2007

Zurich Financial Services Group

ZURICH®

Embedded Value

New Business Report for the Three Months ended March 31, 2007

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New Business Report

Overview

Zurich Financial Services Group (Zurich) has adopted the European Embedded Value Principles (the Principles) issued by the CFO Forum, for its new business value reporting for the companies and business reported in its Global Life segment (the covered business) for the three months ended March 31, 2007 and has restated its new business results for the three months ended March 31, 2006 in line with the Principles. The methodology adopted uses a "bottom-up" market consistent approach to allow explicitly for market risk.

New business results are derived from the statutory financial statements of entities representing the covered business. New business value is presented by region and gross of minority interests on a before and after tax basis.

The new business information in this report includes:

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

New Business Value

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

New business value, after tax

in USD millions, as of March 31	**2007**	2006
Certainty equivalent new business value	175	133
Frictional costs	(10)	(6)
Time value of options and guarantees	(3)	(13)
Cost of non market risk	(16)	(12)
New business value, after tax	**146**	**102**

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 613 million, new business value, after tax of USD 144 million and a new business margin, after tax of 23.4%.

A regional breakdown of the new business information can be found on page 3 of this report.

New business information by region

New business information by region

in USD millions, for the three months ended March 31

	United States		United Kingdom		Germany		Switzerland		Rest of Europe		International Businesses		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
New business premiums including deposits, of which:	45	41	1,418	1,331	180	187	94	74	1,052	1,045	102	92	2,891	2,770
Annual premiums	27	24	58	62	96	103	22	19	128	92	46	35	377	335
Single premiums	18	17	1,360	1,269	84	84	72	55	924	953	56	57	2,514	2,435
New business annual premium equivalent (APE)	**29**	**26**	**194**	**189**	**104**	**111**	**29**	**25**	**220**	**187**	**52**	**41**	**628**	**579**
Present value of new business premiums (PVNBP)	**269**	**237**	**1,703**	**1,704**	**963**	**861**	**288**	**233**	**1,610**	**1,454**	**245**	**189**	**5,078**	**4,678**
New business value, before tax [1]	49	27	28	22	45	36	15	3	54	48	15	11	206	147
New business margin, before tax (as % of APE)	169.7%	105.2%	14.4%	11.9%	43.7%	31.8%	50.6%	11.3%	24.6%	25.7%	28.5%	28.2%	32.9%	25.5%
New business margin, before tax (as % of PVNBP)	18.4%	11.5%	1.6%	1.3%	4.7%	4.1%	5.1%	1.2%	3.4%	3.3%	6.0%	6.1%	4.1%	3.2%
New business value, after tax	28	14	20	16	28	21	11	2	46	40	13	9	146	102
New business margin, after tax (as % of APE)	**96.9%**	**56.6%**	**10.1%**	**8.3%**	**26.5%**	**19.1%**	**38.5%**	**7.7%**	**21.1%**	**21.1%**	**24.8%**	**22.9%**	**23.2%**	**17.7%**
New business margin, after tax (as % of PVNBP)	**10.5%**	**6.2%**	**1.1%**	**0.9%**	**2.9%**	**2.5%**	**3.9%**	**0.8%**	**2.9%**	**2.7%**	**5.2%**	**5.0%**	**2.9%**	**2.2%**

[1] In certain countries, particulaly 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 three months ended March 31

	Italy		Spain		Ireland		Isle of Man		Other European Countries		Rest of Europe	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
New business premiums including deposits, of which:	292	247	70	196	328	267	318	310	44	25	1,052	1,045
Annual premiums	6	6	4	3	41	29	71	47	6	7	128	92
Single premiums	286	241	66	193	287	238	247	263	38	18	924	953
New business annual premium equivalent (APE)	**35**	**30**	**10**	**22**	**70**	**53**	**96**	**73**	**9**	**9**	**220**	**187**
Present value of new business premiums (PVNBP)	**305**	**256**	**95**	**219**	**511**	**406**	**619**	**503**	**80**	**70**	**1,610**	**1,454**
New business value, before tax [1]	11	10	4	8	19	15	18	13	2	2	54	48
New business margin, before tax (as % of APE)	30.7%	33.4%	43.0%	33.2%	27.2%	29.2%	19.4%	18.1%	17.0%	21.9%	24.6%	25.7%
New business margin, before tax (as % of PVNBP)	3.5%	3.9%	4.6%	3.4%	3.7%	3.8%	3.0%	2.6%	2.0%	2.6%	3.4%	3.3%
New business value, after tax	7	7	3	5	16	13	19	13	1	2	46	40
New business margin, after tax (as % of APE)	**20.2%**	**21.7%**	**28.0%**	**20.9%**	**23.8%**	**25.5%**	**19.3%**	**17.9%**	**14.9%**	**19.9%**	**21.1%**	**21.1%**
New business margin, after tax (as % of PVNBP)	**2.3%**	**2.5%**	**3.0%**	**2.2%**	**3.2%**	**3.3%**	**3.0%**	**2.6%**	**1.7%**	**2.3%**	**2.9%**	**2.7%**

[1] In certain countries, particulaly 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 calculation enhancement

The methodology for the new business value calculation has been enhanced so that the quarterly new business is valued on a discrete basis. From 2007 first quarter, new business value is calculated separately for each quarter using assumptions, both operating and economic, as of the start of the relevant quarter. Once calculated, the new business value will not change in local currency terms. Comparative results for 2006 have not been restated for this change, though the new business value for 2006 first quarter has been recalculated on a European Embedded Value basis as it was published on a Traditional Embedded Value basis last year.

As a further enhancement, to align embedded value reporting with the IFRS accounts, from 2007 first quarter relevant results will be converted to Group presentation currency, US dollar, using average exchange rates for the period. This applies to new business value, new business volumes (APE and PVNBP) and comparative figures for 2006. This approach will also be applied to the analysis of movement when this is published, starting at half-year 2007. Previously these results have been converted to Group presentation currency, US dollar, using start of year exchange rates.

New Business assumptions

From 2007 first quarter, new business value is calculated separately for each quarter using assumptions, both operating and economic, as of the start of the relevant quarter.

Projections of future shareholder cash flows expected to emerge from new business are determined using best estimate operating assumptions. These assumptions, including mortality, morbidity, persistency and expenses, reflect recent experience and are actively reviewed. Favorable changes in operating experience, such as expenses, are not anticipated until the improvement has been observed.

From 2007 first quarter, future economic assumptions used to calculate new business value, such as investment returns and inflation, are based on start of period conditions and 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. This curve is 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 used for the two reporting periods, expressed as annualized spot rates. These have been derived from interest rate swaps, and extrapolated where necessary.

Risk free yield curves – Annualised spot rates

as of	01/01/2007						03/31/2006					
	1 Year	2 Year	5 Year	10 Year	20 Year	40 Year	1 Year	2 Year	5 Year	10 Year	20 Year	40 Year
Economy												
United States	5.3%	5.2%	5.1%	5.2%	5.3%	5.4%	5.2%	5.3%	5.3%	5.4%	5.5%	5.5%
United Kingdom	5.6%	5.5%	5.4%	5.1%	4.6%	4.2%	4.9%	4.9%	4.9%	4.8%	4.5%	4.1%
Euro Zone	4.0%	4.1%	4.1%	4.2%	4.3%	4.3%	3.3%	3.5%	3.8%	4.0%	4.2%	4.3%
Switzerland	2.4%	2.6%	2.7%	2.8%	2.9%	2.9%	1.9%	2.1%	2.5%	2.9%	3.1%	3.2%

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 new business 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	01/01/2007						03/31/2006					
	1 Year	2 Year	5 Year	10 Year	20 Year	40 Year	1 Year	2 Year	5 Year	10 Year	20 Year	40 Year
Index												
United States (S&P 500)	15.4%	15.7%	16.8%	20.2%	25.2%	30.0%	15.3%	16.1%	17.8%	20.9%	26.3%	30.0%
United Kingdom (FTSE 100)	14.1%	14.9%	17.2%	21.2%	23.7%	26.8%	13.1%	14.1%	18.6%	23.1%	25.9%	28.4%
Euro Zone (Eurostoxx)	17.0%	18.0%	20.4%	22.9%	26.7%	30.3%	17.1%	16.1%	20.5%	23.6%	26.9%	30.2%
Switzerland (SMI)	14.4%	14.8%	16.5%	19.3%	22.0%	24.7%	13.8%	14.6%	18.6%	20.7%	24.2%	27.0%

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	01/01/2007						03/31/2006					
	1 Year	2 Year	5 Year	10 Year	20 Year	40 Year	1 Year	2 Year	5 Year	10 Year	20 Year	40 Year
Economy												
United States	15.5%	15.5%	15.5%	16.9%	18.7%	22.0%	15.7%	16.0%	16.7%	17.7%	19.8%	21.8%
United Kingdom	16.2%	16.3%	17.7%	17.3%	17.8%	18.7%	15.8%	16.1%	17.0%	16.4%	17.9%	20.8%
Euro Zone	15.0%	14.8%	15.4%	16.0%	17.8%	21.5%	15.5%	15.7%	16.5%	16.6%	17.6%	19.2%
Switzerland	15.7%	15.6%	16.0%	17.0%	18.3%	20.1%	16.2%	16.1%	17.0%	16.9%	18.3%	21.5%

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. Corporate and government bonds have been modeled using the risk free yield curves shown on page 4 and swaption volatilities shown below.

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

as of	01/01/2007						03/31/2006					
	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**
US dollar												
1 year swap	18.7%	18.6%	18.0%	16.8%	14.0%	12.7%	19.5%	18.6%	17.5%	16.3%	14.5%	11.6%
2 year swap	18.5%	18.3%	17.7%	16.5%	13.7%	12.5%	19.1%	18.2%	17.2%	15.9%	14.3%	11.4%
5 year swap	17.7%	17.4%	16.9%	15.7%	13.1%	12.1%	18.1%	17.2%	16.3%	15.1%	13.5%	10.8%
10 year swap	16.5%	16.1%	15.6%	14.6%	12.2%	11.5%	16.6%	15.9%	15.0%	13.9%	12.5%	9.9%
20 year swap	14.6%	14.2%	13.7%	12.8%	10.7%	10.7%	14.6%	13.9%	13.2%	12.2%	10.9%	8.6%
British pound sterling												
1 year swap	14.0%	13.0%	13.0%	13.0%	13.0%	12.8%	15.3%	14.6%	13.5%	13.4%	12.7%	13.1%
2 year swap	13.7%	12.8%	12.9%	13.0%	13.0%	12.8%	14.9%	14.3%	13.3%	13.3%	12.7%	13.1%
5 year swap	13.1%	12.5%	12.7%	12.8%	13.0%	12.8%	14.2%	13.5%	13.0%	13.0%	12.6%	13.0%
10 year swap	12.8%	12.4%	12.7%	12.7%	13.0%	12.7%	13.3%	12.8%	12.7%	12.9%	12.6%	12.8%
20 year swap	12.8%	12.6%	13.0%	12.8%	12.9%	12.2%	12.8%	12.5%	12.7%	12.7%	12.5%	12.2%
Euro												
1 year swap	17.2%	16.6%	16.0%	15.7%	13.9%	11.8%	16.3%	16.0%	15.4%	14.3%	12.2%	10.7%
2 year swap	17.0%	16.4%	15.8%	15.5%	13.8%	11.7%	16.1%	15.8%	15.2%	14.1%	12.0%	10.6%
5 year swap	16.4%	15.9%	15.3%	15.0%	13.4%	11.2%	15.3%	15.0%	14.5%	13.4%	11.5%	10.3%
10 year swap	15.5%	15.0%	14.5%	14.2%	12.7%	10.6%	14.1%	13.9%	13.5%	12.4%	10.8%	9.9%
20 year swap	14.2%	13.7%	13.3%	13.2%	11.6%	9.6%	12.4%	12.3%	12.1%	11.0%	9.7%	9.5%
Swiss Franc												
1 year swap	21.7%	21.6%	21.0%	19.8%	17.6%	15.0%	24.7%	24.1%	21.4%	19.1%	16.0%	14.7%
2 year swap	21.5%	21.4%	20.8%	19.6%	17.4%	14.8%	23.6%	23.1%	20.6%	18.6%	15.8%	14.5%
5 year swap	20.7%	20.6%	20.0%	18.8%	16.8%	14.2%	20.9%	20.5%	18.7%	17.3%	15.2%	13.9%
10 year swap	19.4%	19.3%	18.8%	17.8%	15.8%	13.4%	18.0%	17.7%	16.5%	15.9%	14.5%	13.2%
20 year swap	17.5%	17.4%	17.0%	16.1%	14.1%	11.9%	15.3%	15.0%	14.4%	14.4%	13.5%	12.1%

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 new business value:

Inflation assumptions (annualised forward inflation)

as of	01/01/2007						03/31/2006					
	1 Year	2 Year	5 Year	10 Year	20 Year	40 Year	1 Year	2 Year	5 Year	10 Year	20 Year	40 Year
Economy												
United States	2.3%	2.2%	2.2%	2.3%	2.5%	2.8%	3.2%	3.1%	3.0%	2.9%	3.1%	3.3%
United Kingdom	2.5%	2.6%	2.8%	2.9%	3.0%	3.3%	2.9%	3.0%	3.1%	3.3%	3.2%	3.1%
Euro Zone	1.8%	2.0%	2.1%	2.1%	2.2%	2.1%	2.2%	2.3%	2.3%	2.4%	2.4%	2.5%
Switzerland	0.8%	1.0%	1.1%	1.1%	1.3%	1.4%	1.3%	1.3%	1.3%	1.5%	1.7%	2.0%

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 March 31, 2007, has been translated at 2007 first quarter average exchange rates. The new business, as of March 31, 2006, has been translated at 2006 first quarter average exchange rates. The rates can be found on page 11 of the Financial Supplement.