholders' tax but after allowing for policyholders' tax.

New business information – Rest of Europe

in USD millions, for the nine months ended September 30	Italy		Spain		Ireland		Isle of Man ¹		Other European Countries		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	Gross new business premiums including deposits, of which:	665	682	505	646	710	387	764	544	89	60	2,733
<i>Annual premiums</i>	11	12	12	10	74	77	157	122	17	17	271	238
<i>Single premiums</i>	654	670	493	636	636	310	607	422	72	43	2,462	2,081
Gross new business annual premium equivalent (APE)	76	79	61	74	138	108	218	164	24	21	517	446
Present value of new business premiums (PVNBP)	704	716	574	705	1,051	748	1,422	1,052	209	178	3,960	3,399
New business profit, before tax ²	20	18	20	21	36	26	43	25	5	3	124	93
New business profit margin, before tax (as % of APE)	26.6%	22.4%	33.0%	28.6%	25.7%	23.9%	19.8%	15.3%	20.5%	17.8%	24.0%	20.9%
New business profit margin, before tax (as % of PVNBP)	2.9%	2.5%	3.5%	3.0%	3.4%	3.5%	3.0%	2.4%	2.4%	2.0%	3.1%	2.7%
New business profit, after tax	13	11	13	13	31	23	43	18	5	3	105	68
New business profit margin, after tax (as % of APE)	17.7%	14.2%	20.6%	17.9%	22.6%	21.2%	19.8%	10.8%	18.3%	16.1%	20.3%	15.4%
New business profit margin, after tax (as % of PVNBP)	1.9%	1.6%	2.2%	1.9%	3.0%	3.1%	3.0%	1.7%	2.2%	1.8%	2.6%	2.0%

¹ Reclassification of the Isle of Man from the United Kingdom to the Rest of Europe has been reflected in the restated new business results for the nine months to September 30, 2005.

² In certain countries, particularly in the United Kingdom, where life insurance companies pay tax in respect of both policyholders and shareholders, the new business profit, before tax is before shareholders' tax but after allowing for policyholders' tax.

Embedded Value economic assumptions

Projections of future shareholder cash flows expected to emerge from the covered business are determined using best estimate operating assumptions. These assumptions, including mortality, morbidity, persistency and expenses, reflect recent experience and are actively reviewed. Allowance is made for future improvements in annuitant mortality based on experience and externally published data. Favorable changes in operating experience are not anticipated until the improvement has been observed – in particular for expenses.

Future economic assumptions, for example, investment returns and inflation, are based on period end conditions and assumed risk discount rates are consistent with these.

Risk free yield curve

The risk free yield curve is derived from mid-market swap rates applicable for each economic area as of September 30, 2006. This curve was used to extract forward reinvestment yields that are used for all asset classes.

These yield curves are consistent with the assumptions used by investment banks to derive their option prices, and hence their use ensures consistency with the derivation of implied volatilities. They are available for most of the markets in which Zurich operates.

The following table shows, for the main economic areas, the risk free yield curve, expressed as annualized spot rates. These have been derived from interest rate swaps, and extrapolated where necessary.

Risk free yield curves – annualized spot rates	as of September 30												
	2006						2005						
	1 Year	2 Year	5 Year	10 Year	20 Year	40 Year	1 Year	2 Year	5 Year	10 Year	20 Year	40 Year	
United States	5.3%	5.1%	5.1%	5.2%	5.3%	5.3%	4.5%	4.5%	4.6%	4.8%	5.0%	5.2%	
United Kingdom	5.3%	5.2%	5.1%	4.9%	4.5%	4.2%	4.6%	4.5%	4.6%	4.6%	4.6%	4.4%	
Euro Zone ¹	3.7%	3.8%	3.8%	4.0%	4.2%	4.2%	2.5%	2.5%	2.8%	3.3%	3.7%	4.0%	
Switzerland	2.1%	2.3%	2.6%	2.8%	2.9%	2.9%	1.1%	1.3%	1.8%	2.2%	2.6%	2.9%	

¹ Including Germany, Ireland, Italy, Spain, Austria and Portugal.

Domestic yield curves are also used for businesses in other countries, except Hong Kong and Argentina which use the US dollar, as their liabilities are principally US dollar denominated.

Implied asset volatility

The volatility statistics shown below are based on analysis of the economic scenario generator (“ESG”) output data, and hence show the economic projection assumptions produced by the ESG for the four main currencies.

The following table shows the annualized implied volatilities of equity indices used in the EV calculation, derived from the simulations used in the calculation. These figures are based on at-the-money-forward European options on capital indices, consistent with traded options in the market.

At-the-money-forward equity implied volatility (capital index)	as of September 30												
	2006						2005						
	1 Year	2 Year	5 Year	10 Year	20 Year	40 Year	1 Year	2 Year	5 Year	10 Year	20 Year	40 Year	
United States (S&P 500)	15.5%	15.9%	17.3%	21.1%	26.1%	30.8%	15.7%	16.4%	18.8%	23.1%	27.6%	31.6%	
United Kingdom (FTSE 100)	14.4%	16.0%	19.6%	23.4%	25.1%	27.6%	12.1%	13.3%	16.3%	20.9%	23.5%	26.5%	
Euro Zone (Eurostoxx)	17.5%	19.1%	22.5%	25.3%	28.2%	30.8%	16.7%	17.8%	20.3%	23.0%	26.6%	30.2%	
Switzerland (SMI)	15.5%	16.0%	18.0%	20.7%	24.6%	28.8%	13.3%	14.1%	15.8%	19.1%	22.0%	24.8%	

Interest volatility can be described by the implied volatility of interest rate swaptions. Swaption implied volatilities vary both by the term of the option and also the term of the underlying swap contract. The following table shows swaption implied volatilities, based on the simulations used for the EV calculation.

**Implied volatility
of at-the-money-
forward interest
rate swaptions**

as of September 30	2006						2005					
	1 year option	2 year option	5 year option	10 year option	20 year option	40 year option	1 year option	2 year option	5 year option	10 year option	20 year option	40 year option
United States												
1 year swap	17.8%	17.7%	17.2%	16.0%	13.3%	11.5%	24.2%	23.8%	22.3%	19.7%	15.0%	12.3%
2 year swap	17.5%	17.4%	16.9%	15.8%	13.1%	11.4%	23.5%	23.1%	21.6%	19.1%	14.6%	11.9%
5 year swap	16.7%	16.6%	16.1%	15.0%	12.5%	10.9%	21.6%	21.2%	19.8%	17.6%	13.5%	11.0%
10 year swap	15.6%	15.4%	15.0%	14.0%	11.7%	10.2%	19.0%	18.6%	17.4%	15.5%	12.0%	9.7%
20 year swap	13.9%	13.7%	13.4%	12.6%	10.5%	9.1%	15.6%	15.2%	14.3%	12.8%	9.9%	8.1%
United Kingdom												
1 year swap	15.0%	13.9%	13.8%	13.7%	13.5%	13.3%	16.7%	15.2%	14.6%	13.6%	12.5%	11.9%
2 year swap	14.7%	13.7%	13.7%	13.6%	13.4%	13.3%	16.1%	14.7%	14.2%	13.4%	12.3%	11.8%
5 year swap	14.0%	13.2%	13.4%	13.3%	13.4%	13.2%	14.7%	13.7%	13.5%	12.8%	12.1%	11.7%
10 year swap	13.4%	13.0%	13.2%	13.2%	13.3%	13.1%	13.5%	12.9%	12.8%	12.3%	11.8%	11.6%
20 year swap	13.3%	13.0%	13.3%	13.1%	13.2%	12.6%	12.8%	12.3%	12.5%	12.0%	11.7%	11.5%
Euro Zone												
1 year swap	17.4%	16.7%	16.0%	15.4%	13.3%	10.8%	22.9%	21.5%	19.9%	19.1%	15.7%	12.7%
2 year swap	17.1%	16.5%	15.7%	15.2%	13.1%	10.6%	22.0%	20.7%	19.3%	18.7%	15.4%	12.5%
5 year swap	16.4%	15.8%	15.0%	14.5%	12.6%	10.1%	20.0%	19.0%	18.0%	17.6%	14.7%	12.0%
10 year swap	15.2%	14.6%	14.0%	13.6%	11.8%	9.4%	17.9%	17.2%	16.5%	16.4%	13.7%	11.3%
20 year swap	13.5%	13.0%	12.5%	12.2%	10.5%	8.2%	15.5%	15.0%	14.7%	14.7%	12.4%	10.2%
Switzerland												
1 year swap	24.8%	23.7%	21.2%	18.1%	14.9%	11.1%	40.6%	33.9%	28.1%	23.4%	18.0%	14.5%
2 year swap	23.7%	22.7%	20.4%	17.4%	14.4%	10.7%	33.6%	29.3%	25.5%	21.8%	17.0%	14.0%
5 year swap	21.0%	20.2%	18.5%	15.9%	13.2%	9.8%	26.1%	24.1%	22.4%	19.7%	15.6%	13.0%
10 year swap	17.8%	17.2%	16.0%	13.9%	11.6%	8.7%	22.2%	21.0%	20.2%	18.0%	14.4%	12.0%
20 year swap	14.1%	13.7%	13.0%	11.4%	9.5%	7.0%	18.5%	17.7%	17.4%	15.7%	12.6%	10.5%

The model also makes assumptions regarding the volatility of property investments, estimated from relevant historic return data. Based on the actual simulations used, the following implied volatilities arise:

**At-the-money-
forward property
implied volatility
(capital index)**

as of September 30	2006						2005					
	1 Year	2 Year	5 Year	10 Year	20 Year	40 Year	1 Year	2 Year	5 Year	10 Year	20 Year	40 Year
United States	15.5%	15.5%	15.4%	16.8%	18.5%	21.5%	15.5%	15.5%	15.5%	17.1%	18.9%	21.7%
United Kingdom	16.2%	16.3%	17.7%	17.3%	17.8%	18.9%	16.2%	16.3%	17.7%	17.3%	17.8%	18.9%
Euro Zone	15.0%	14.8%	15.4%	16.0%	17.7%	21.0%	15.0%	14.8%	15.3%	15.9%	17.9%	21.9%
Switzerland	16.0%	16.1%	16.3%	17.1%	17.6%	19.1%	16.8%	16.5%	16.6%	16.8%	17.9%	20.4%

Inflation

Inflation assumptions have been derived from the yields on index linked bonds relative to the risk free yield curve, where index linked bonds exist. Elsewhere, a statistical approach based on past inflation has been used.

Appropriate allowance has been made for expense inflation to exceed the assumed level of price inflation as life company expenses include a large element of salary related expenses.

The following table shows inflation assumptions for the main economic areas, derived from the simulations used in the embedded value:

Inflation assumptions (annualized forward inflation)	as of September 30												
	2006						2005						
	1 Year	2 Year	5 Year	10 Year	20 Year	40 Year	1 Year	2 Year	5 Year	10 Year	20 Year	40 Year	
United States	2.4%	2.4%	2.6%	2.9%	3.0%	2.9%	3.8%	3.6%	3.1%	2.9%	2.9%	3.3%	
United Kingdom	3.1%	3.2%	3.3%	3.3%	3.3%	3.5%	2.9%	2.8%	3.0%	3.1%	3.1%	3.2%	
Euro Zone	2.1%	2.2%	2.2%	2.3%	2.4%	2.4%	2.8%	2.6%	2.2%	2.1%	2.1%	2.2%	
Switzerland	1.4%	1.6%	1.7%	1.8%	1.9%	2.0%	1.1%	1.2%	1.3%	1.5%	1.7%	2.1%	

Risk discount rate

Under the "risk neutral" approach, risk discount rates are based on the same risk free yield curves as those used to project the investment return.

For stochastic modeling, the risk discount rates are simulation specific and also vary by calendar year consistently with the projected risk free yields in each simulation.

Taxation

Current tax legislation and rates have been assumed to continue unaltered, except where changes in future tax rates or practices have been announced.

Exchange rates

New business, as of September 30, 2006, have been translated at December 31, 2005 balance sheet exchange rates. The new business, as of September 30, 2005, have been translated at December 31, 2004 balance sheet exchange rates.