

2007

Zurich Financial Services Group



ZURICH

Financial Supplement

Annual Results
Reporting 2007

Table of Contents

Financial highlights

- 3 Income statements by business segment
- 5 Assets and liabilities by business segment
- 6 Reconciliation of net income before income taxes and business operating profit by business segment
- 6 Adjusted business operating profit

General Insurance

- 7 Customer segment reporting – overview
- 7 Total investments
- 8 Customer segment reporting – Europe General Insurance by region and split into Commercial and Personal
- 9 Customer segment reporting – International Businesses by region and split into Commercial and Personal

Global Life

- 10 Overview
- 11 Total investments
- 11 Rest of Europe by country
- 12 Reserves and liabilities by region
- 12 Shareholder's intangibles and recoverability

Additional information

- 13 Principal exchange rates
- 13 Currency translation impact on key financial figures – General Insurance and Global Life
- 14 Investment result: Total investments split 'Group investments' and 'Investments for unit-linked products'
- 15 Breakdown of Investments
- 16 Equity securities

Information for the three months ended December 31

- 17 Income statements by business segment
- 19 Reconciliation of net income before income taxes and business operating profit by business segment
- 20 General Insurance – customer segment reporting overview
- 21 Global Life – overview

Summary of quarterly consolidated financial information

- 22 Summary of quarterly consolidated financial information

Explanatory notes

- 23 Explanatory notes for key performance measures

Income statements by business segment

in USD millions, for the years ended December 31

	General Insurance		Global Life		Farmers Management Services		Other Businesses		Corporate Functions		Eliminations		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Revenues														
Direct written premiums and policy fees	34,199	32,617	9,523	10,153	-	-	381	359	6	7	11	3	44,119	43,139
Assumed written premiums	1,451	1,506	117	100	-	-	1,969	1,970	160	183	(344)	(454)	3,353	3,305
Gross written premiums and policy fees	35,650	34,123	9,640	10,254	-	-	2,350	2,329	166	190	(333)	(451)	47,472	46,444
Less premiums ceded to reinsurers ¹	(5,345)	(5,488)	(8,002)	(543)	-	-	(32)	(30)	(152)	(183)	333	451	(13,197)	(5,794)
Net written premiums and policy fees	30,305	28,635	1,638	9,710	-	-	2,318	2,298	14	7	-	-	34,275	40,651
Net change in reserves for unearned premiums	(574)	(218)	(5)	(5)	-	-	82	81	1	-	-	-	(495)	(142)
Net earned premiums and policy fees	29,731	28,417	1,633	9,706	-	-	2,401	2,380	15	7	-	-	33,780	40,509
Farmers management fees and other related revenues	-	-	-	-	2,266	2,133	-	-	-	-	-	-	2,266	2,133
Net investment result on Group investments	3,913	3,650	4,741	4,774	134	206	1,213	1,031	1,309	886	(1,221)	(1,113)	10,089	9,434
Net investment income on Group investments	3,662	3,203	4,226	4,104	167	153	1,025	906	731	646	(1,221)	(1,113)	8,591	7,899
Net capital gains/(losses) on Group investments and impairments	250	448	514	670	(33)	53	188	125	578	240	-	-	1,498	1,536
Net investment result on unit-linked investments	-	-	6,479	10,640	-	-	663	947	-	-	-	-	7,142	11,587
Net gain/(loss) on divestments of business	13	(5)	74	28	-	-	33	(66)	(2)	-	-	-	118	(43)
Other income	644	369	1,073	947	62	5	167	177	898	776	(1,075)	(893)	1,767	1,381
Total revenues	34,300	32,431	14,000	26,094	2,462	2,344	4,477	4,469	2,220	1,669	(2,296)	(2,006)	55,163	65,002
Intersegment transactions	(987)	(1,215)	(242)	(262)	(52)	(29)	(329)	(204)	(686)	(296)	2,296	2,006	-	-

¹ The Group's life operations in the UK entered into a reinsurance agreement to transfer the risk associated with a significant annuities portfolio as of January 1, 2007. The initial impact of this transaction was an increase of USD 7.3 billion in premiums ceded to reinsurers in the Global Life business.

Income statements by business segment

in USD millions, for the years ended December 31

	General Insurance		Global Life		Farmers Management Services		Other Businesses		Corporate Functions		Eliminations		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Benefits, losses and expenses														
Losses and loss adjustment expenses, net of reinsurance	20,916	19,867	90	88	-	-	1,174	1,310	-	2	(25)	(37)	22,155	21,230
Life insurance death and other benefits, net of reinsurance	50	47	10,385	10,034	-	-	362	363	18	15	23	35	10,837	10,494
(Decrease)/increase in future life policyholders' benefits, net of reinsurance	-	(1)	(9,781)	(1,467)	-	-	196	19	(32)	(69)	2	2	(9,614)	(1,517)
Insurance benefits and losses, net of reinsurance ¹	20,966	19,913	694	8,655	-	-	1,733	1,692	(14)	(52)	-	(1)	23,378	30,207
Policyholder dividends and participation in profits, net of reinsurance	11	7	7,771	11,904	-	-	761	994	-	-	-	-	8,543	12,906
Underwriting and policy acquisition costs, net of reinsurance	5,358	4,927	1,640	1,448	-	-	592	603	-	1	-	-	7,589	6,980
Administrative and other operating expense	3,130	3,111	1,678	1,583	1,161	1,044	241	300	1,051	1,085	(1,047)	(860)	6,214	6,263
Amortization and impairments of intangible assets	96	88	143	114	53	45	-	1	10	9	-	-	302	257
Interest expense on debt	310	296	17	13	9	1	264	236	1,317	1,162	(1,233)	(1,100)	685	608
Interest credited to policyholders and other interest	268	211	585	583	-	-	111	162	9	6	(16)	(45)	957	916
Total benefits, losses and expenses	30,138	28,553	12,528	24,300	1,224	1,091	3,701	3,989	2,373	2,210	(2,296)	(2,006)	47,668	58,136
Net income/(loss) before income taxes	4,162	3,878	1,472	1,794	1,238	1,254	776	481	(153)	(541)	-	-	7,495	6,866
Income tax benefit/(expense) attributable to policyholders													83	(416)
Income tax expense attributable to shareholders													(1,870)	(1,732)
Net income attributable to minority interests													(83)	(98)
Net income attributable to shareholders													5,626	4,620
Business operating profit	4,024	3,804	1,443	1,200	1,271	1,225	687	577	(810)	(772)	-	-	6,614	6,035

¹ The Group's life operations in the UK entered into a reinsurance agreement to transfer the risk associated with a significant annuities portfolio as of January 1, 2007. The initial impact of this transaction was an increase of USD 7.0 billion in ceded insurance benefits and losses in the Global Life business.

Assets and liabilities by business segment	in USD millions, as of December 31													
	General Insurance		Global Life		Farmers Management Services		Other Businesses		Corporate Functions		Eliminations		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Total Group Investments	84,996	78,718	95,740	101,755	2,311	3,522	18,758	18,404	18,560	18,269	(26,764)	(24,993)	193,600	195,676
Investments for unit-linked contracts	–	–	106,355	98,696	–	–	15,738	15,631	–	–	–	–	122,092	114,327
Total investments ¹	84,996	78,718	202,094	200,452	2,311	3,522	34,495	34,035	18,560	18,269	(26,764)	(24,993)	315,693	310,003
Reinsurers' share of reserves for insurance contracts ¹	13,149	13,702	9,555	1,785	207	205	6,399	7,192	107	99	(2,440)	(2,875)	26,977	20,108
Deposits made under assumed reinsurance contracts	68	73	–	–	–	–	1,323	1,985	2	2	(34)	(38)	1,359	2,022
Deferred policy acquisition costs	3,306	2,959	11,547	10,113	–	–	89	124	–	–	(1)	1	14,941	13,197
Deferred origination costs	–	–	1,003	815	–	–	–	–	–	–	–	–	1,003	815
Goodwill	706	168	635	488	385	–	–	–	5	5	–	–	1,730	660
Other related intangible assets	–	–	780	775	1,024	1,024	–	–	–	–	–	–	1,804	1,799
Other assets ¹	15,652	14,692	8,155	8,260	1,337	1,356	1,380	2,056	1,793	2,664	(2,482)	(2,852)	25,836	26,176
Total assets after consolidation of investments in subsidiaries	117,876	110,313	233,769	222,688	5,266	6,108	43,687	45,392	20,468	21,039	(31,721)	(30,757)	389,344	374,781
Liabilities for investment contracts	–	–	54,736	50,953	–	–	–	–	–	–	(251)	(248)	54,485	50,705
Reserves for losses and loss adjustment expenses, gross	63,383	59,241	6	131	–	–	6,084	7,127	114	110	(1,697)	(2,073)	67,890	64,535
Reserves for unearned premiums, gross	15,428	14,582	157	142	–	–	381	500	43	41	(68)	(107)	15,941	15,158
Future life policyholders' benefits, gross	97	89	77,422	73,832	–	–	3,017	2,823	415	437	(657)	(678)	80,293	76,503
Policyholders' contract deposits and other funds, gross	1,024	930	14,173	14,117	–	–	3,489	3,887	–	–	–	–	18,687	18,934
Reserves for unit-linked contracts, gross	–	–	54,337	50,376	–	–	15,738	15,631	–	–	–	–	70,075	66,008
Reserves for insurance contracts, gross	79,932	74,843	146,096	138,597	–	–	28,708	29,969	572	587	(2,423)	(2,858)	252,886	241,138
Debt related to capital markets and banking activities	–	–	–	–	–	–	3,385	3,578	–	–	(1,722)	(1,689)	1,663	1,889
Senior debt	5,673	4,684	239	448	–	–	622	614	18,397	17,594	(22,102)	(20,435)	2,830	2,906
Subordinated debt	2,311	2,349	72	–	180	180	99	98	5,588	4,953	(2,780)	(2,772)	5,470	4,808
Other liabilities	16,291	18,397	20,758	21,133	1,480	2,221	5,002	6,224	1,745	2,011	(2,443)	(2,755)	42,834	47,231
Total liabilities	104,207	100,273	221,901	211,131	1,660	2,401	37,817	40,483	26,302	25,145	(31,721)	(30,757)	360,167	348,677
Equity														
Common shareholders' equity													28,132	24,916
Preferred securities													671	671
Shareholders' equity													28,804	25,587
Minority interests													374	517
Total equity													29,177	26,105
Total liabilities and equity													389,344	374,781

¹ The Group's life operations in the UK entered into a reinsurance agreement to transfer the risk associated with a significant annuities portfolio as of January 1, 2007. The initial impact of this transaction was a decrease of USD 7.4 billion in total investments and associated other assets and an increase of USD 7.1 billion in reinsurers' share of reserves for insurance contracts in the Global Life business.

Reconciliation of net income before income taxes and business operating profit by business segment

in USD millions, for the years ended December 31

	General Insurance		Global Life		Farmers Management Services		Other Businesses		Corporate Functions		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	Net income before income taxes	4,162	3,878	1,472	1,794	1,238	1,254	776	481	(153)	(541)	7,495
Less income tax benefit/(expense) attributable to policyholders	-	-	83	(416)	-	-	-	-	-	-	83	(416)
Net income/(loss) before shareholders' taxes	4,162	3,878	1,555	1,378	1,238	1,254	776	481	(153)	(541)	7,578	6,450
Adjusted for: net capital (gains)/losses on investments and impairments	(250)	(448)	(3,878)	(8,888)	33	(53)	(826)	(923)	(552)	(236)	(5,474)	(10,548)
Policyholder allocation of net capital gains/(losses) on investments and impairments	-	-	3,745	8,719	-	-	783	932	-	-	4,528	9,651
Net income attributable to minority interests	(21)	(26)	(3)	(28)	-	-	(1)	(2)	(57)	(42)	(83)	(98)
Net (gain)/loss on divestments of businesses	(13)	5	(74)	(28)	-	-	(33)	66	2	-	(118)	43
Restructuring provisions and other	146	394	98	47	-	25	(11)	23	(49)	48	183	537
Business operating profit	4,024	3,804	1,443	1,200	1,271	1,225	687	577	(810)	(772)	6,614	6,035

Adjusted business operating profit

in USD millions, for the years ended December 31

	General Insurance		Global Life		Farmers Management Services		Other Businesses and Corporate Functions		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	Adjusted business operating profit	4,155	3,941	1,186	929	1,208	1,134	65	30	6,614
Adjusted business operating profit return on common shareholders' equity	27.8%	31.8%	22.1%	18.4%	56.5%	56.6%	0.5%	(0.5%)	24.8%	26.7%

Customer segment reporting - overview

in USD millions, for the years ended December 31

	Global Corporate		North America Commercial		Europe General Insurance		International Businesses		Group Reinsurance		Eliminations		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Gross written premiums and policy fees	7,505	7,407	11,532	11,856	13,852	12,445	3,205	2,875	515	518	(959)	(978)	35,650	34,123
Net earned premiums and policy fees	4,772	4,929	9,561	9,510	12,957	11,703	2,371	2,186	69	89	-	-	29,731	28,417
Insurance benefits and losses	3,671	3,796	6,407	6,607	9,420	8,065	1,541	1,386	(74)	60	-	-	20,966	19,913
Policyholder dividends and participation in profits	4	-	8	7	(2)	-	-	-	-	-	-	-	11	7
Total net technical expenses	912	855	2,624	2,481	3,099	2,646	802	759	17	25	(6)	(1)	7,449	6,764
Net underwriting result	184	278	521	415	440	993	28	42	126	4	6	1	1,305	1,732
Net investment income	708	585	1,244	1,113	1,403	1,156	193	168	222	278	(108)	(98)	3,662	3,203
Net capital gains on investments and impairments	(1)	53	116	47	105	325	31	23	-	-	-	-	250	448
Net non-technical result	(143)	(178)	(293)	(720)	(549)	(479)	(35)	(15)	(139)	(209)	103	97	(1,056)	(1,504)
Net income/(loss) before income taxes	748	739	1,589	855	1,399	1,995	218	218	208	72	-	-	4,162	3,878
Business operating profit	736	692	1,460	1,123	1,453	1,740	167	178	208	72	-	-	4,024	3,804
Adjusted business operating profit	781	771	1,487	1,137	1,415	1,696	148	154	324	184	-	-	4,155	3,941
Adjusted business operating profit return on common shareholders' equity	22.1%	25.9%	26.3%	25.1%	31.3%	43.8%	19.2%	23.2%	70.1%	53.8%	n/a	n/a	27.8%	31.8%
Ratios, as % of net earned premiums and policy fees														
Loss ratio	76.9%	77.0%	67.0%	69.5%	72.7%	68.9%	65.0%	63.4%	nm	nm	n/a	n/a	70.5%	70.1%
Expense ratio	19.2%	17.3%	27.5%	26.2%	23.9%	22.6%	33.8%	34.7%	nm	nm	n/a	n/a	25.1%	23.8%
Combined ratio	96.1%	94.4%	94.5%	95.6%	96.6%	91.5%	98.8%	98.1%	nm	nm	n/a	n/a	95.6%	93.9%

Total investments

in %, as of December 31

	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Cash and cash equivalents	8.1%	12.3%	11.5%	11.8%	4.9%	6.8%	18.3%	17.2%	97.0%	97.4%	n/a	n/a	12.8%	14.6%
Equity securities	6.3%	5.2%	5.8%	5.0%	8.4%	8.8%	46.8%	47.3%	-	-	n/a	n/a	8.2%	7.9%
Debt securities	76.5%	74.5%	81.7%	81.6%	70.7%	68.1%	31.2%	31.4%	3.0%	2.6%	n/a	n/a	70.6%	69.2%
Investment in associates	-	0.1%	0.1%	0.1%	-	-	-	-	-	-	n/a	n/a	-	-
Other investments	9.1%	7.9%	1.0%	1.6%	16.1%	16.4%	3.7%	4.1%	-	-	-	-	8.2%	8.3%
Total investments	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	n/a	n/a	100.0%	100.0%

Customer segment reporting – Europe General Insurance by region

in USD millions, for the years ended December 31

	United Kingdom		Germany		Switzerland		Italy		Spain		Rest of Europe		Eliminations		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Gross written premiums and policy fees	4,125	3,802	2,778	2,442	1,927	1,761	1,900	1,702	1,431	1,262	2,419	2,126	(728)	(650)	13,852	12,445
Net earned premiums and policy fees	3,855	3,661	2,278	2,022	1,773	1,594	1,754	1,571	1,188	1,033	2,111	1,824	(1)	(1)	12,957	11,703
Net underwriting result	(185)	332	160	177	179	156	51	51	85	87	150	195	–	(6)	440	993
Business operating profit	182	637	328	269	275	234	145	132	150	127	372	340	–	–	1,453	1,740

Ratios, as % of net earned premiums and policy fees

Loss ratio	81.5%	68.5%	69.7%	69.0%	67.4%	68.5%	73.9%	73.5%	71.1%	69.2%	64.2%	65.9%	n/a	n/a	72.7%	68.9%
Expense ratio	23.3%	22.4%	23.3%	22.3%	22.5%	21.7%	23.2%	23.2%	21.8%	22.4%	28.7%	23.4%	n/a	n/a	23.9%	22.6%
Combined ratio	104.8%	90.9%	93.0%	91.2%	89.9%	90.2%	97.1%	96.8%	92.9%	91.5%	92.9%	89.3%	n/a	n/a	96.6%	91.5%

Customer segment reporting - Europe General Insurance split into Commercial and Personal

in USD millions, for the years ended December 31

	Commercial		Personal		Eliminations		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Gross written premiums and policy fees	5,465	4,991	8,392	7,456	(5)	(2)	13,852	12,445
Net earned premiums and policy fees	4,932	4,515	8,025	7,189	–	–	12,957	11,703
Net underwriting result	255	546	190	449	(6)	(2)	440	993
Business operating profit	792	978	661	762	–	–	1,453	1,740

Ratios, as % of net earned premiums and policy fees

Loss ratio	73.5%	67.2%	72.2%	70.0%	n/a	n/a	72.7%	68.9%
Expense ratio	21.3%	20.7%	25.4%	23.8%	n/a	n/a	23.9%	22.6%
Combined ratio	94.8%	87.9%	97.6%	93.7%	n/a	n/a	96.6%	91.5%

Customer segment reporting – International Businesses by region

in USD millions, for the years ended December 31

	Latin America		Asia		Australia		Africa		Rest of International Businesses		Eliminations		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	Gross written premiums and policy fees	1,120	963	749	728	712	612	625	583	–	–	–	(10)	3,205
Net earned premiums and policy fees	738	648	544	552	561	501	528	485	–	–	–	–	2,371	2,186
Net underwriting result	(17)	(5)	11	(38)	15	53	21	31	–	–	–	1	28	42
Business operating profit	28	34	33	(25)	91	120	41	49	(27)	–	–	–	167	178

Ratios, as % of net earned premiums and policy fees

Loss ratio	62.1%	59.8%	56.6%	63.8%	70.6%	60.5%	71.8%	70.8%	n/a	n/a	n/a	n/a	65.0%	63.4%
Expense ratio	40.3%	41.0%	41.5%	43.0%	26.8%	29.0%	24.3%	22.8%	n/a	n/a	n/a	n/a	33.8%	34.7%
Combined ratio	102.4%	100.8%	98.0%	106.8%	97.4%	89.5%	96.1%	93.6%	n/a	n/a	n/a	n/a	98.8%	98.1%

Customer segment reporting - International Businesses split into Commercial and Personal

in USD millions, for the years ended December 31

	Commercial		Personal		Eliminations		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Gross written premiums and policy fees	2,136	1,826	1,109	1,051	(40)	(2)	3,205	2,875
Net earned premiums and policy fees	1,540	1,379	831	808	–	–	2,371	2,186
Net underwriting result	27	63	3	(22)	(1)	–	28	42
Business operating profit	130	172	37	6	–	–	167	178

Ratios, as % of net earned premiums and policy fees

Loss ratio	66.8%	63.8%	61.7%	62.7%	n/a	n/a	65.0%	63.4%
Expense ratio	31.5%	31.6%	38.0%	40.0%	n/a	n/a	33.8%	34.7%
Combined ratio	98.2%	95.4%	99.7%	102.7%	n/a	n/a	98.8%	98.1%

Overview

in USD millions, for the years ended December 31

	Europe															
	United States		United Kingdom		Germany		Switzerland		Rest of Europe ²		International Businesses		Eliminations		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Insurance deposits	508	502	5,071	4,391	1,423	1,651	112	67	4,426	3,651	524	507	-	-	12,064	10,769
Gross written premiums and policy fees	698	654	1,852	2,288	3,708	3,574	1,576	1,885	1,160	1,257	651	600	(5)	(5)	9,640	10,254
Net earned premiums and policy fees ¹	473	462	(5,599)	2,180	3,603	3,479	1,563	1,870	1,025	1,181	569	534	-	-	1,633	9,706
Net investment result on Group investments	330	356	952	1,029	1,724	1,717	707	801	829	673	199	198	-	-	4,741	4,774
Net investment income on Group investments	338	335	848	920	1,689	1,510	596	651	582	516	173	172	-	-	4,226	4,104
Net realized capital gains/(losses) on Group investments and impairments	(8)	21	104	109	35	207	111	150	248	156	25	27	-	-	514	670
Net investment result on unit-linked investments	5	15	5,067	8,398	473	594	10	24	582	1,106	343	503	-	-	6,479	10,640
Net investment income on unit-linked investments	(18)	(16)	2,310	1,943	97	49	2	1	275	222	446	223	-	-	3,111	2,422
Net realized capital gains/(losses) on unit-linked investments	22	31	2,757	6,455	376	545	8	23	308	884	(103)	280	-	-	3,368	8,218
Other income	2	10	440	336	322	364	62	55	99	75	222	135	-	-	1,147	975
Total revenues	810	843	859	11,944	6,121	6,153	2,342	2,749	2,535	3,035	1,333	1,370	-	-	14,000	26,094
Insurance benefits and losses, net of reinsurance ¹	278	238	(6,220)	1,538	3,922	3,808	1,556	1,880	840	892	318	298	-	-	694	8,655
Policyholder dividends and participation in profits, net of reinsurance	11	16	5,378	8,532	1,003	1,176	217	242	813	1,393	348	544	-	-	7,771	11,904
Underwriting and policy acquisition costs, net of reinsurance	(85)	52	849	729	309	257	151	91	276	201	140	118	-	-	1,640	1,448
Administrative and other operating expenses	109	86	467	442	396	308	186	242	275	264	245	240	-	-	1,678	1,583
Amortization and impairments of intangible assets	19	13	65	30	40	50	-	-	17	12	1	8	-	-	143	114
Interest expense on debt and other interest	175	178	114	101	227	264	33	33	21	17	32	3	-	-	603	596
Total benefits, losses and expenses	508	583	652	11,372	5,897	5,864	2,144	2,490	2,241	2,779	1,085	1,211	-	-	12,528	24,300
Net income before income taxes	302	261	207	571	223	289	198	260	294	255	248	158	-	-	1,472	1,794
Income tax benefit/(expense) attributable to policyholders	-	-	128	(320)	(23)	(47)	-	-	(11)	(16)	(11)	(33)	-	-	83	(416)
Net income before shareholders' tax	302	261	335	251	200	242	198	260	283	239	237	125	-	-	1,555	1,378
Business operating profit	313	230	439	305	213	171	175	193	197	200	106	101	-	-	1,443	1,200

¹ The Group's life operations in the UK entered into a reinsurance agreement to transfer the risk associated with a significant annuities portfolio as of January 1, 2007. The initial impact of this transaction was an increase of USD 7.3 billion in premiums ceded to reinsurers and an increase of USD 7.0 billion in ceded insurance benefits and losses in the Global Life business.

² Including interregion eliminations.

**Global Life –
Reserves and
liabilities, net
of reinsurance,
by region**

in USD millions, as of December 31

	Europe															
	United States		United Kingdom		Germany		Switzerland		Rest of Europe ¹		International Businesses		Eliminations		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Unit-linked and investment contracts ¹	856	774	73,400	70,967	8,768	6,878	1,630	1,454	20,789	17,460	3,630	3,798	–	–	109,073	101,330
Other life insurance liabilities ²	4,803	4,733	5,971	13,109	43,672	40,108	15,086	16,804	9,860	9,070	2,652	2,372	–	–	82,044	86,196
Total reserves and liabilities	5,658	5,506	79,371	84,076	52,439	46,986	16,716	18,258	30,650	26,529	6,282	6,170	–	–	191,116	187,525

¹ Includes reserves for unit-linked contracts and liabilities for investment contracts, the net amounts of which were USD 54.3 billion and USD 50.4 billion, and USD 54.7 billion and USD 51.0 billion as of December 31, 2007 and 2006, respectively.

² Includes reserves for future life policyholders' benefits and policyholders' contract deposits and other funds, the net amounts of which were USD 68.0 billion and USD 72.2 billion, and USD 14.0 billion and USD 14.0 billion as of December 31, 2007 and 2006, respectively.

Shareholders' intangibles and recoverability

Although not a measure of current profitability, an important factor to consider when evaluating the sustainability of life insurance earnings is the recoverability of deferred policy acquisition costs (DAC) and deferred origination costs (DOC). The following table sets out the amount of shareholders' intangibles to be recovered from future earnings.

Shareholders' intangibles and recoverability

in USD billions, as of December 31

	2007	2006
DAC/DOC asset included in Global Life balance sheet	12.5	10.9
Present value of future profits (linked to acquisitions) and other intangible assets	1.1	1.0
Deferred front-end fees liability	(5.8)	(5.3)
Policyholders' share of DAC/DOC and other intangibles	(2.9)	(2.4)
Tax deductions on intangibles	(1.4)	(1.3)
Net shareholders' intangibles after tax to be recovered from future earnings	3.5	2.9

Deferred policy acquisition costs (DAC) consist of the costs of acquiring new business, including commissions, underwriting and policy issuance expenses, which vary with and are directly related to the production of new business.

Deferred origination costs (DOC) consist of the costs of acquiring new investment contracts with investment management services, including commissions and other incremental expenses directly related to the issuance of each new contract, and are recognized in line with revenue generated by the investment management service.

The present value of future profits is the discounted value of expected future profit from acquired insurance contracts to be amortized over the expected life of these contracts. These are defined in note 3 of the consolidated financial statements within the Financial Report.

Some charges assessed against policyholders' balances have been deferred as unearned revenue (deferred front-end fees) and will be recognized in income over the period for which benefits accrue, using similar assumptions as those used to amortize DAC or DOC.

Principal exchange rates

USD per foreign currency unit	Balance sheets		Income statements and cash flows	
	2007	2006	2007	2006
	Euro	1.4601	1.3199	1.3706
Swiss franc	0.8822	0.8203	0.8341	0.7980
British pound sterling	1.9849	1.9589	2.0019	1.8415

Currency translation impact on key financial figures - General Insurance

variance over the prior period, for the year ended December 31, 2007

	in USD millions	in %	change in USD	change in local currency
Gross written premiums and policy fees	1,384	4%	4%	0%
Net investment income on total investments	(3,519)	4%	7%	3%
Net capital gains on total investments and impairments	(247)	1%	(44%)	(45%)
Insurance benefits and losses, net of reinsurance	(878)	(4%)	(5%)	(1%)

Currency translation impact on key financial figures - Global Life

variance over the prior period, for the year ended December 31, 2007

	in USD millions	in %	change in USD	change in local currency
Insurance deposits	921	9%	12%	3%
Gross written premiums and policy fees	647	6%	(6%)	(12%)
Net investment result on Group investments	327	7%	(1%)	(8%)
Net investment income on Group investments	290	7%	3%	(4%)
Net capital gains on Group investments and impairments ¹	36	6%	(23%)	(29%)
Net investment result on unit-linked investments	516	5%	(39%)	(44%)
Insurance benefits and losses, net of reinsurance ¹	25	0%	92%	92%

¹ The Group's life operations in the UK entered into a reinsurance agreement to transfer the risk associated with a significant annuities portfolio as of January 1, 2007. The initial impact of this transaction was an increase of USD 55 million in net capital gains/(losses) on investments and impairments and a decrease of USD 7.1 billion in insurance benefits and losses, net of reinsurance.

Investment result

in USD millions, for the years ended December 31

	Net investment income		Net realized capital gains/(losses) on investments and impairments ¹		Investment result	
	2007	2006	2007	2006	2007	2006
Group investments						
Cash and cash equivalents	590	499	(4)	4	586	503
Equity securities	706	533	1,422	1,391	2,128	1,924
Debt securities	5,773	5,368	(461)	(269)	5,312	5,099
Real estate held for investment	438	410	101	220	539	629
Mortgage loans	580	475	–	3	579	477
Policyholders' collateral and other loans	575	594	(5)	(18)	570	576
Investments in associates	13	85	(1)	(23)	12	62
Other investments:						
Short-term investments	71	87	1	1	72	88
Investments held by investment companies	1	5	475	283	477	288
Other ²	92	108	(31)	(55)	61	52
Other investments	164	200	445	229	610	428
Investment result, gross, for Group investments	8,838	8,164	1,498	1,536	10,336	9,699
Investment expenses for Group investments ³	(247)	(265)	–	–	(247)	(265)
Investment result, net, for Group investments	8,591	7,899	1,498	1,536	10,089	9,434
Investments for unit-linked products						
Investment result, net, for investments for unit-linked products	3,000	2,384	4,142	9,203	7,142	11,587
Total investments						
Investment result, net, for total investments	11,591	10,283	5,640	10,739	17,231	21,022

¹ Impairments on total investments amounted to USD 136 million and USD 26 million for the years ended December 31, 2007 and 2006, respectively.

² Including net losses on derivative financial instruments of USD 147 million and USD 65 million for the years ended December 31, 2007 and 2006, respectively. Of these net losses, net capital losses on derivatives attributable to cash flow hedging amounted to USD 9 million for the year ended December 31, 2007.

³ Including rental operating expense for real estate held for investment of USD 170 million and USD 163 million for the years ended December 31, 2007 and 2006, respectively.

Breakdown
of investments

as of December 31

	Group investments				Investments for unit-linked products		Total investments	
	2007		2006		2007	2006	2007	2006
	USD millions	% of total	USD millions	% of total	USD millions	USD millions	USD millions	USD millions
Cash and cash equivalents	13,943	7.2	17,438	8.9	2,993	5,685	16,936	23,122
Equity securities (including trading equity portfolios in capital markets and banking activities):								
Fair value through profit or loss	4,042	2.1	4,383	2.2	100,178	90,666	104,220	95,049
<i>of which: trading</i>	2,768	1.4	2,778	1.4	–	–	2,768	2,778
<i>of which: trading equity portfolios in capital markets and banking activities</i>	1,606	0.8	2,260	1.2	–	–	1,606	2,260
Available-for-sale	14,547	7.5	13,956	7.1	–	–	14,547	13,956
Total equity securities	18,589	9.6	18,339	9.4	100,178	90,666	118,767	109,005
Debt securities:								
Fair value through profit or loss	8,387	4.3	8,650	4.4	10,112	8,922	18,499	17,572
<i>of which: trading</i>	616	0.3	547	0.3	–	–	616	547
Available-for-sale	109,733	56.7	112,128	57.3	–	–	109,733	112,128
Held-to-maturity	5,642	2.9	5,657	2.9	–	–	5,642	5,657
Total debt securities	123,762	63.9	126,435	64.6	10,112	8,922	133,874	135,357
Real estate held for investment	7,563	3.9	6,921	3.5	7,823	8,360	15,386	15,281
Mortgage loans	12,718	6.6	10,806	5.5	–	–	12,718	10,806
Other loans	12,936	6.7	12,634	6.5	2	2	12,938	12,636
Investments in associates	238	0.1	153	0.1	–	–	238	153
Other investments:								
Short-term investments	1,944	1.0	1,010	0.5	985	693	2,929	1,703
Investments held by investment companies	1,827	0.9	1,862	1.0	–	–	1,827	1,862
Other	80	0.0	79	0.0	–	–	80	79
Total other investments	3,851	2.0	2,951	1.5	985	693	4,836	3,644
Total investments	193,600	100.0	195,676	100.0	122,092	114,327	315,693	310,003

Equity securities (including trading equity portfolios in capital markets and banking activities)	as of December 31							
	Group investments				Investments for unit-linked products		Total investments	
	2007		2006		2007	2006	2007	2006
	USD millions	% of total	USD millions	% of total	USD millions	USD millions	USD millions	USD millions
Common stocks, including equity unit trusts	12,418	6.4	11,461	5.9	90,593	84,823	103,011	96,284
Unit trusts (debt securities, real estate, short-term investments)	3,291	1.7	3,014	1.5	9,585	5,842	12,876	8,856
Common stock portfolios backing the participating with-profit policyholder contracts	1,274	0.7	1,604	0.8	–	–	1,274	1,604
Trading equity portfolios in capital markets and banking activities	1,606	0.8	2,260	1.2	–	–	1,606	2,260
Total equity securities	18,589	9.6	18,339	9.4	100,178	90,666	118,767	109,005

Income
statements
by business
segment

in USD millions, for the three months ended December 31

	General Insurance		Global Life		Farmers Management Services		Other Businesses		Corporate Functions		Eliminations		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Revenues														
Direct written premiums and policy fees	7,963	7,355	2,656	2,903	-	-	49	98	6	7	14	(9)	10,688	10,353
Assumed written premiums	364	474	42	38	-	-	476	497	44	40	(138)	(156)	788	892
Gross written premiums and policy fees	8,327	7,828	2,698	2,942	-	-	526	595	50	47	(124)	(165)	11,476	11,246
Less premiums ceded to reinsurers	(1,209)	(1,377)	(223)	(128)	-	-	18	25	(45)	(39)	124	165	(1,335)	(1,354)
Net written premiums and policy fees	7,118	6,451	2,475	2,813	-	-	543	620	5	8	-	-	10,142	9,893
Net change in reserves for unearned premiums	505	805	(16)	(15)	-	-	65	55	(3)	(8)	-	-	553	838
Net earned premiums and policy fees	7,624	7,257	2,459	2,799	-	-	609	676	2	-	-	-	10,694	10,731
Farmers management fees and other related revenues	-	-	-	-	587	544	-	-	-	-	-	-	587	544
Net investment result on Group investments	1,001	970	1,213	1,184	25	91	380	332	310	162	(311)	(282)	2,618	2,455
Net investment income on Group investments	967	852	1,063	1,026	31	45	258	245	198	165	(311)	(282)	2,208	2,050
Net capital gains/(losses) on Group investments and impairments	34	119	148	158	(7)	46	122	87	112	(3)	-	-	410	406
Net investment result on unit-linked investments	-	-	60	4,612	-	-	(42)	452	-	-	-	-	17	5,064
Net gain/(loss) on divestments of business	12	(5)	72	28	-	-	1	(66)	(1)	-	-	-	84	(43)
Other income	160	109	267	253	1	-	12	36	247	194	(310)	(256)	375	335
Total revenues	8,796	8,330	4,070	8,875	613	634	960	1,429	558	356	(620)	(539)	14,376	19,087
Intersegment transactions	(215)	(283)	(8)	(63)	(18)	(11)	(117)	(98)	(262)	(84)	620	539	-	-

Income
statements
by business
segment

in USD millions, for the three months ended December 31

	General Insurance		Global Life		Farmers Management Services		Other Businesses		Corporate Functions		Eliminations		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Benefits, losses and expenses														
Losses and loss adjustment expenses, net of reinsurance	4,979	4,916	4	25	-	-	353	471	1	(8)	11	(24)	5,348	5,381
Life insurance death and other benefits, net of reinsurance	12	43	2,466	2,652	-	-	83	81	5	3	(13)	25	2,552	2,804
(Decrease)/increase in future life policyholders' benefits, net of reinsurance	-	-	(224)	(357)	-	-	162	42	21	(22)	3	(1)	(37)	(339)
Insurance benefits and losses, net of reinsurance	4,990	4,959	2,247	2,319	-	-	599	594	27	(26)	1	-	7,863	7,846
Policyholder dividends and participation in profits, net of reinsurance	5	1	352	4,992	-	-	(36)	457	-	-	-	-	321	5,451
Underwriting and policy acquisition costs, net of reinsurance	1,433	1,253	525	362	-	-	158	165	12	14	-	-	2,127	1,795
Administrative and other operating expense	900	856	399	474	336	308	32	66	322	238	(305)	(247)	1,684	1,696
Amortization and impairments of intangible assets	41	24	72	34	14	14	-	1	3	2	-	-	130	75
Interest expense on debt	81	70	3	2	2	1	98	68	320	305	(317)	(286)	189	160
Interest credited to policyholders and other interest	71	56	182	138	-	-	(3)	39	(1)	2	1	(5)	249	230
Total benefits, losses and expenses	7,520	7,220	3,779	8,322	353	324	847	1,391	683	534	(620)	(539)	12,562	17,252
Net income/(loss) before income taxes	1,275	1,110	291	553	259	311	113	39	(125)	(178)	-	-	1,814	1,836
Income tax benefit/(expense) attributable to policyholders													144	(161)
Income tax expense attributable to shareholders													(476)	(352)
Net income attributable to minority interests													(14)	(28)
Net income/(loss) attributable to shareholders													1,469	1,294
Business operating profit	1,245	1,023	353	347	266	289	102	139	(233)	(187)	-	-	1,734	1,612

**Reconciliation of
net income before
income taxes
and business
operating profit by
business segment**

in USD millions, for the three months ended December 31

	General Insurance		Global Life		Farmers Management Services		Other Businesses		Corporate Functions		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Net income before income taxes	1,275	1,110	291	553	259	311	113	39	(125)	(178)	1,814	1,836
Less income tax expense attributable to policyholders	–	–	144	(161)	–	–	–	–	–	–	144	(161)
Net income/(loss) before shareholders' taxes	1,275	1,110	435	392	259	311	113	39	(125)	(178)	1,958	1,675
Adjusted for: net capital (gains)/losses on investments and impairments	(34)	(119)	432	(4,169)	7	(46)	(180)	(480)	(80)	(2)	145	(4,816)
Policyholder allocation of net capital gains/(losses) on investments and impairments	–	–	(445)	4,155	–	–	153	492	–	–	(293)	4,647
Net income attributable to minority interests	(3)	(10)	1	(11)	–	–	2	(1)	(14)	(6)	(14)	(28)
Net (gain)/loss on divestments of businesses	(12)	5	(72)	(28)	–	–	(1)	66	1	–	(84)	43
Restructuring provisions and other	19	37	2	7	–	25	16	23	(14)	–	22	92
Business operating profit	1,245	1,023	353	347	266	289	102	139	(233)	(187)	1,734	1,612

General
Insurance –
customer
segment
reporting
overview

in USD millions, for the three months ended December 31

	Global Corporate		North America Commercial		Europe General Insurance		International Businesses		Group Reinsurance		Eliminations		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Gross written premiums and policy fees	1,538	1,447	2,821	2,954	3,209	2,792	842	680	148	28	(230)	(72)	8,327	7,828
Net earned premiums and policy fees	1,138	1,203	2,510	2,538	3,327	2,917	637	570	11	29	–	–	7,624	7,257
Insurance benefits and losses	842	897	1,648	1,772	2,149	1,973	400	329	(49)	(11)	–	–	4,990	4,959
Policyholder dividends and participation in profits	2	–	3	1	(1)	–	–	–	–	–	–	–	5	1
Total net technical expenses	288	231	717	651	812	636	222	194	3	7	(25)	10	2,019	1,726
Net underwriting result	6	75	142	114	367	308	15	47	57	33	25	(10)	609	569
Net investment income	191	159	318	302	374	313	44	48	55	57	(15)	(28)	967	852
Net capital gains/(losses) on investments and impairments	(18)	31	10	4	31	79	12	4	–	–	–	–	34	119
Net non-technical result	(36)	(74)	(78)	(156)	(188)	(164)	2	(5)	(27)	(67)	(9)	37	(335)	(429)
Net income/(loss) before income taxes	143	191	392	264	584	536	73	94	85	23	1	(1)	1,275	1,110
Business operating profit	160	163	373	267	576	491	52	81	84	22	–	–	1,245	1,023
Ratios, as % of net earned premiums and policy fees														
Loss ratio	74.0%	74.6%	65.7%	69.8%	64.6%	67.6%	62.9%	57.8%	n/m	n/m	n/a	n/a	65.5%	68.3%
Expense ratio	25.5%	19.2%	28.7%	25.6%	24.4%	21.8%	34.9%	33.9%	n/m	n/m	n/a	n/a	26.6%	23.8%
Combined ratio	99.6%	93.8%	94.4%	95.5%	89.0%	89.4%	97.7%	91.7%	n/m	n/m	n/a	n/a	92.0%	92.2%

Global Life -
overview

in USD millions, for the three months ended December 31

			Europe								International Businesses		Eliminations		Total	
	United States		United Kingdom		Germany		Switzerland		Rest of Europe ¹		2007	2006	2007	2006	2007	2006
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Insurance deposits	130	123	1,420	1,083	506	985	40	34	1,416	970	129	113	-	-	3,640	3,309
Gross written premiums and policy fees	186	177	417	637	1,195	1,093	396	463	322	395	184	176	(1)	(1)	2,698	2,942
Net earned premiums and policy fees	129	127	360	623	1,164	1,067	392	461	254	362	161	159	-	-	2,459	2,799
Net investment result on Group investments	74	96	279	293	449	400	157	173	215	169	38	53	-	-	1,213	1,184
Net investment income on Group investments	85	84	171	227	459	388	146	154	158	136	43	39	-	-	1,063	1,026
Net capital gains/(losses) on Group investments and impairments	(11)	12	108	66	(10)	12	11	19	57	32	(6)	16	-	-	148	158
Net investment result on unit-linked investments	(14)	17	330	3,334	(109)	365	(5)	14	(111)	654	(31)	229	-	-	60	4,612
Net investment income on unit-linked investments	(6)	(4)	495	482	87	42	-	-	30	57	33	23	-	-	637	601
Net capital gains on unit-linked investments	(9)	21	(165)	2,852	(195)	322	(6)	14	(140)	597	(63)	206	-	-	(578)	4,011
Other income (including net gain on divestments of businesses)	-	9	102	80	77	114	18	15	31	25	111	38	-	-	339	281
Total revenues	190	248	1,070	4,331	1,580	1,945	561	662	389	1,210	280	479	-	-	4,070	8,875
Insurance benefits and losses, net of reinsurance	77	68	169	329	1,303	1,161	358	436	245	249	95	76	-	-	2,247	2,319
Policyholder dividends and participation in profits, net of reinsurance	(13)	17	496	3,447	(50)	426	62	119	(91)	735	(54)	247	-	-	352	4,992
Underwriting and policy acquisition costs, net of reinsurance	4	9	237	161	100	87	54	5	92	60	38	40	-	-	525	362
Administrative and other operating expenses	26	23	120	124	94	109	54	57	59	95	46	66	-	-	399	474
Amortization and impairments of intangible assets	4	-	43	11	11	12	-	-	13	10	-	-	-	-	72	34
Interest expense on debt and other interest	45	45	35	24	66	62	5	3	7	5	30	-	-	-	185	140
Total benefits, losses and expenses	143	161	1,097	4,096	1,525	1,858	533	622	324	1,155	157	429	-	-	3,779	8,322
Net income/(loss) before income taxes	47	88	(26)	234	55	87	28	40	65	54	123	50	-	-	291	553
Business operating profit	60	66	143	117	54	43	22	43	42	47	32	31	-	-	353	347

¹ Including interregion eliminations.

Summary of
quarterly
consolidated
financial
information

in USD millions, for the three months ended	12/31/07	09/30/07	06/30/07	03/31/07	12/31/06	09/30/06	09/30/06	03/31/06
Gross written premiums and policy fees	11,476	10,924	11,692	13,380	11,246	10,593	11,171	13,434
Net earned premiums and policy fees	10,694	10,069	2,827	10,190	10,731	9,874	9,612	10,292
Net investment result on Group investments	2,618	2,673	2,428	2,370	2,455	2,600	2,165	2,214
Net investment income on Group investments	2,208	2,101	2,220	2,062	2,050	1,977	1,958	1,914
Net realized capital gains on Group investments and impairments	410	572	208	308	406	623	207	300
Net investment result on unit-linked investments	17	872	4,055	2,198	5,064	3,430	(2,306)	5,399
Other revenues	1,046	1,101	975	1,029	836	859	906	870
Total revenues	14,376	14,714	10,288	15,785	19,087	16,764	10,376	18,775
Insurance benefits and losses, net of reinsurance	7,863	7,588	476	7,451	7,846	7,414	7,182	7,765
Policyholder dividends and participation in profits, net of reinsurance	321	1,259	4,302	2,661	5,451	3,720	(2,101)	5,836
Other expenses	4,379	3,978	3,701	3,689	3,956	3,749	3,659	3,660
Total benefits, losses and expenses	(12,562)	12,827	8,478	13,801	17,252	14,883	8,741	17,260
Net income before income taxes	1,814	1,887	1,810	1,984	1,836	1,880	1,635	1,515
Net income attributable to shareholders	1,469	1,473	1,297	1,387	1,294	1,315	1,201	810
Business operating profit	1,734	1,590	1,553	1,737	1,612	1,482	1,549	1,392

Explanatory notes

The information contained within the Financial Supplement is unaudited. This document should be read in conjunction with the Zurich Financial Services Group Annual Report 2007. Certain comparatives in the Financial Supplement have been restated as a result of the adoption of the SoRIE option under IAS 19 Employee Benefits.

Information regarding accounting policies and embedded value performance measures is located in the notes to the Consolidated Financial Statements and the Embedded Value Report in the Annual Report 2007.

The Group

Business operating profit – This measure is the basis on which we manage all our business units. It indicates the underlying performance of our business units by eliminating the impact of financial market volatility and other non-operational variables. Business operating profit reflects adjustments for net capital gains on investments and impairments (except for the capital markets and banking operations included in Other Businesses and investments in hedge funds and certain securities held for specific economic hedging purposes), policyholders' share of investment results for the life businesses, non-operational foreign exchange movements, and significant items arising from special circumstances including gains and losses on divestments of businesses. **Adjusted business operating profit** is adjusted for notional investment income on the difference between the average actual IFRS equity and the average allocated IFRS equity using one global swap rate. Allocated IFRS equity is equal to a segment's pro rata share of the Group's risk based capital at the respective period end. These measures are not a substitute for net income as determined in accordance with International Financial Reporting Standards (IFRS).

Business operating profit (after-tax) return on common shareholders' equity – This measure indicates the level of business operating profit or loss relative to resources provided by common shareholders. It is calculated as business operating profit or loss, adjusted to an annualized basis and for preferred shareholder dividends and taxes, divided by the average value of common shareholders' equity on a simple basis using the value at the beginning and end of the period. **Adjusted business operating profit return on common shareholders' equity** is based on average IFRS Group equity and is allocated to each segment based on its share of risk-based capital.

Earnings per share (EPS) – This measure indicates the level of profit or loss relative to resources provided by common shareholders on a per share basis. It is calculated as net income after taxes attributable to common shareholders divided by the weighted average number of common shares outstanding for the period. **Diluted earnings per share** includes the determinants of basic EPS and in addition reflects the effect of potential dilutive common share outstanding for the period, such as, for example, contingently issuable shares related to share-based compensation plans.

Investments – The line item total investments on our consolidated balance sheets includes Group investments and investments for unit-linked products. Our **Group investments** are those for which we bear part or all of the investment risk. They also include investments related to investment policies with discretionary participation features. Average invested assets exclude cash collateral received for securities lending. We manage our diversified Group investments portfolio to optimize benefits for both shareholders and policyholders while ensuring compliance with local regulatory and business requirements under the guidance of our Asset/Liability Management and Investment Committee. **Investments for unit-linked products** include such investments, where the policyholder bears the investment risk, and are held for liabilities related to unit-linked investment contracts and reserves for unit-linked insurance contracts. They are managed in accordance with the investment objectives of each unit-linked fund. The investment result for unit-linked products is passed to policyholders through a charge to policyholder dividends and participation in profits.

Operational debt – This non-IFRS term refers to debt items that are excluded from rating agency leverage calculations such as collateralized loans, debt related to banking activities and obligations to repurchase securities.

Other related intangible assets – These assets on our Global Life and Farmers Management Services balance sheets consist of the present value of profits of acquired insurance contracts and attorney-in-fact relationships.

Return on common shareholders' equity (ROE) – This measure indicates the level of profit or loss relative to resources provided by common shareholders. It is calculated as net income after taxes attributable to common shareholders, adjusted to an annualized basis, divided by the average value of common shareholders' equity on a simple basis using the value at the beginning and end of the period.

General Insurance

The following General Insurance measures are net of reinsurance.

Net underwriting result– This performance measure is calculated as the difference between earned premiums and policy fees and the sum of insurance benefits and losses and net technical expenses.

Total net technical expenses – This line item includes underwriting and policy acquisition costs, as well as the technical elements of administrative and other operating expenses, amortization of intangible assets, interest credited to policyholders and other interest, and other income.

Combined ratio – This performance measure indicates the level of claims and net technical expenses during the period relative to earned premiums and policy fees. It is calculated as earned premiums and policy fees minus the net underwriting result, divided by net earned premiums and policy fees.

Loss ratio – This performance measure indicates the level of claims during the period relative to earned premiums and policy fees. It is calculated as insurance benefits and losses, which include paid claims, claims incurred but not reported (IBNR) and claims handling costs, divided by earned premiums and policy fees.

Expense ratio – This performance measure indicates the level of technical expenses during the period relative to earned premiums and policy fees. It is calculated as the sum of net technical expenses and policyholder dividends and participation in profits, divided by earned premiums and policy fees.

Net non-technical result – This line item includes the non-technical elements of administrative and other operating expenses, amortization of intangible assets, interest credited to policyholders and other interest, other income, as well as net gains and losses on divestments of businesses and interest expense on debt.

Global Life

More detailed information regarding embedded value performance measures is located in the Embedded Value Report in the Half Year Report 2007 and Annual Report 2006.

Embedded value (EV) principles – This methodology uses a “bottom-up” market consistent approach, which explicitly allows for market risk. In particular, asset and liability cash flows are valued using risk discount rates consistent with those applied to similar cash flows in the capital markets, and options and guarantees are valued using market consistent models calibrated to observable market prices.

Insurance deposits – These deposits, similar to customer account balances, are not recorded as revenues. However, the fees charged on insurance deposits are recorded as revenue within the gross written premiums and policy fees line item. These deposits arise from investment contracts and insurance contracts that are accounted for under deposit accounting. They represent the pure savings part, which is invested.

New business annual premium equivalent (APE) – This measure is calculated as new business annual premiums plus 10 % of single premiums. **Present value of new business premiums (PVNBP)** is calculated as the value of new business premiums discounted at the risk free rate.

New business value, after tax – This measure reflects the value added by new business written during the period, including allowing for frictional costs, time value of options and guarantees, and the cost of non-market risk, and is valued at the point of sale. It is calculated as the present value of the projected after-tax profit from life insurance contracts sold during the period.

Farmers Management Services

Gross operating margin– This performance measure is calculated as management fees and other related revenues minus management and other related expenses, which include amortization and impairments of intangible assets, divided by management fees and other related revenues.

Managed gross earned premium margin – This performance measure is calculated as gross operating profit of Farmers Management Services divided by the gross earned premiums of the Farmers Exchanges, which we manage, but do not own.

Surplus ratio (Farmers Exchanges) – This measure indicates the amount of capital available to support the volume of insurance business written, and is calculated by dividing the end-of-period surplus balance by the net premium written in the preceding twelve-month period.