

Dear Shareholder,

We are proud and delighted to report Zurich Financial Services Group's record 2006 results, reflecting a relentless focus on financial discipline, operational excellence and a successful strategy for generating shareholder value and top-tier financial performance.

As the figures illustrate, all segments of our diversified portfolio contributed strongly to these results. General Insurance grew its gross written premiums and policy fees 2.1 percent in local currency, to USD 34.2 billion, and improved its combined ratio by 6.6 percentage points to 94.2 percent; Global Life's new business volume increased 15 percent in local currency, while achieving margins of 21.8 percent; and Farmers Management Services' management fees and other related revenues rose by 4 percent to USD 2.1 billion.

Together, these results generated a business operating profit of USD 5.9 billion, a net income of USD 4.5 billion, and shareholder equity of USD 26.5 billion, producing a return on equity of 19 percent, or an increase of 3.5 percentage points. These record results underscore the Group's commitment to generating profits and cash throughout the insurance cycle, and to its proven ability to execute on its strategic and market plans.

Based on the underlying strength of these results, the Board has recommended a gross dividend to shareholders of CHF 11.00 per share, an increase of 57 percent compared with last year's CHF 7.00 per share. In addition, and in furtherance of a disciplined approach to capital management, it has authorized the repurchase of CHF 1.25 billion of Zurich shares. Together, these actions represent a distribution to shareholders of over 50 percent of 2006 profits, but still leave Zurich with sufficient capital to invest in profitable growth.

The confidence reflected in these actions is fueled not only by 16 consecutive quarters of increasing profitability, but also by the knowledge that the Group has made deep institutional changes over the past five years that position it to generate sustained shareholder value and select profitable growth. Among those changes, which now form core Group-wide strengths, are:

- The Zurich Way, which ensures that our organization embraces common business processes and methodologies, and which has produced after-tax operational benefits of more than USD 1.5 billion in the past three years. We expect it to generate a further USD 2 billion in after-tax improvements for the years 2007 to 2009, with the bulk of those improvements coming in the sustainable areas of distribution, underwriting and claims.

- A renewed focus on talent management, with the creation of global and local talent pools and a more integrated approach to human resources. This global approach to a global workforce enables us to have the right people with the right skills in the right place at the right time.
- Building a unique global brand position that demonstrates Zurich's dedication to anticipating and evaluating change to meet the varied needs of our customers and remain their reliable associate.

These core fundamental strengths positioned Zurich to achieve true operational excellence across all lines of business in 2006. Going forward, the Group will continue to apply that same commitment to leveraging market segmentation capabilities, expanding product offerings and further improving distribution management. This focus, implemented with the same discipline and focus that marked the past five years, will generate meaningful opportunities for profitable growth, as well as the capabilities and mindsets to exploit them.

We also recognize that true success can only be sustained when we are accepted and trusted as a good corporate citizen in the societies we serve. As a Group, we are committed to solid corporate citizenship everywhere we do business, illustrated by many of the activities highlighted in the Corporate Responsibility section.

This year's Annual Report highlights the fundamental driver in our strategy: the passion for excellence. For Zurich, that excellence is best manifested in three forms – customer excellence, product excellence and distribution excellence.

By constantly evaluating change, we can not only prepare for future risks but also take advantage of opportunities that will help us to grow. Our General Insurance business will seek to grow profitably in selective areas in existing and emerging markets. Global Life will focus on selected niche markets and will seek to produce superior returns through best-in-class products. The Farmers Exchanges, which we manage but do not own, will use our distribution expertise to enter new personal lines markets with refreshed products.

Two members of our Board of Directors, Mrs. Rosalind Gilmore and Mr. Dana Mead, retire this year after almost a decade of service. Mrs. Gilmore joined the Board in 1998 and has been chairman and a member of the Audit Committee, as well as a member of the Remuneration Committee and the Risk Committee. Mr. Mead became a director in 1997, serving first as a member of the Remuneration

Committee, of which he became chairman, and later as a member of the Nominations Committee. We thank them for their contribution over the years and wish them well for the future.

After 27 years of outstanding service to Zurich, Peter Eckert retired on February 28 as Chief Operating Officer and a member of the Group Executive Committee (GEC). His career with the company included a number of important roles. We thank Peter for his many contributions to the Group and extend him our best wishes for the future.

We welcome to the GEC Annette Court, who has joined Zurich as CEO of Europe General Insurance, succeeding Dieter Wemmer, who became the Group's Chief Financial Officer on March 1. Our former Group Finance Director, Patrick O'Sullivan, assumes the new position of Chief Growth Officer and Vice Chairman of the Group Management Board and remains a member of the GEC. We are pleased to have attracted new talent to the management ranks, but also to have the strength and experience of our current managers.

Our understanding of the changing world we live in and our passion for excellence in all we do will help us to ensure long-term sustainable value. None of our objectives can be attained without the skill, talent and dedication of our people and we thank them for their hard work and commitment. We also thank our customers and shareholders for their continued loyalty and support.



Manfred Gentz
Chairman of the Board



James J. Schiro
Chief Executive Officer

Board of Directors



Manfred Gentz
Chairman of the Board,
chairman of the Governance
and Nominations Committee,
member of the Remuneration
Committee



Philippe O. Pidoux
Vice Chairman of the Board,
member of the Governance
and Nominations Committee
and of the Remuneration
Committee



Thomas K. Escher
Director, member of the
Audit Committee



Armin Meyer
Director, member of the
Governance and Nominations
Committee



Don Nicolaisen
Director, chairman of the
Risk Committee, member of the
Audit Committee



Vernon L. Sankey
Director, member of the
Remuneration Committee



Rosalind E.J. Gilmore
Director, member of the
Risk Committee



Fred Kindle
Director, member of the
Remuneration Committee



Dana G. Mead
Director, member of the Governance
and Nominations Committee,
chairman of the Remuneration
Committee



Gerhard H. Schulmeyer
Director, chairman of the
Audit Committee, member of the
Risk Committee



Tom de Swaan
Director, member of the
Risk Committee



Rolf U. Watter
Director, member of the
Audit Committee

Group Executive Committee



James J. Schiro
Chief Executive Officer



John J. Amore
Chief Executive Officer
General Insurance



Patrick H. O'Sullivan
Group Finance Director



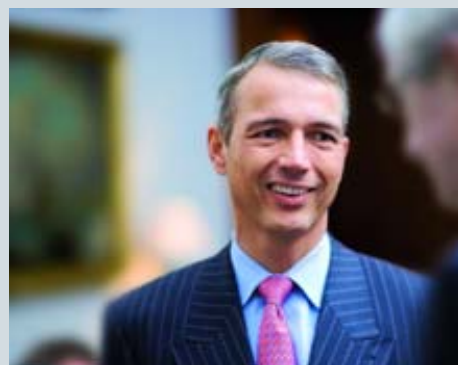
Geoff Riddell
Chief Executive Officer
Global Corporate



Peter Eckert
Chief Operating Officer



Paul N. Hopkins
Chief Executive Officer
Farmers Group, Inc.



Axel P. Lehmann
Chief Executive Officer
North America Commercial



Martin Senn
Chief Investment Officer



Paul van de Geijn
Chief Executive Officer
Global Life



Dieter Wemmer
Chief Executive Officer
Europe General Insurance