

Embedded Value 2008

Zurich Financial Services Group

Global Life New Business Overview for the Three Months ended March 31, 2008



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for the Three Months ended March 31, 2008

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Global Life New Business Overview

Introduction

Zurich Financial Services Group (Zurich) has applied the European Embedded Value Principles (the Principles) issued by the CFO Forum, for its new business value overview for the companies and business in its Global Life segment (the covered business) for the three months ended March 31, 2008 and the comparative period. This methodology 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.

This overview 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.

in USD millions, for the three months ended March 31		2008	2007
New business value, after tax	Certainty equivalent new business value	184	175
	Frictional costs	(14)	(10)
	Time value of options and guarantees	8	(3)
	Cost of non market risk	(17)	(16)
	New business value, after tax	160	146

New business information is presented gross of minority interests. After deducting minority interests, mostly in the German business, the covered business reported new business annual premium equivalent (APE) of USD 716 million, new business value, after tax of USD 159 million and a new business margin, after tax of 22.1%.

A regional breakdown of the new business information can be found on page 5 of this overview.

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		Ireland		Emerging markets		Rest of the world		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
New business premiums including deposits, of which:	40	46	1,164	1,418	303	180	105	94	314	328	534	385	319	441	2,779	2,891
Annual premiums	22	27	74	58	170	96	26	22	48	41	125	113	29	20	493	376
Single premiums	18	18	1,090	1,359	133	84	80	72	266	287	409	272	290	421	2,286	2,514
New business annual premium equivalent (APE)	24	29	183	194	183	104	34	29	75	69	166	140	58	62	722	628
Present value of new business premiums (PVNBP)	216	269	1,415	1,703	1,878	963	333	287	521	512	1,012	784	481	560	5,857	5,078
New business value, before tax ¹	34	49	23	28	77	45	18	15	17	19	41	34	9	16	218	206
New business margin, before tax (as % of APE)	143.2%	169.7%	12.6%	14.4%	42.2%	43.7%	52.3%	50.6%	22.8%	27.2%	24.6%	24.6%	15.1%	25.1%	30.3%	32.9%
New business margin, before tax (as % of PVNBP)	15.6%	18.4%	1.6%	1.6%	4.1%	4.7%	5.3%	5.1%	3.3%	3.7%	4.0%	4.4%	1.8%	2.8%	3.7%	4.1%
New business value, after tax	19	28	16	20	53	28	14	11	15	17	37	32	6	10	160	146
New business margin, after tax (as % of APE)	82.6%	96.9%	8.9%	10.1%	28.7%	26.5%	40.8%	38.5%	20.4%	23.8%	22.3%	23.0%	10.6%	16.8%	22.2%	23.2%
New business margin, after tax (as % of PVNBP)	9.0%	10.5%	1.1%	1.1%	2.8%	2.9%	4.1%	3.9%	2.9%	3.2%	3.7%	4.1%	1.3%	1.9%	2.7%	2.9%

¹ In certain countries, particularly in the UK, where life insurance companies pay tax in respect of both policyholders and shareholders, the new business value before tax is before shareholders' tax but after allowing for policyholders' tax.

New business information – Emerging markets and Rest of the world

in USD millions, for the three months ended March 31

	Emerging markets																Rest of the world			
	ZIS		Hong Kong		Latin America		Total		Italy		Spain		Other		Total					
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007				
New business premiums including deposits, of which:	440	319	28	33	67	33	534	385	172	293	85	69	62	79	319	441				
Annual premiums	93	72	19	27	14	14	125	113	13	6	3	4	12	10	29	20				
Single premiums	347	247	9	6	53	18	409	272	159	287	82	66	50	69	290	421				
New business annual premium equivalent (APE)	127	96	20	28	19	16	166	140	29	35	11	10	17	17	58	62				
Present value of new business premiums (PVNBP)	820	619	90	111	101	54	1,012	784	219	305	105	95	158	160	481	560				
New business value, before tax ¹	28	19	5	12	8	3	41	34	8	11	4	4	(3)	1	9	16				
New business margin, before tax (as % of APE)	21.7%	19.4%	26.6%	45.0%	41.8%	20.5%	24.6%	24.6%	28.2%	30.7%	33.1%	43.0%	(18.3%)	3.1%	15.1%	25.1%				
New business margin, before tax (as % of PVNBP)	3.4%	3.0%	5.7%	11.2%	8.0%	6.1%	4.0%	4.4%	3.7%	3.5%	3.5%	4.6%	(2.0%)	0.3%	1.8%	2.8%				
New business value, after tax	28	19	4	11	5	2	37	32	6	7	3	3	(2)	1	6	10				
New business margin, after tax (as % of APE)	21.7%	19.3%	22.9%	41.6%	25.2%	13.2%	22.3%	23.0%	20.6%	20.2%	22.4%	28.0%	(13.7%)	3.1%	10.6%	16.8%				
New business margin, after tax (as % of PVNBP)	3.4%	3.0%	5.0%	10.3%	4.8%	3.9%	3.7%	4.1%	2.7%	2.3%	2.4%	3.0%	(1.5%)	0.3%	1.3%	1.9%				

¹ In certain countries, particularly in the UK, where life insurance companies pay tax in respect of both policyholders and shareholders, the new business value before tax is before shareholders' tax but after allowing for policyholders' tax.

New business assumptions

New business value is calculated discretely 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.

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 – Annualized spot rates	as of December 31, 2007						as of December 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	4.2%	3.8%	4.2%	4.8%	5.1%	5.1%	5.3%	5.2%	5.1%	5.2%	5.3%	5.4%
United Kingdom	5.7%	5.2%	5.1%	5.0%	4.7%	4.5%	5.6%	5.5%	5.4%	5.1%	4.6%	4.2%
Euro Zone	4.7%	4.5%	4.6%	4.7%	5.0%	4.9%	4.0%	4.1%	4.1%	4.2%	4.3%	4.3%
Switzerland	3.0%	2.9%	3.1%	3.4%	3.7%	3.7%	2.4%	2.6%	2.7%	2.8%	2.9%	2.9%

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 show the economic projection assumptions 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 December 31, 2007						as of December 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)	23.0%	23.3%	24.7%	26.4%	28.6%	32.1%	15.4%	15.7%	16.8%	20.2%	25.2%	30.0%
United Kingdom (FTSE 100)	23.9%	25.4%	26.3%	27.5%	28.1%	29.2%	14.1%	14.9%	17.2%	21.2%	23.7%	26.8%
Euro Zone (Eurostoxx)	20.7%	23.4%	26.5%	27.6%	28.8%	29.3%	17.0%	18.0%	20.4%	22.9%	26.7%	30.3%
Switzerland (SMI)	20.5%	21.5%	22.4%	23.5%	24.2%	25.0%	14.4%	14.8%	16.5%	19.3%	22.0%	24.7%

The model also makes assumptions about the volatility of property investments, derived from relevant historical return data. Based on the actual simulations used, the following implied volatilities arise.

At-the-money-forward property implied volatility (capital index)	as of December 31, 2007						as of December 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%	15.7%	16.1%	17.7%	20.4%	21.5%	15.5%	15.5%	15.5%	16.9%	18.7%	22.0%
United Kingdom	16.0%	15.5%	16.6%	16.9%	18.3%	19.3%	16.2%	16.3%	17.7%	17.3%	17.8%	18.7%
Euro Zone	15.2%	14.8%	15.2%	15.9%	18.5%	21.2%	15.0%	14.8%	15.4%	16.0%	17.8%	21.5%
Switzerland	15.0%	14.8%	15.2%	16.2%	17.4%	18.3%	15.7%	15.6%	16.0%	17.0%	18.3%	20.1%

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 6 and swaption volatilities shown below.

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

	as of December 31, 2007						as of December 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	24.4%	23.6%	22.4%	20.7%	16.4%	13.7%	18.7%	18.6%	18.0%	16.8%	14.0%	12.7%
2 year swap	23.9%	23.1%	21.9%	20.3%	16.1%	13.6%	18.5%	18.3%	17.7%	16.5%	13.7%	12.5%
5 year swap	22.3%	21.6%	20.6%	19.1%	15.1%	13.4%	17.7%	17.4%	16.9%	15.7%	13.1%	12.1%
10 year swap	20.0%	19.4%	18.7%	17.4%	13.7%	13.1%	16.5%	16.1%	15.6%	14.6%	12.2%	11.5%
20 year swap	17.0%	16.4%	16.0%	15.0%	11.8%	12.4%	14.6%	14.2%	13.7%	12.8%	10.7%	10.7%
British pound sterling												
1 year swap	16.5%	15.1%	14.6%	13.6%	12.3%	11.2%	14.0%	13.0%	13.0%	13.0%	13.0%	12.8%
2 year swap	16.0%	14.7%	14.3%	13.3%	12.1%	11.1%	13.7%	12.8%	12.9%	13.0%	13.0%	12.8%
5 year swap	14.9%	13.8%	13.5%	12.7%	11.7%	10.9%	13.1%	12.5%	12.7%	12.8%	13.0%	12.8%
10 year swap	13.5%	12.8%	12.6%	11.9%	11.2%	10.6%	12.8%	12.4%	12.7%	12.7%	13.0%	12.7%
20 year swap	12.2%	11.8%	11.7%	11.1%	10.6%	10.2%	12.8%	12.6%	13.0%	12.8%	12.9%	12.2%
Euro												
1 year swap	15.4%	14.8%	14.1%	13.7%	11.9%	10.5%	17.2%	16.6%	16.0%	15.7%	13.9%	11.8%
2 year swap	15.1%	14.5%	13.8%	13.5%	11.7%	10.4%	17.0%	16.4%	15.8%	15.5%	13.8%	11.7%
5 year swap	14.4%	13.8%	13.2%	12.9%	11.3%	10.1%	16.4%	15.9%	15.3%	15.0%	13.4%	11.2%
10 year swap	13.3%	12.8%	12.3%	12.3%	10.7%	9.7%	15.5%	15.0%	14.5%	14.2%	12.7%	10.6%
20 year swap	11.9%	11.5%	11.2%	11.4%	9.9%	9.1%	14.2%	13.7%	13.3%	13.2%	11.6%	9.6%
Swiss Franc												
1 year swap	22.0%	21.4%	19.5%	16.7%	13.1%	9.5%	21.7%	21.6%	21.0%	19.8%	17.6%	15.0%
2 year swap	21.2%	20.6%	18.8%	16.1%	12.6%	9.1%	21.5%	21.4%	20.8%	19.6%	17.4%	14.8%
5 year swap	18.9%	18.4%	16.9%	14.4%	11.4%	8.2%	20.7%	20.6%	20.0%	18.8%	16.8%	14.2%
10 year swap	15.9%	15.4%	14.2%	12.4%	9.7%	7.0%	19.4%	19.3%	18.8%	17.8%	15.8%	13.4%
20 year swap	12.0%	11.8%	11.2%	10.0%	7.6%	5.5%	17.5%	17.4%	17.0%	16.1%	14.1%	11.9%

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 (annualized forward inflation)	as of December 31, 2007						as of December 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	2.5%	2.0%	2.2%	2.5%	2.6%	2.5%	2.3%	2.2%	2.2%	2.3%	2.5%	2.8%
United Kingdom	2.6%	2.3%	2.6%	3.0%	3.4%	3.8%	2.5%	2.6%	2.8%	2.9%	3.0%	3.3%
Euro Zone	2.4%	2.2%	2.1%	2.2%	2.3%	2.2%	1.8%	2.0%	2.1%	2.1%	2.2%	2.1%
Switzerland	0.9%	0.8%	0.8%	1.1%	1.6%	1.9%	0.8%	1.0%	1.1%	1.1%	1.3%	1.4%

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

Results have been converted to Group presentation currency, US dollar, using average exchange rates for each period. The rates can be found on page 13 of the Financial Supplement.

Disclaimer & Cautionary Statement

Certain statements in this document are forward-looking statements, including, but not limited to, statements that are predications of or indicate future events, trends, plans or objectives. Forward-looking statements include statements regarding our targeted profit improvement, return on equity targets, expense reductions, pricing conditions, dividend policy and underwriting claims improvements. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results and Zurich Financial Services' plans and objectives to differ materially from those expressed or implied in the forward looking statements (or from past results). Factors such as (i) general economic conditions and competitive factors, particularly in our key markets; (ii) performance of financial markets; (iii) levels of interest rates and currency exchange rates; (iv) frequency, severity and development of insured claims events; (v) mortality and morbidity experience; (vi) policy renewal and lapse rates; and (vii) changes in laws and regulations and in the policies of regulators may have a direct bearing on Zurich Financial Services' results of operations and on whether Zurich Financial Services will achieve its targets. Zurich Financial Services undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise.

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Persons requiring advice should consult an independent adviser.

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