

Remuneration Report

This Remuneration Report provides all the information that is outlined in chapter five of the Directive on Information Relating to Corporate Governance of the SWX Swiss Exchange. However, because members of the Board of Directors are all non-executives, the information has been presented in a slightly different order than proposed by the SWX Directive, with the complete remuneration details of the Board of Directors contained in one section and that of the Group Executive Committee shown in a separate section. The rest of the information to be disclosed according to the Directive of the SWX Swiss Exchange is included in the Corporate Governance Report preceding this Remuneration Report.

Remuneration principles

Directors

Recognizing that Zurich Financial Services is a global insurance-based financial services organization, the level of Directors' fees has been established to ensure the Group's ability to attract and retain high caliber individuals. Directors' fees were paid in cash during 2006 and the Directors do not participate in any of the share-based programs established for the Management of the Group. However, with effect from January 1, 2007, a portion of the overall fees will be paid in Zurich Financial Services shares, which will be sales restricted for three years.

Employees

For all employees in the Group, including the members of the Group Executive Committee (GEC), a compensation philosophy was launched in 2006 as part of The Zurich Way initiatives. The key components of this philosophy are described below.

Zurich is committed to providing competitive total compensation opportunities that attract, retain, motivate and reward employees to deliver outstanding performance in the eyes of customers and shareholders. The compensation philosophy is an integral part of the offering to employees. Zurich has a clearly defined performance management process which supports the overall business strategy and plans and links individual pay with business and personal performance. This is delivered through the compensation framework overseen by the Group Executive Committee and the Remuneration Committee of the Board.

Guiding principles

- Promote a high performance culture by differentiating total compensation based on the relative performance of businesses and individuals
- Link variable compensation awards to relevant performance factors which can include the performance of the Zurich Group, business areas, e.g., segments, divisions, functions, units, and individual achievements
- Clearly define the expected performance through a structured system of performance management and use this as the basis for compensation decisions
- Provide employees with benefits based on local market practices.

Total compensation

Total compensation is influenced by a number of factors such as business performance and affordability, individual performance, internal equity, and legal requirements. Target opportunities are benchmarked to median levels in clearly defined markets and take into account internal equity considerations. Zurich is open in the communication of how the reward structure is defined and the processes used for decision making. Total compensation includes the following elements:

Base salary

Base salary is the fixed pay for the role performed determined by the scope and complexity of the role and is reviewed annually. Overall base salary structures are positioned to manage salaries around the relevant market medians. At an individual level, base salary is generally paid within an 80% -120% range of the appropriate market median. Key factors are the individual's overall experience and performance.

Variable pay

Incentive plans are designed to provide a range of award opportunities linked to levels of performance. Business and individual performance may result in superior awards above target for superior performance, and reduced or no awards for performance below expectations.

Variable pay opportunities are provided, in markets where this is the norm, to motivate employees to achieve key short and long-term business goals to increase shareholder value. Variable pay opportunities may include both short-term and long-term incentives:

- Short-term incentives are performance driven based on relevant factors which can include the performance of the Zurich Group and the business areas as well as individual performance achievements. Key performance measures are determined annually and focus on business priorities. They typically include profitability measures, such as Group Net Income After Tax (NIAT) and Business Operating Profit (BOP)
- Long-term incentives are for a defined group of executives and senior managers, whose specific roles focus on the performance drivers of long-term shareholder value. Long-term incentives are provided with a balance of absolute and relative performance measures that align employee and shareholder interests, such as the Group's Return on Common Shareholders' Equity (ROE) and Total Shareholder Return (TSR).

Zurich's variable pay plans are reviewed annually both as to their content and participants. The plans can be terminated, modified, changed or revised at any time.

Employee benefits

Zurich provides employee benefits which are designed by reference to local market practice. Employees are normally required to contribute to the cost of these benefits, and the overall benefits offering is based on the relevant market median.

Remuneration governance

The Remuneration Committee is responsible for determining on an annual basis the remuneration payable to the Directors and to the Chief Executive Officer (CEO) and for approving the remuneration for other members of the GEC and Group Management Board (GMB). For further details of its responsibilities see page 62 in the Corporate Governance Report.

Remuneration for members of the Board of Directors and the Group Executive Committee for 2006

As of December 31, 2006, all of the Directors of Zurich Financial Services are non-executives, independent of management. The compensation for Directors and for members of the Group Executive Committee (Executives) is therefore disclosed separately in accordance with the requirements of the Directive of the SWX Swiss Exchange.

Remuneration of Directors

Fees

The fees paid to the Directors of Zurich Financial Services who held office in 2006 are shown in the table below.

The fee structure for Directors of Zurich Financial Services was amended in April 2006, such that all Directors, except the current Chairman and Vice Chairman, are remunerated on the basis of an annual fee of USD 125,000 (unchanged) together with a fee for all Committees on which they serve of USD 40,000 (previously USD 25,000 for each Committee served). In addition the chairs of the Committees receive an annual fee of USD 20,000 (previously nil) and the chair of the Audit Committee receives an additional USD 10,000 (unchanged). Directors who reside in the United States receive an additional fee of USD 10,000 per annum (unchanged).

The current annual fee for the Chairman of Zurich Financial Services is USD 500,000 (unchanged). The current annual fee for the Vice Chairman is USD 250,000 (unchanged). The Chairman and Vice Chairman do not receive any additional fees for their Committee work.

The Directors' fees are not pensionable.

In 2006, all fees paid to Directors were paid in cash. However, with effect from January 1, 2007 a portion of the overall fees will be paid in Zurich Financial Services shares, which will be sales restricted for three years.

The total aggregate fees paid to the Directors of Zurich Financial Services for the year ended December 31, 2006, were USD 2,348,751 excluding fees paid to the Directors of Zurich Insurance Company referred to below.

Zurich Financial Services Directors' fees	in USD	Fees paid in 2006	Fees paid in 2005
	M.Gentz ¹	500,000	375,000
	L.C. van Wachem ²	n/a	250,000
	Ph. Pidoux	250,000	250,000
	Th. Escher	168,056	162,500
	R.E.J. Gilmore	168,056	175,000
	F. Kindle ³	114,583	n/a
	D.G. Mead	191,944	185,000
	A. Meyer	168,056	175,000
	D. Nicolaisen ³	135,417	n/a
	V.L. Sankey	168,056	175,000
	G. Schulmeyer	201,944	195,000
	T. de Swaan ³	114,583	n/a
	R. Watter	168,056	162,500
	Total	2,348,751	2,105,000

¹ Joined the Board of Directors on April 19, 2005.

² Retired from the Board of Directors on April 19, 2005.

³ Joined the Board of Directors on April 20, 2006.

Mrs. Gilmore is a member of a group health insurance plan in the UK with a benefit valued at USD 1,593 (2005: USD 1,596). There were no other benefits-in-kind provided to Directors of Zurich Financial Services.

In addition, fees are paid to the members of the Board of Directors of the Zurich Insurance Company. The fee structure was reviewed in 2004, establishing a fee level of CHF 100,000 per annum. In 2007, this fee will be incorporated into the base annual fee that is paid for membership of the Board of Zurich Financial Services.

Zurich Insurance Company Directors' fees	in CHF	Fees paid in 2006	Fees paid in 2005
	M. Gentz ¹	100,000	75,000
	L.C. van Wachem ²	n/a	50,000
	Ph. Pidoux	100,000	100,000
	Th. Escher	100,000	100,000
	R.E.J. Gilmore	100,000	100,000
	F. Kindle ³	69,722	n/a
	D.G. Mead	100,000	100,000
	A. Meyer	100,000	100,000
	D. Nicolaisen ³	69,722	n/a
	V.L. Sankey	100,000	100,000
	G. Schulmeyer	100,000	100,000
	T. de Swaan ³	69,722	n/a
	R. Watter	100,000	100,000
	Total	1,109,166	925,000

¹ Joined the Board of Directors on April 19, 2005.

² Retired from the Board of Directors on April 19, 2005.

³ Joined the Board of Directors on April 20, 2006.

Termination arrangements for members of the Board of Directors who gave up their functions during the year

None of the Directors gave up his or her function during 2006.

Compensation for former Directors

No payments have been made to former Directors of Zurich Financial Services in his or her capacity as a Director.

Share plans for the Directors

The members of the Board of Directors of Zurich Financial Services do not participate in any of the long-term incentive plans established for executive management; hence, no shares have been allotted to them in the year under review or in earlier years. However, as mentioned above, a portion of the overall fee will be paid in sales restricted shares with effect from January 1, 2007.

Shareholdings of Directors

The shareholdings of the Directors, who held office at the end of the year, in the shares of Zurich Financial Services are shown below. All interests shown are beneficial and include shares held by closely linked persons.

Directors' shareholdings	Number of shares as of December 31	Ownership of Zurich Financial Services shares 2006	Ownership of Zurich Financial Services shares 2005
M. Gentz		1,500	1,500
Ph. Pidoux		2,000	1,850
Th. Escher		4,000	3,000
R.E.J. Gilmore		828	828
F. Kindle		2,000	n/a
D.G. Mead		1,086	1,086
A. Meyer		1,324	1,124
D. Nicolaisen		0	n/a
V.L. Sankey		1,170	1,170
G. Schulmeyer		2,000	2,000
T. de Swaan		0	n/a
R. Watter		2,968	2,968
Total		18,876	15,526

Share options held by Directors

The members of the Board of Directors of Zurich Financial Services do not participate in any share option plan for executive management; hence, no share options have been allotted in the year under review or in earlier years.

Additional honoraria and remuneration for Directors

None of the Directors received any compensation from the Group or from any of the Group's companies other than that set out above.

Personal loans for Directors

As of December 31, 2006, none of the Directors had loans.

No other guarantees and/or outstanding loans, advances or credits have been granted to the members of the Board of Directors. The Directors of Zurich Financial Services have no interest in transactions which are or were unusual in the nature of their conditions or significant to the business of the Group.

Highest remuneration for Directors

The highest paid remuneration for the Directors was USD 579,803 for Mr. Gentz. This amount reflects the fees he received as Chairman of Zurich Financial Services and Zurich Insurance Company.

Remuneration of the Group Executive Committee

The total remuneration of the active members of the GEC for 2006 comprised the value of cash compensation, pensions, other remuneration and the equity grants made under the Group's long-term incentive plan in 2006. These are described below:

Cash compensation, pensions and other remuneration for 2006

The total value of the cash compensation, pensions and other remuneration earned by the members of the GEC for 2006 was USD 34.0 million. This compares to an equivalent figure of USD 28.0 million for 2005 also calculated on the basis of incentives earned for the year 2005 and not the amounts paid in that year. The increase in the compensation over the year is largely reflected by an increase in the amount of cash incentives paid for 2006 given the record results accomplished during 2006. The total value for 2006 comprises the following elements:

Base salary and annual cash incentives paid for 2006

The total amount of base salary and cash incentive awards earned for 2006 was USD 26.8 million. This comprised USD 10.3 million in base salaries and USD 16.5 million in annual cash incentive awards, which reflect the amounts to be paid in 2007 for 2006 performance. These incentive awards are performance based and determined individually from a combination of factors including the Group's profitability in 2006, the results of the business that the GEC member is responsible for and their individual contribution to the accomplishment of strategic objectives during the year.

Value of pension benefits accruing during 2006

The members of the GEC participate in the pension plan arrangements of the business units in which they are employed. These plans are designed with reference to the local market environment and therefore differ in nature. In some cases participation is in defined benefit pension plans that provide pension benefits based on final salary and the number of years of service with the Group. In other cases, participation is in plans based on a cash balance/defined contribution approach where funds are accumulated to provide retirement benefits. The normal retirement ages vary from 60 to 65. The total value of the pension benefits accruing to members of the GEC during 2006 was USD 4.0 million.

Value of other remuneration paid in 2006

The members of the GEC received other remuneration in 2006 in relation to expatriate allowances, perquisites and other payments due under other elements of their employment agreements. The total value of the other remuneration elements in 2006 was USD 3.2 million.

The following table specifies the number of members whose cash compensation, pension and the value of other remuneration falls within the following bands:

Group Executive Committee cash compensation pension and other remuneration	2006	2005
Above USD 3,250,000	4	2
Between USD 1,625,001 and USD 3,250,000	6	7
Between USD 1,300,001 and USD 1,625,000	–	–
Between USD 975,001 and USD 1,300,000	–	1
Between USD 650,000 and USD 975,000	1	1
Below USD 650,000	–	–

Equity grants made to the GEC under the Long Term Incentive Plan in 2006

Share grants made in 2006

Performance Share Grants

The total number of target performance share grants made to members of the GEC during 2006 was 27,409. One third of the target grants is assessed for vesting in each of the three years 2007, 2008 and 2009 based on the Group's performance achievements in terms of the Group's Return on Common Shareholders' Equity (ROE) and the position of Zurich's Total Shareholder Return (TSR) compared to an international peer group of insurance companies. Depending on the actual achievements, the vesting level is typically between 0% and 150% of target.

The value of the target performance share grants made to members of the GEC in 2006 was USD 6.5 million at the date of grant based on the assumption of 100% vesting and a share price of CHF 308 on the day prior to the grant.

The number of share awards that vested to members of the GEC in 2006 from the performance share grants made in 2003, 2004 and 2005 was 49,347. This represented vesting at the 150% level given the ROE and TSR performance achievements. The corresponding number of shares that vested in 2005 was 29,793, based on vesting at the level of 111%. One-half of the shares that vest under the plan are sales restricted for three years from the date of vesting.

Restricted Share Grants

Restricted share grants supplement the regular long-term incentive grants and are used in extraordinary circumstances such as for special performance achievements or for new hires to compensate for the loss of their equity rights with their previous employer.

The total number of restricted share grants made to members of the GEC during 2006 was 5,224. These restricted shares vest over the following three years and are forfeited if the holders of such shares leave voluntarily before the vesting date and the employment relationship terminates.

The value of the restricted share grants made in 2006 was USD 1.2 million at the date of grant on the assumption of 100% vesting.

Share option grants made in 2006

The total number of share option grants made to members of the GEC during 2006 was 125,584. As for the performance shares, one third of the option grants will be assessed for vesting in each of the three years 2007, 2008 and 2009 depending on the Group's performance achievements in terms of the ROE and the position of Zurich's TSR compared to an international peer group of insurance companies. Depending on the achievements, the vesting level is typically between 0% and 150% of target.

The value of the option grants made in 2006 was USD 6.5 million at the date of grant, based on the assumption of 100% vesting and the Black Scholes valuation of the options at the date of grant.

Total remuneration of the GEC for 2006

By reference to the above figures, the total remuneration of the GEC members, comprising cash compensation, pensions, the value of other remuneration and the expected value of equity grants for 2006 was USD 48.2 million, divided as follows:

Total remuneration of the GEC	in USD million	
		2006
	Cash compensation, pensions and the value of other remuneration	34.0
	Value of equity grants ¹	14.2
	Total	48.2

¹ The equity grants are conditional on performance. The value of the share and share option grants assumes that the grants will vest in the future at 100% of the target level. For vesting to occur, the Group must achieve predefined performance conditions.

Termination arrangements for members of the GEC who gave up their functions during the year

One member of the GEC gave up his function during 2006. After leaving the GEC, he assumed new responsibilities within the Group and no termination payments were made to him.

Compensation for former Executives

For former members of the GEC (including its equivalent prior to its formation), the Group paid amounts totaling USD 80,000 to one former Executive during 2006. No payments have been made to any other former Executive.

Summary of total outstanding share commitments for GEC members under the Group's Long Term Incentive Programs

Share grants

Performance Share Grants

The total number of target performance share grants outstanding as of December 31, 2006 under the Group's Long Term Incentive Plan was 55,937 (64,978 as of December 31, 2005). A summary of the outstanding grants is set out in the table below:

Conditional share allocations	Performance period	Target performance share grants	Allocated price in CHF	Future years of vesting
	2004 to 2006	6,836	213.25	2007
	2005 to 2007	21,692	206.40	2007–2008
	2006 to 2008	27,409	308.00	2007–2009

Within the context of the Group's Long Term Incentive Plan, these performance share grants are considered for vesting on a uniform basis during the three years after the grant. The actual level of vesting each year (typically, 0 to 150% of the allocation) depends upon the Group's performance in relation to the ROE achievement and the positioning of Zurich's TSR compared to an international peer group of insurance companies.

Restricted Share Grants

In addition to the above performance share grants, there were 14,574 restricted shares outstanding for members of the GEC as of December 31, 2006. This total reflects grants of 5,224 restricted shares in 2006 and the vesting of 7,782 restricted shares during 2006. There were 17,132 restricted shares outstanding at the end of 2005. These restricted shares vest over the next three years and will be forfeited if the holders of such shares leave voluntarily before the vesting date and the employment relationship terminates.

Share option grants

Under the share option program for senior management, the Group can issue share options to individuals within prescribed rules. The first share option grant was made in 1999 and regular annual grants have been made since then. Prior to 2003, option grants were typically made on the basis of a seven-year option term, a three-year vesting period and an exercise price set at a 10% premium to the market rate during the month prior to the grant date. Under the rules of the plan, other parameters are allowed for option grants made under the share option program. In connection with the re-design of the long-term incentive program in 2003, the exercise price for the options granted since then, which include performance based vesting criteria, has been set at the market price on the day prior to the date of grant. Option grants are currently made each year on the third working day in April.

Under the share option program, the total number of shares under option for the GEC members as of December 31, 2006 is set out in the table below.

GEC share options

Year of grant	Number of options vested	Number of options unvested	Total number of shares under option	Exercise price per share CHF	Year of expiry
2000	5,523	–	5,523	689.95	2007
2001	15,100	–	15,100	492.55	2008
2001	14,757	–	14,757	322.30	2012
2002	46,620	–	46,620	331.10	2009
2003	111,631	–	111,631	120.50	2010
2004	59,934	21,819	81,753	213.25	2011
2005	76,135	101,519	177,654	206.40	2012
2006	–	125,584	125,584	308.00	2013
Total	329,700	248,922	578,622		

Each of the above options entitles the holder to subscribe for one share of Zurich Financial Services at the exercise price stated.

Shareholdings of the GEC

The shareholdings of the members of the GEC, who held office at the end of the year, in the shares of Zurich Financial Services are shown below. All holdings are beneficial, and include shares held by closely linked persons. The actual shareholdings reflect private transactions as well as shares received and held under the Group's compensation plans.

GEC shareholdings

Number of shares as of December 31	Ownership of Zurich Financial Services shares 2006	Ownership of Zurich Financial Services shares 2005
J.J. Schiro	43,039 ¹	23,310
J. Amore	12,371	5,359
P. Eckert	16,903	11,604
P. Hopkins	3,296 ²	1,863
A.P. Lehmann	7,879	4,430
P. O'Sullivan	16,021	11,266
G. Riddell	6,015	3,480
M. Senn	0	n/a
P. van de Geijn	4,859	2,217
D. Wasserman ³	n/a	5,062
D. Wemmer	3,647	2,073
Total	114,030	70,664

¹ Includes 2,000 shares held by a charitable foundation under family control

² Includes 112 shares held by a charitable foundation under family control

³ Gave up his function on March 31, 2006.

This table does not include the share interests of the members of the GEC through their participation in either the conditional share plans or the share option plans or if they have elected to defer receipt of their share awards. However share awards vesting in 2006 under the Group's Long Term Incentive program are included in this table unless any non sales-restricted shares were sold during the year.

Additional honoraria and remuneration for members of the GEC

None of the members of the GEC received any compensation from the Group or from any of the Group's companies other than that set out above.

Personal loans for members of the GEC

As of December 31, 2006, the total amount of loans, including guarantee commitments, outstanding was USD 3.7 million for three members of the GEC. These loans represent mortgage loans, which are available to employees and customers in certain countries. Employees, including members of the GEC, benefit from a reduced interest rate of up to one percentage point less than the prevailing market interest rates on mortgage balances up to a maximum of approximately USD 1 million.

No other guarantees and/or outstanding loans, advances or credits have been granted to the members of the GEC. Except as disclosed above, the members of the GEC have no interest in any transactions which are or were unusual in the nature of their conditions or significant to the business of the Group.