

Global Life

We measure the embedded value of our life insurance business in addition to the valuation in accordance with IFRS. Embedded value information takes into account the value of new business measured from the point of sale of the contract, a value which is not fully recognized under IFRS. Our methodology, developed in accordance with the European Embedded Value Principles, uses a "bottom-up" market consistent approach allowing explicitly 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.

in USD millions, for the years ended December 31	2006	2005	Change
Insurance deposits ¹	10,769	9,001	20%
Gross written premiums and policy fees	10,253	10,535	(3%)
Net investment income	6,526	6,481	1%
Insurance benefits and losses, net of reinsurance	(8,655)	(9,100)	5%
Underwriting and policy acquisition costs, net of reinsurance	(1,448)	(1,561)	7%
Administrative and other operating expenses	(1,620)	(1,538)	(5%)
Business operating profit	1,162	1,079	8%
Embedded value – highlights			
New business annual premium equivalent (APE) ²	2,368	2,303	3%
Present value of new business premiums (PVNBP)	19,487	18,816	4%
New business margin, after tax (as % of APE)	21.7%	17.7%	4.0 pts
New business margin, after tax (as % of PVNBP)	2.6%	2.2%	0.4 pts
New business value, after tax	515	406	27%

¹ Insurance deposits in International Businesses for 2005 have been presented to exclude deposits received as funds under management.

² APE is taken as annual premiums plus 10% of single premiums.

Highlights by region

in USD millions, for the years ended December 31	Business operating profit		New business margin, after tax (as % of APE)	
	2006	2005	2006	2005
United States	228	236	52.0%	64.4%
United Kingdom	270	146	12.2%	9.9%
Germany	169	140	23.7%	16.5%
Switzerland	193	236	38.8%	5.8%
Rest of Europe	200	183	21.4%	19.3%
International Businesses	102	138	31.7%	30.7%
Total	1,162	1,079	21.7%	17.7%

Business operating profit increased by USD 83 million, or 8 percent, to USD 1.2 billion for the year ended December 31, 2006, primarily due to the change in business mix toward unit-linked products. The UK contributed USD 124 million to the increase in business operating profit which more than offset the decreases in Switzerland of USD 43 million and International Businesses of USD 36 million.

New business annual premium equivalent (APE) increased by USD 65 million, or 3 percent, to USD 2.4 billion. APE increased by 15 percent on a local currency basis driven by continued growth across most regions, particularly in Zurich International Solutions (based in the Isle of Man) where much of the increase arose from emerging markets, as well as in Ireland and Hong Kong. This growth is aided by the strong performance of the financial markets. **New business margin, after tax** increased by 4.0 percentage points to 21.7 percent due to the aforementioned growth, business model changes and the effect of rising interest rates.

United States

in USD millions, for the years ended December 31	2006	2005	Change
Insurance deposits	502	500	0%
Gross written premiums and policy fees	654	617	6%
Business operating profit	228	236	(3%)
Embedded value – highlights			
New business annual premium equivalent (APE)	113	111	2%
New business margin, after tax (as % of APE)	52.0%	64.4%	(12.4 pts)
New business value, after tax	59	71	(17%)

Business operating profit decreased by 3 percent to USD 228 million for the year ended December 31, 2006. The USD 26 million gain in 2005 from the sale and leaseback of the Farmers New World Life headquarters more than offset the effects of the 2006 increases in protection product sales and net investment income.

New business annual premium equivalent (APE) increased by 2 percent to USD 113 million as an increase in annual premium products offset a decrease in single premiums. **New business margin, after tax (as a percentage of APE)** decreased by 12.4 percentage points to 52.0 percent, following a review of cost allocations. Also contributing to the decrease was the effect of rising interest yields in the US, which result in higher discounting of future profits.

United Kingdom

in USD millions, for the years ended December 31	2006	2005	Change
Insurance deposits	4,391	4,387	0%
Gross written premiums and policy fees	2,287	2,120	8%
Business operating profit	270	146	85%
Embedded value – highlights			
New business annual premium equivalent (APE)	767	790	(3%)
New business margin, after tax (as % of APE)	12.2%	9.9%	2.3 pts
New business value, after tax	94	78	21%

Business operating profit increased by USD 124 million, or 85 percent, to USD 270 million for the year ended December 31, 2006, primarily due to increased margins as a result of the change in product mix and profit development expectations. Other contributing factors include improved mortality, and one-off expenses in 2005 associated with the change in the UK Life model, such as Openwork, and a USD 34 million gain on pension plan changes in 2006, partially offset by a USD 56 million reduction in net investment income due to capital repatriation.

New business annual premium equivalent (APE) increased by 8 percent on a local currency basis, driven by higher sales of investment products more than offsetting lower pension sales. **New business margin, after tax (as a percentage of APE)** increased by 2.3 percentage points to 12.2 percent mainly as a result of a lower new business cost base due to the revised business model, more favorable reinsurance conditions for term products and revised mortality assumptions.

Germany

in USD millions, for the years ended December 31	2006	2005	Change
Insurance deposits	1,651	800	nm
Gross written premiums and policy fees	3,574	3,764	(5%)
Business operating profit	169	140	21%
Embedded value – highlights			
New business annual premium equivalent (APE)	532	525	1%
New business margin, after tax (as % of APE)	23.7%	16.5%	7.2 pts
New business value, after tax	126	86	47%

Business operating profit increased by USD 29 million, or 21 percent, to USD 169 million for the year ended December 31, 2006, primarily due to the impact of lower policy acquisition expenses and a change in business mix. Insurance deposits doubled and gross written premiums and policy fees decreased primarily as a result of a large group pension contract, but also as a result of the continued shift from traditional products in favor of unit-linked products.

New business annual premium equivalent (APE) increased by 16 percent on a local currency basis, primarily due to increases in single premium products, particularly annuities and credit life insurance. In November 2006, changes to the tax law conferred an advantage on pension products. In addition, during the last quarter of 2006 we sold a large group pension contract. **New business margin, after tax (as a percentage of APE)** increased by 7.2 percentage points to 23.7 percent as a result of the increase in risk free rates compared with the prior year leading to a reduction in the cost of options and guarantees. Additionally, synergies following the merger of the life entities and the revision of lapse and mortality assumptions resulted in a benefit.

Switzerland

in USD millions, for the years ended December 31	2006	2005	Change
Insurance deposits	67	25	nm
Gross written premiums and policy fees	1,885	2,249	(16%)
Business operating profit	193	236	(18%)
Embedded value – highlights			
New business annual premium equivalent (APE)	86	105	(18%)
New business margin, after tax (as % of APE)	38.8%	5.8%	33.0 pts
New business value, after tax	33	6	nm

Business operating profit decreased by USD 43 million, or 18 percent, to USD 193 million for the year ended December 31, 2006, due to the curtailment gain in 2005 related to changes in our pension plan and the continued transfer of group life contracts to independent foundations. In addition, the smaller average invested asset base following the transfer of these group life contracts led to a decrease in net investment income in 2006.

New business annual premium equivalent (APE) decreased by 6 percent on a local currency basis as increases in individual life single premiums resulting from the launch of new products did not offset decreases in group life contracts as a result of the continued transfer to external foundations. **New business margin, after tax (as a percentage of APE)** increased by 33.0 percentage points to 38.8 percent, primarily due to asset management fees for group life contracts placed with external foundations, benefits realized from refinements to the business model and an increase in risk free rates compared with the prior year, which led to a reduction in the cost of options and guarantees.

Rest of Europe

in USD millions, for the years ended December 31	2006	2005	Change
Insurance deposits	3,651	2,820	29%
Gross written premiums and policy fees	1,257	1,269	(1%)
Business operating profit	200	183	9%
Embedded value – highlights			
New business annual premium equivalent (APE)	705	634	11%
New business margin, after tax (as % of APE)	21.4%	19.3%	2.1 pts
New business value, after tax	151	123	23%

Business operating profit increased by USD 17 million, or 9 percent, to USD 200 million, primarily due to the shift in business to unit-linked products. Increases occurred in most countries, in particular in Ireland, where growth, especially in single premium investment products, was the primary driver.

New business annual premium equivalent (APE) increased by 26 percent on a local currency basis, primarily due to changes in business mix, in addition to growth in emerging markets (written through the Isle of Man) and in Ireland. The increases were partially offset by Spain where fewer sales initiatives led to a decrease.

New business margin, after tax (as a percentage of APE) increased 2.1 percentage points to 21.4 percent. This increase was primarily attributable to the regional mix of business, the repricing of two main products and revised persistency assumptions in the Isle of Man. These effects were partially offset by Spain where the initial costs associated with the shift to higher margin risk business were spread over lower sales than in 2005.

International Businesses

in USD millions, for the years ended December 31	2006	2005	Change
Insurance deposits ¹	507	469	8%
Gross written premiums and policy fees	601	519	16%
Business operating profit	102	138	(26%)
Embedded value – highlights			
New business annual premium equivalent (APE)	165	138	20%
New business margin, after tax (as % of APE)	31.7%	30.7%	1.0 pts
New business value, after tax	52	42	24%

¹ Insurance deposits in International Businesses for 2005 have been presented to exclude deposits received as funds under management.

Business operating profit decreased by USD 36 million, or 26 percent, to USD 102 million, primarily due to a 2006 one-off charge for policy acquisition costs and a non-recurring benefit in Hong Kong in 2005.

These decreases were partially offset by an increase in Latin America, particularly in Argentina, resulting from an increase in gross written premiums and policy fees as a consequence of higher volumes, in addition to favorable experience.

New business annual premium equivalent (APE) increased by 20 percent on a local currency basis, primarily due to Hong Kong where sales campaigns in the first half of 2006 resulted in higher new business volumes.

New business margin, after tax (as a percentage of APE) increased by 1.0 percentage point to 31.7 percent primarily due to Chile resulting from revised persistency assumptions. This was offset by Australia due to increased policy acquisition expenses and the change in risk free rates, in addition to marketing expenses in Japan.