Croissance.
Solidité.
Leadership.

Rapport financier 2007

Zurich Financial Services Group
Rapport de gestion 2007

ZURICH®

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Nous aspirons à devenir le principal groupe d'assurance mondial sur les marchés d'assurance dommages et vie que nous avons sélectionnés, dégageant constamment des résultats de haut niveau en faveur de nos actionnaires. Ce faisant, nous allons créer de fortes relations avec nos clients, nos agents et nos courtiers ainsi que des opportunités de récompenses pour nos collaborateurs.

Principaux chiffres opérationnels de 2007

- Objectif du Zurich Way d'amélioration opérationnelle de 700 millions de dollars dépassé, renforçant les fondements pour une transformation plus profonde
- Croissance rentable atteinte sur les marchés sélectionnés grâce aux stratégies de clients, de produits et de distribution
- Forte culture de gestion des risques résultant en une exposition insignifiante à la crise financière des subprimes
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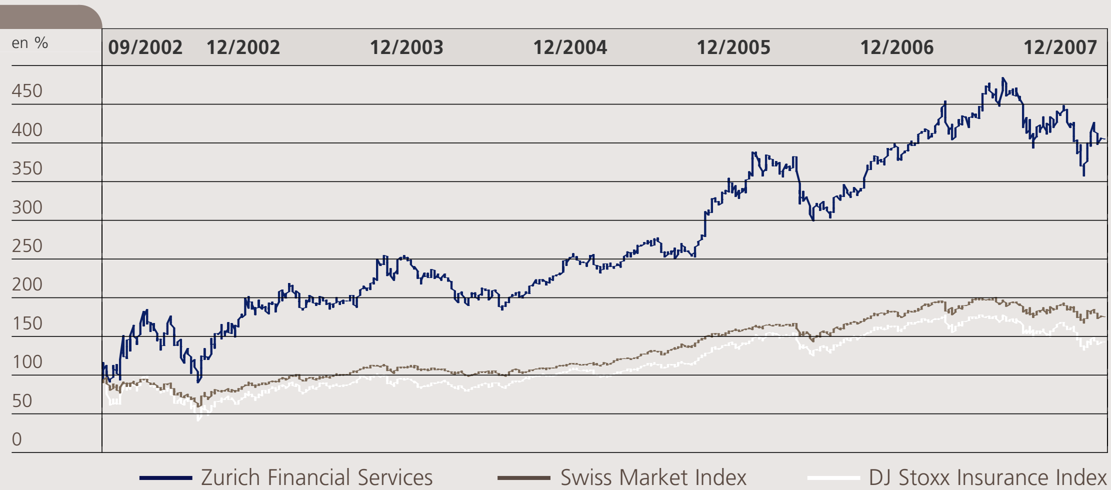
Principaux chiffres (non audités)

Le tableau suivant présente le résumé des résultats consolidés du groupe pour les exercices arrêtés aux 31 décembre 2007 et 2006. Les montants relatifs à l'exercice 2006 ont été retraités en raison de l'option pour la méthode SoRIE relative à la comptabilisation des engagements de retraite engagements assimilés selon IAS 19.

en millions d'USD, pour les exercices arrêtés au 31 décembre	2007	2006	Variation [1]
Bénéfice d'exploitation	**6.614**	6.035	10%
Bénéfice net attribuable aux actionnaires	**5.626**	4.620	22%
Primes émises brutes et accessoires de primes de General Insurance	**35.650**	34.123	4%
Primes émises brutes, accessoires de primes et dépôts à caractère de placement de Global Life	**21.703**	21.022	3%
Commissions de gestion et autres produits assimilés de Farmers Management Services	**2.266**	2.133	6%
Bénéfice d'exploitation de General Insurance	**4.024**	3.804	6%
Ratio combiné de General Insurance	**95,6%**	93,9%	(1.7 pts)
Bénéfice d'exploitation de Global Life	**1.443**	1.200	20%
Équivalent de primes annuelles nouvelles affaires (APE) de Global Life	**2.947**	2.500	18%
Marge bénéficiaire des nouvelles affaires, après impôts (en % d'APE) de Global Life	**24,7%**	21,6%	3.1 pts
Valeur des nouvelles affaires, après impôts, de Global Life	**729**	539	35%
Bénéfice d'exploitation de Farmers Management Services	**1.271**	1.225	4%
Marge opérationnelle brute de Farmers Management Services	**46,6%**	50,1%	(3.5 pts)
Marge sur les primes acquises brutes sous gestion de Farmers Management Services [2]	**6,8%**	7,3%	(0.5 pts)
Moyenne des actifs investis en tant que placements du groupe	**191.790**	185.371	3%
Résultat net des placements du groupe	**10.089**	9.434	7%
Rendement des placements du groupe (en % de la moyenne des actifs investis)	**5,3%**	5,1%	0.2 pts
Fonds propres attribuables aux actionnaires	**28.804**	25.587	13%
Bénéfice dilué par action (en CHF)	**46.37**	39.52	17%
Rendement des fonds propres ordinaires (ROE)	**21,0%**	20,4%	0.6 pts
Rendement du bénéfice d'exploitation (après impôts) sur les fonds propres ordinaires	**18,7%**	19,5%	(0.8 pts)

[1] Les parenthèses autour des nombres indiquent une variation négative.
[2] La marge sur les primes acquises brutes sous gestion de Farmers Management Services représente le bénéfice d'exploitation de Farmers Management Services divisé par les primes acquises brutes des Farmers Exchanges, que nous gérons sans les détenir.

Performance de l'action Zurich (indexée) depuis le 4 septembre 2002



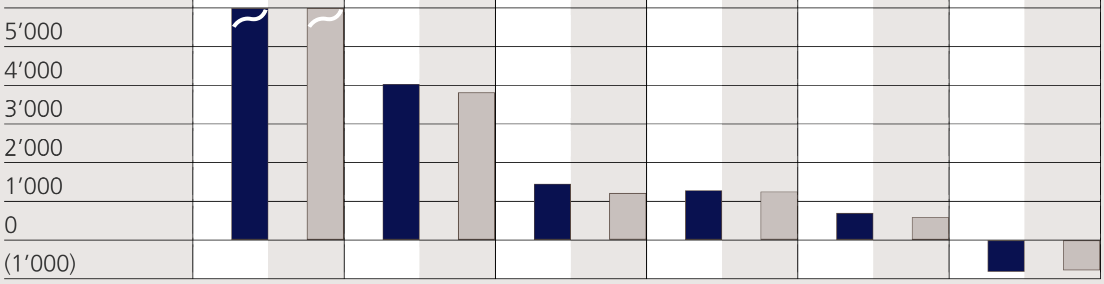
Source: Datastream

Principaux indicateurs de performance

Bénéfice d'exploitation

en millions d'USD, pour les exercices arrêtés au 31 décembre

	Total		General Insurance		Global Life		Farmers Management Services		Other Businesses		Corporate Functions	
	2007	2006 [1]	**2007**	2006 [1]	**2007**	2006 [1]	**2007**	2006 [1]	**2007**	2006 [1]	**2007**	2006 [1]
	6.614	6.035	4.024	3.804	1.443	1.200	1.271	1.225	687	577	(810)	(772)

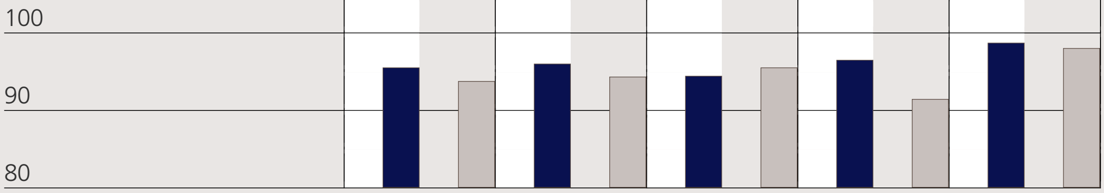


[1] Réévalué étant donné un changement dans la politique comptable conformément à IAS 19 Avantages sociaux des salariés.

Ratio combiné de General Insurance

en %, pour les exercices arrêtés au 31 décembre

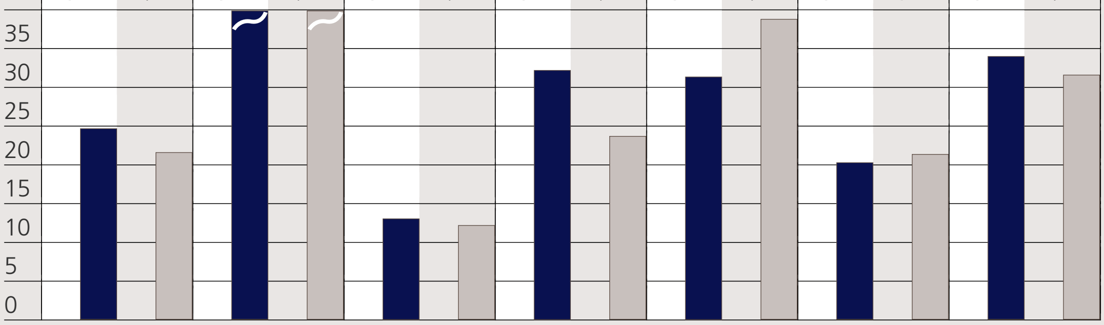
	Total [1]		Global Corporate		North America Commercial		Europe General Insurance		International Businesses	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	95,6%	93,9%	**96,1%**	94,4%	**94,5%**	95,6%	**96,6%**	91,5%	**98,8%**	98,1%



[1] Y compris Group Reinsurance.

Global Life – [1] marge bénéficiaire des nouvelles affaires, après impôts (en % d'APE)

	Total		États-Unis		Royaume-Uni		Allemagne		Suisse		Reste de l'Europe		International Businesses	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	24,7%	21,6%	**90,8%**	52,0%	**13,1%**	12,2%	**32,3%**	23,7%	**31,4%**	38,8%	**20,3%**	**21,4%**	**34,0%**	31,6%



[1] En %, pour les semestres arrêtés au 31 décembre.

Lettre aux actionnaires

Nous sommes confiants que notre stratégie sera la bonne, quelles que soient les conditions financières, météorologiques ou commerciales. C'est cela la force de notre stratégie et c'est la raison pour laquelle Zurich est en bonne voie de devenir l'un des principaux assureurs mondiaux.

Chère actionnaire, cher actionnaire,

Nous avons le plaisir d'annoncer que les excellentes performances opérationnelles au travers du large portefeuille de risques d'assurances dommages et vie ont engendré un bénéfice d'exploitation et un bénéfice net record en 2007. Ces résultats ont été obtenus grâce à notre capacité à générer de la croissance dans des segments de marché rentables, à mettre en œuvre des améliorations opérationnelles adéquates et à déployer de manière rigoureuse des techniques sophistiquées de gestion des capitaux, des placements et des risques, malgré des conditions financières et commerciales difficiles.

La réussite par ces temps de crise de liquidités, de fragilité des marchés des capitaux et de forte concurrence sur les tarifs d'assurance exige un engagement marqué en termes de discipline financière et de gestion des risques. Il est nécessaire de posséder une compréhension approfondie des risques assumés – à la fois du côté des actifs et des passifs du bilan – ainsi que des processus opérationnels assurant la cohérence dans nos opérations.

Ce sont précisément ces compétences de base que Zurich a développées au cours des dernières années. Notre succès dans l'intégration de ces caractéristiques dans la culture Zurich explique le bilan solide du groupe, la rentabilité en progression constante et la mise en œuvre réussie de la stratégie.

Nous continuons à identifier et à rechercher les opportunités de croissance les plus prometteuses sur le plan global, à étendre systématiquement notre base de clients, à améliorer nos offres de produits et à élargir nos réseaux de distribution. Chacun de ces objectifs a été poursuivi au travers de développements intrinsèques et d'acquisitions, à la fois sur des marchés émergents et matures, et pour 2008, nous voyons des opportunités prometteuses de poursuivre cette approche ciblée en vue de dégager une croissance rentable.

Manfred Gentz
Président du Conseil d'administration

James J. Schiro
Chief Executive Officer

Nous continuons également à poursuivre la transformation opérationnelle, capitalisant sur le Zurich Way afin de continuer à accroître notre orientation envers les clients, à atteindre une plus grande efficacité de nos modèles d'affaires et à améliorer constamment notre recours à la technologie, aux talents et à d'autres ressources essentielles.

Finalement, étant conscients que la solidité de notre bilan constitue un actif exceptionnel dans cette période troublée, nous maintenons également notre attention sur toutes les dimensions de la gestion du capital, en déployant des stratégies sophistiquées de gestion des risques et des placements, afin de veiller à une utilisation prudente des capitaux existants tout en affinant les structures de l'entreprise en vue de maximiser le rendement du capital.

Chacun de ces leviers de rentabilité est déployé au travers de nos activités d'assurances dommages et vie de manière différenciée, en visant de la croissance lorsque des opportunités se présentent ou de la marge lorsque les conditions du marché le suggèrent. Cette approche souligne notre engagement à maximiser la valeur de notre portefeuille diversifié, générant de la valeur durable en faveur des actionnaires et des résultats financiers supérieurs.

À l'avenir, Zurich va maintenir son approche disciplinée des principaux leviers de rentabilité tout en affinant son orientation envers les clients, en étendant nos offres de valeur et en permettant aux collaborateurs de se développer et de renforcer leurs connaissances.

Clairement, l'environnement commercial actuel lance des défis exceptionnels au secteur des services financiers. Mais la concentration opérationnelle et stratégique de Zurich, qui repose sur des fondements de discipline financière et en matière de souscription, a généré une valeur remarquable en faveur des actionnaires en 2007 et nous sommes convaincus qu'elle positionne le groupe pour la poursuite du succès en 2008 et au-delà.

Ce niveau constant de réussite exige beaucoup de nos collaborateurs et, pour cette raison, nous remercions toute l'équipe de Zurich pour son engagement et son travail soutenu tout au long de 2007.

Merci de votre fidèle soutien.

Manfred Gentz
Président du Conseil d'administration

James J. Schiro
Chief Executive Officer

Un aperçu de Zurich

Zurich Financial Services (Zurich) est un prestataire de services financiers dans le domaine de l'assurance, doté d'un réseau mondial de filiales et de bureaux en Amérique du Nord et en Europe, mais aussi en Asie-Pacifique, en Amérique latine et dans d'autres marchés. Fondé en 1872, le groupe dont le siège social se trouve à Zurich en Suisse, emploie environ 60.000 collaborateurs et sert ses clients dans plus de 170 pays.

Notre offre

Notre activité de base est l'assurance.
Nous offrons une gamme complète de produits et de services d'assurances dommages et vie pour les particuliers, les petites entreprises, les entreprises de moyenne et grande taille ainsi que pour les multinationales recherchant une couverture locale ou internationale.

Notre objectif est d'aider les clients à gérer leurs risques afin de leur permettre de protéger leur présent et de planifier leur avenir.

General Insurance fournit des produits et des services en matière d'assurance dommages pour des clients particuliers et commerciaux par le biais de quatre activités. Europe General Insurance propose des produits aux particuliers et aux entreprises des marchés clés en Allemagne, en Italie, en Espagne, en Suisse et au Royaume-Uni avec une présence importante en Autriche, en Irlande et au Portugal et des opérations en Israël, au Maroc, en Russie et en Turquie. North America Commercial sert des petites et moyennes entreprises avec des gammes commerciales standard et spécialisées aux États-Unis et au Canada. Global Corporate offre des services de gestion des risques à de grandes entreprises et à des multinationales. International Businesses comprend cinq régions – l'Amérique latine, l'Afrique du Sud, l'Australie, le Japon et la Grande Chine/Asie du Sud-Est – qui la positionnent de manière optimale afin d'agir en tant que moteur de croissance pour l'avenir. Le modèle d'affaires de General Insurance repose sur des fonctions (comprenant la souscription, la gestion des sinistres, l'ingénierie des risques, la réassurance, les relations clients, la gestion de la distribution et la gestion des produits) et des pratiques (comprenant global specialties) globales, qui offrent une plate-forme mondiale pour une offre de prestations au niveau local.

Global Life se concentre sur trois régions – l'Europe, les États-Unis et les marchés émergents. Il se concentre globalement sur des produits «unit-linked» et de protection. Il sert également des segments de clientèle dans la protection des familles, dans l'épargne du patrimoine, dans les réserves pour retraites, dans l'après-retraite, l'accumulation de fortune, la protection de fortune et l'héritage. Les offres d'assurances sont distribuées par des agents, des courtiers, des conseillers financiers indépendants, des banques et des instituts de crédit. Global Life bénéficie de fortes positions dans tous les marchés clés de même que de réseaux de distribution étendus au Royaume-Uni et aux États-Unis. En Allemagne, en Italie et en Espagne, il est partenaire de la Deutsche Bank, ce qui positionne Zurich en tant que fournisseur exclusif de produits d'assurances vie. Sur les principaux marchés émergents, Global Life est l'un des fournisseurs de produits d'assurances vie et d'épargne qui croît le plus rapidement, notamment dans le domaine des investisseurs internationaux et des populations mondiales d'expatriés.

Farmers est la principale marque commerciale de notre groupe pour l'assurance individuelle aux États-Unis, offrant des couvertures d'assurances aux propriétaires, de l'assurance véhicule à moteur et de l'assurance vie, représentant plus de 20 millions de contrats. Farmers fournit aussi de l'assurance aux entreprises, avec une emphase particulière sur le marché des PME. Farmers Management Services se compose des services de gestion fournis par Farmers Group, Inc. et ses filiales aux Farmers Exchanges, que nous gérons sans les détenir.

Où nous déployons nos activités

Notre présence mondiale s'étend à travers toutes les branches d'activités et nos clients bénéficient de notre capacité à fournir un service sur de nombreux fronts. La diversité de notre portefeuille, à la fois sur le plan géographique et par branches d'activités, constitue la clé de notre stratégie. Cela permet de disposer d'un profil de risques moins volatil et déploie un effet de protection contre les cycles du marché.

Nos activités de base que sont l'assurance dommages et l'assurance vie sont gérées de manière globale. Nous disposons d'une forte présence sur les marchés d'assurance les plus attrayants et nous utilisons notre taille et notre puissance financière pour fournir un service international.

Nos principaux segments de marché
Zurich détient de fortes présences commerciales dans les assurances destinées aux particuliers, aux entreprises et aux grandes entreprises des deux côtés de l'Atlantique avec des positions qui se renforcent en Asie, en Russie, en Amérique latine et sur les principaux marchés émergents.

Présence mondiale
Notre réseau international et nos capacités d'exécution nous donnent un avantage significatif appuyé par des plate-formes opérationnelles mondiales qui nous permettent de transférer le savoir et les best practices.

Notre focalisation

Une croissance rentable
Nous appliquons rigoureusement une discipline opérationnelle et financière à travers toute notre organisation car il s'agit là de facteurs avérés dans la promotion d'une croissance rentable.

Transformation opérationnelle
Nous partageons de plus en plus le savoir et les best practices, continuons à développer davantage de plate-formes mondiales ainsi qu' à améliorer la qualité des données et nos taux de frais.

Gestion du capital
Nous allouons du capital à base de risque à travers nos activités et nos marchés d'une manière disciplinée et dynamique qui permet de s'adapter aux conditions commerciales en mutation.

Gestion des talents
Nous nous engageons à conseiller et à développer notre personnel, à identifier et à encourager le talent à travers toute notre organisation et à fournir un environnement stimulant et gratifiant pour tous nos collaborateurs.

Défis et opportunités

Dans un contexte de volatilité et d'incertitudes accrues des marchés, Zurich s'engage à continuer sur la voie de la croissance durable et rentable.

En tant qu'assureur novateur, nous anticipons et analysons depuis nos débuts il y a 135 ans. Au fil des années, nous avons étendu notre présence et nous disposons désormais de positions solides des deux côtés de l'Atlantique de même qu'en Asie-Pacifique, en Amérique latine et sur d'autres marchés.

Priorité aux marchés émergents

Tout en étant déterminés à renforcer notre leadership sur les marchés existants, nous avons également adopté une approche concentrée sur les marchés émergents mondiaux avec l'objectif à long terme de détenir une position significative dans nos domaines d'activités sélectionnés. Ces marchés émergents sont une priorité stratégique pour nous aider à dégager une valeur future substantielle et à établir Zurich en tant que l'un des plus grands assureurs mondiaux.

Nous sommes déjà présents sur beaucoup de ces marchés, par exemple en Chine, où nous sommes représentés depuis 1993. La Chine bénéficiant d'une économie qui a connu une croissance de dix pour cent par an au cours des deux dernières décennies, elle offre un potentiel considérable. Avec une filiale active dans l'assurance dommages à Pékin, une participation importante dans une des principales compagnies d'assurance vie et une participation acquise récemment dans une société nationale active dans les branches de particuliers, nos activités en Grande Chine sont positionnées idéalement pour tirer profit des opportunités de croissance, notamment du fait que nous bénéficions d'une expérience récompensée par une distinction dans nos opérations à Hong Kong et à Taïwan et qui nous permet de partager et de disséminer notre savoir dans toute la région.

Nous renforçons également notre présence en Europe de l'Est et au-delà puisque nous avons pris pied dans le marché russe des branches de particuliers en 2007 et avons fait l'acquisition de l'assureur dommages turc TEB Sigorta A.S. en janvier 2008.

Programmes de micro-assurance

En Amérique latine, nous disposons d'opérations en Argentine, en Bolivie, au Brésil, au Chili, au Mexique et au Venezuela et nous développons désormais des programmes de micro-assurance dans ces pays afin d'aider les couches les plus défavorisées de la population à protéger leurs revenus et leur avenir.

Et du fait que la globalisation encourage les migrations de masse dans de nombreuses régions, nos activités vie internationales bénéficient d'un succès particulier en Asie du Sud-Est dans le domaine des investisseurs internationaux et des expatriés mondiaux.

Au fur et à mesure que nous accroissons notre présence sur ces marchés, nous augmentons nos actifs, nos compétences et nos modèles opérationnels à l'échelon du groupe. Nous nous appuyons également sur les connaissances et l'expertise locales inestimables de nos divisions commerciales lorsque nous évaluons les opportunités. D'autres acquisitions sélectionnées peuvent nous aider dans nos objectifs sous réserve qu'elles répondent à nos standards rigoureux.

Le Zurich Way, qui unifie notre approche des affaires et de nos clients, est un élément vital essentiel dans la cohésion de notre organisation au fur et à mesure que nous nous développons.

Notre Growth Office a établi un cadre de priorités dans le domaine de l'expansion afin de veiller à une utilisation coordonnée et efficace des ressources. Dans les marchés émergents d'Asie, d'Amérique latine et d'Europe de l'Est, General Insurance cherche à atteindre une croissance élevée et à établir des positions commerciales stratégiques, ce qui fournit une contribution substantielle à la fois au niveau des primes et des bénéfices. Global Life, avec une croissance dans les marchés émergents de 50 pour cent en 2007, va poursuivre sa stratégie en favorisant les produits les plus profitables au travers de canaux de distribution novateurs sur des segments de marchés ciblés, assurant ainsi l'atteinte de ses objectifs en termes de croissance de l'équivalent de primes annuelles nouvelles affaires et de la valeur des nouvelles affaires.

La combinaison de nos efforts sur les marchés émergents et de notre présence traditionnellement forte des deux côtés de l'Atlantique nous aide à comprendre de nombreux problèmes essentiels liés aux risques auxquels est confronté le monde d'aujourd'hui. Comme l'a identifié le Forum Economique Mondial dans son rapport sur les risques globaux pour 2008 dont Zurich est l'un des parrains, l'incertitude relative à l'avenir à court et à moyen terme est aussi élevée qu'elle l'était il y a dix ans.

Ce rapport identifie quatre thèmes émergents qui marquent l'étendue des risques, soit le risque financier systémique, la sécurité alimentaire, les chaînes d'approvisionnement et le rôle de l'énergie. Tous les quatre sont centraux dans le fonctionnement de l'économie mondiale ainsi que dans le bien-être de la société en général.

Le risque financier systémique est vu comme étant le plus immédiat et, du point de vue des coûts économiques, le plus lourd. Avec autant de conséquences potentielles encore non résolues provenant de la contraction des liquidités en 2007, les perspectives d'avenir sont plus incertaines au début 2008 qu'elles ne l'étaient une année auparavant.

Vulnérabilité des chaînes d'approvisionnement

La sécurité alimentaire est au centre de nombreuses problématiques allant de la sécurité de l'énergie au changement climatique et à la rareté de l'eau. Elle peut émerger comme l'un des risques majeurs du XXI^{e} siècle. Des facteurs à long et à court terme – la croissance de la population, la modification des styles de vie, le changement climatique et l'utilisation croissante de récoltes alimentaires pour des biocarburants – peuvent faire passer le monde dans une période de prix plus volatils et durablement élevés. Les conséquences, notamment en ce qui concerne les communautés les plus vulnérables, peuvent être tragiques.

Les chaînes d'approvisionnement étendues qui ont permis à l'intégration économique globale de progresser au cours des deux dernières décennies peuvent masquer une vulnérabilité accrue du système global aux risques de fracture. Si les concentrations géographiques de risques dans des zones de production efficaces en termes économiques peuvent avoir amélioré le bien-être global, la question reste de savoir si les entreprises et les gouvernements sont préparés aux conséquences d'un événement de risque dans ces domaines. Construire une culture de gestion des risques de la chaîne d'approvisionnement au sein des secteurs public et privé peut constituer une première étape dans la réduction d'un risque global plus général.

L'énergie et son futur à long terme déclenchent également des alertes, notamment en matière de perception des risques dans la sécurité énergétique et des risques découlant du changement climatique global. L'énergie est un élément clé pour l'économie globale, mais un approvisionnement sûr, sécurisé et durable est de plus en plus problématique. C'est la raison pour laquelle Zurich s'est engagée dans la problématique du climat que nous nous sommes engagés à travailler étroitement avec tous les segments de clientèle afin d'explorer le rôle que la gestion des risques peut jouer dans la résolution de ces questions importantes.

Des progrès sont réalisés sur la compréhension et la gestion des risques globaux et, avec leur compréhension, des solutions seront trouvées avec la collaboration de tous les segments de la société. Une fois encore, par rapport à toutes ces problématiques, l'attention du monde se focalise sur les marchés émergents, dont les principales économies ont de plus en plus démontré leur impact sur l'économie globale et leur empressement d'assumer un rôle de leadership.

Une stratégie de croissance rentable

Notre aspiration stratégique est de devenir le principal groupe d'assurance mondial sur les marchés d'assurance dommages et vie que nous avons sélectionnés, dégageant constamment des résultats de haut niveau en faveur de nos actionnaires.

Nos objectifs comprennent le fait de devenir l'un des cinq premiers assureurs mondiaux tout en dégageant constamment un ROE de 16 pour cent à moyen terme. Nous visons également à renforcer nos positions de leader sur le marché, à étendre les activités à faible consommation de capital et génératrices de commissions et à positionner Zurich en tant qu'employeur de choix. Pour atteindre ces objectifs, nous allons nous concentrer sur la transformation opérationnelle et sur la croissance rentable en les combinant à la gestion des talents et à la discipline en matière de capital, qui se sont avérées être les pierres angulaires de notre réussite au cours de ces dernières années.

Notre croissance rentable sera obtenue par l'atteinte de l'excellence au service des clients, l'excellence des produits et de la distribution. Ces efforts seront renforcés par des fusions et des acquisitions sélectives.

La transformation opérationnelle comprend notre vision holistique de groupe en direction du développement opérationnel en intégrant les initiatives du Zurich Way, des projets d'efficacité, des efforts afin d'améliorer notre concentration sur les clients et notre compréhension des risques, de même que le développement d'un modèle cible opérationnel optimal.

Notre stratégie repose également sur les autres points forts et les synergies telles que la gestion des capitaux et des risques, le recrutement et la gestion des talents et la construction continuelle sur notre marque globale.

Notre stratégie

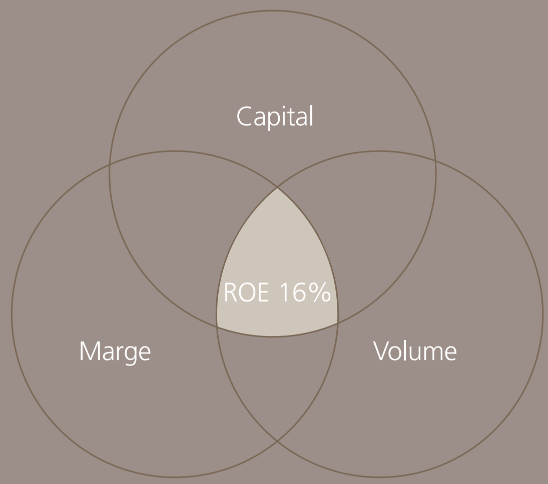
Nous nous engageons à maximiser la valeur en faveur des actionnaires au travers d'une performance financière et d'une croissance rentable de premier plan. Nos résultats financiers au cours des cinq dernières années démontrent l'efficacité de notre stratégie et notre capacité à la déployer au travers d'un portefeuille de risques diversifié dans des conditions financières et commerciales turbulentes. Nous continuons à optimiser notre bilan et à accroître l'efficacité du capital.

Au travers de nos activités d'assurances dommages et vie, nous visons de la croissance lorsque des opportunités existent ou une amélioration de la marge lorsque les conditions de marché sont plus restrictives. Cette approche maximise la valeur de notre portefeuille diversifié, générant une valeur durable en faveur des actionnaires et des résultats financiers supérieurs.

Nous restons déterminés à transformer l'efficacité et l'efficience avec lesquelles nous fournissons des prestations en faveur de nos clients au travers de la transformation opérationnelle. Nous voulons continuer à évaluer systématiquement nos processus de base afin de trouver des manières de dégager une efficacité supplémentaire et des gains de capacités.

La croissance rentable est un objectif clé et elle se reflète dans la décision de nommer un membre du Comité exécutif du groupe en tant que Chief Growth Officer pour mener le programme de croissance du groupe. Le Chief Growth Officer est également responsable des cinq régions d'International Businesses qui comprennent de nombreux marchés émergents et qui vont jouer un rôle majeur dans l'identification et la poursuite des opportunités de croissance. En investissant du temps et des ressources, nous allons consolider notre présence dans ces régions et nous allons également partager notre savoir et notre expertise.

De plus, nous développons systématiquement notre capital intellectuel afin de soutenir une croissance complémentaire. Nous tentons d'être un leader connu pour sa pensée novatrice et pour le développement de produits et de services qui conviennent à un monde en rapide mutation. En plus de nous concentrer sur des marchés cibles sélectionnés (y compris les marchés émergents), nous augmentons le nombre d'agents sous contrat et indépendants, nous étendons et



Nous visons de la croissance lorsque des opportunités existent ou de la marge lorsque les conditions de marché le suggèrent autrement. Nous déployons notre capital dans les régions qui offrent un rendement supérieur.

nous renforçons nos partenariats commerciaux et favorisons une culture de ventes croisées entre nos divisions et nos segments commerciaux.

Dans General Insurance, notre modèle d'affaires nous permet de répondre au caractère cyclique du secteur de l'assurance au travers de quatre facteurs:

- Discipline de souscription globale, modèles de fixation de prix sur une base globale et concentration sur des micro-segments
- Diversité des marchés avec des cycles variables
- Efficacité renforcée par le Zurich Way
- Mesures internes sophistiquées et gestion de portefeuille progressive

Global Life a atteint une croissance à deux chiffres et entend bien continuer sur cette voie dans les prochaines années, encouragé par un large portefeuille d'initiatives de croissance rentable et de transformation opérationnelles en même temps que d'une volonté de procéder à des acquisitions stratégiques si des opportunités attrayantes venaient à se présenter. Ayant créé une plate-forme solide pour une croissance future depuis 2003, il possède désormais un portefeuille bien diversifié et des parts de marché croissantes dans la plupart de ses principaux marchés. Il dispose d'une distribution rééquilibrée et d'une exposition accrue vers les canaux bancaires et de courtiers à forte croissance. Enfin, il a déplacé ses efforts vers la croissance du volume des nouvelles affaires tout en conservant des marges saines.

La croissance de Global Life s'est accélérée, soutenue par des lancements de produits, des améliorations des offres et des campagnes.

Farmers aspire à maintenir ses marges au niveau actuel tout en augmentant la taille des activités et sa rentabilité. Farmers est désormais bien positionné comme étant l'un des assureurs connaissant la croissance la plus rapide dans les branches des particuliers et des petites entreprises aux États-Unis avec une concentration sur l'excellence dans l'expérience du client, dans la gestion des produits et dans la distribution.

Le Zurich Way

En suivant nos objectifs stratégiques, nous sommes soutenus et guidés par le Zurich Way qui est conçu pour créer des méthodologies, des mesures et des boîtes à outils communes pour les processus de base au sein du groupe. Le Zurich Way transforme la manière dont nous faisons chaque jour des affaires et nous aide à offrir de meilleurs services aux clients d'une manière cohérente et reconnaissable en tant qu'«une seule et même Zurich».

Depuis le lancement du Zurich Way en 2004, nous avons réalisé des centaines d'améliorations de processus qui ont abouti à des gains opérationnels quantifiables et durables. Les gains financiers obtenus dépassent largement l'objectif 2007 de 700 millions de dollars après impôts et des gains supplémentaires de 2,4 milliards de dollars après impôts devraient être générés au moyen de plus de 500 initiatives sur les trois prochaines années. Tout ceci se combine pour fournir une solide fondation pour une croissance rentable.

Les processus ont été conçus et déployés à l'échelon du groupe pour des activités de base telles que la souscription, les sinistres, les ventes, la distribution, la gestion des offres et la réassurance. Ceux-ci ont été complétés par le déploiement du Zurich Way dans la finance, les ressources humaines et

Atteindre une croissance rentable

la compliance. Les avantages dégagés des initiatives sont surveillés et évalués chaque mois. Le Zurich Way de la croissance se basera sur la même approche et la même discipline pour se concentrer sur la croissance rentable en termes d'excellence au service des clients, d'excellence des produits et de la distribution.

Au travers de notre organisation, nos collaborateurs déploient un esprit entrepreneurial qui les encourage à émettre des suggestions en termes de croissance, d'améliorations et d'innovation. Ils suivent en permanence les préceptes des Zurich Basics, nos valeurs fondamentales et principes de base à partir desquels le Zurich Way a été développé, ce qui débouche sur un échange global d'idées fructueuses.

Discipline financière

La discipline financière reste primordiale. Nous avons mesuré notre performance sur les cinq dernières années de manière diligente et rigoureuse et nous allons continuer de la sorte. Notre engagement à ce principe n'a pas pu être mieux démontré en 2007 que dans le domaine de la gestion des placements, une fonction critique qui gère les placements du groupe Zurich de plus de 190 milliards de dollars. La clé de notre réussite est que Zurich gère ses actifs de manière centralisée en utilisant un cadre structuré et discipliné. Les principes fondamentaux de la stratégie sont la reconnaissance du fait que les actifs doivent être gérés en relation avec les engagements et que chaque risque du portefeuille d'actifs doit être bien compris et compensé par un rendement raisonnable. De cette manière, nous nous concentrons sur la maximisation de la création de valeur économique en faveur des preneurs d'assurance et des actionnaires.

Nous poursuivons une philosophie similaire dans toutes nos fonctions de base, ce qui nous procure une approche cohérente et prudente de la gestion des risques. Cette approche centralisée des risques n'est pas possible sans des solutions technologiques modernes. La gestion des placements a été développée et elle a amélioré son système de gestion des informations au cours des huit dernières années en regroupant des données sur les actions, les obligations et les autres placements sur plus de 43.000 positions réparties dans plus de 200 bilans.

Nous appliquons la même rigueur dans la gestion de tous nos capitaux et actifs. Ces dernières années, nous avons rationalisé notre structure pour libérer du capital en vue d'un déploiement dans des domaines du groupe qui offrent un rendement supérieur. En même temps, nous conservons une certaine flexibilité afin de poursuivre des idées intéressantes et novatrices telles que de nouveaux canaux de distribution, de nouveaux produits ou de nouvelles opportunités commerciales. En Europe, par exemple, nous passons d'environ 80 entités légales consommatrices de capitaux à 34, en remplaçant une structure complexe par une autre beaucoup plus simple qui nous permet de mieux gérer nos activités et d'optimiser le service aux clients. Cette action tire profit des principes de liberté des services et d'établissement de l'Union européenne en nous procurant une plus grande flexibilité, une gestion améliorée des liquidités et un bilan unique.

Dans Group Finance, nous sommes passés d'une multitude d'unités locales à une opération globale avec une meilleure performance et avec des processus de base plus efficaces. Plusieurs services de trésorerie ont été consolidés à Dublin. Nous avons restruc-

L'excellence au service des clients

L'énergie alternative devrait se monter à 10-20 pour cent de la production globale d'énergie au cours de la prochaine décennie. Zurich Global Energy s'engage à soutenir les clients existants et potentiels sur ce segment de marché. Nous souscrivons déjà des primes substantielles d'énergie alternative, principalement en hydraulique, en éolien et en biocarburants. À l'heure actuelle, Global Energy a mis sur pied une équipe chargée d'aider les courtiers et les clients à faire croître leurs affaires.

L'excellence des produits

Zurich Global Corporate a développé un nouveau produit d'assurance afin de couvrir l'impact commercial d'une perturbation dans la chaîne d'approvisionnement du client. Le produit va offrir une couverture contre les pertes de recettes et/ou les charges accrues en résultant. Une approche novatrice de formule de règlement des sinistres devrait également fournir une plus grande assurance sur les montants qui peuvent être réclamés et réduire le temps d'investigation après un sinistre.

L'excellence de la distribution

Aux États-Unis, l'intégration de Bristol West et de ses 10.400 agents chez Farmers affiche déjà des résultats tangibles. Le déploiement de ses produits au travers de la plateforme de distribution de Farmers a été achevé dans 20 des 29 États avec agents sous contrat. Cette dernière acquisition démontre également l'intégration largement réussie de l'assureur de branches spécialisées Foremost Insurance Company que Farmers a acquis en 2000 et qui a doublé ses primes en trois ans.

turé les processus comptables de six unités commerciales en Europe et aux États-Unis en une seule plate-forme de services partagés externalisée et multilingue à Cracovie en Pologne.

Nous améliorons également l'efficacité en partageant des services dans différentes parties de l'organisation. En Europe, nous visons à tirer pleinement profit des best practices, des plate-formes et des infrastructures communes dans huit domaines: le juridique, la compliance, les approvisionnements, la communication, la gestion des risques, les ressources humaines, les communications marketing ainsi que la gestion immobilière et des locaux du groupe.

En Amérique du Nord, nous avons atteint en 2007 un nouveau niveau de coopération entre Zurich et Farmers en introduisant des services partagés pour l'informatique, la comptabilité, la finance, les ressources humaines, les communications, les approvisionnements, l'immobilier et l'audit. Les économies d'échelle issues de cette alliance, de ces connaissances et de ces technologies combinées devraient représenter 93 millions de dollars en 2010. Ce changement va également améliorer l'excellence opérationnelle de Farmers et North America Commercial et il va les aider à atteindre leurs objectifs commerciaux sur des marchés de plus en plus concurrentiels.

Leadership

Poursuivant une tradition qui a marqué notre développement au cours de 135 ans, nous nous engageons à être leader au sein de notre secteur. L'une de nos priorités est la compréhension de la multitude de risques afin de pouvoir fournir des réponses novatrices et adéquates aux défis d'aujourd'hui et de demain. Notre adaptation continuelle aux changements reflète notre détermination à aider nos clients à mieux comprendre et à mieux gérer leurs risques et à fournir une aide pratique dans un monde en rapide mutation.

De la même manière, nous cherchons à identifier les opportunités qui vont inévitablement accompagner les risques et à aider nos clients à les comprendre et à en tirer profit. À l'heure actuelle, le partage des risques est non seulement important pour le fonctionnement des entreprises et des économies interdépendantes, mais au niveau personnel également, les gens se sentent plus à l'aise et plus sécurisés lorsqu'ils peuvent gérer les changements permanents dans leur vie, dans leurs entreprises et dans le monde qui les entoure.

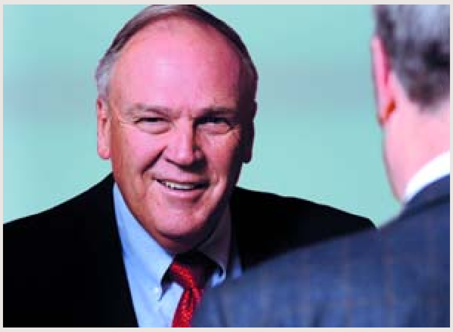
Les risques actuels peuvent être globaux ou locaux, géopolitiques ou économiques, financiers ou commerciaux. Quelques-uns sont connus, d'autres vont apparaître en tant que «spots» distants sur les écrans radars, et d'autres peuvent être masqués, largement imprévisibles, du moins pour des yeux d'aujourd'hui. Notre défi est de continuer à favoriser une meilleure compréhension des problèmes et des interdépendances qui se transforment pour devenir les risques de demain.

Une gestion efficace des risques est sous-jacente à notre activité de même qu'à celle de nos clients. Nous la considérons comme un élément fondamental de toute stratégie commerciale et pas seulement comme une réaction à des influences externes.

Conseil d'administration

Manfred Gentz
Président du Conseil d'administration, président du comité de gouvernance et des nominations, membre du comité des rémunérations

Philippe O. Pidoux
Vice-président du Conseil d'administration, membre du comité de gouvernance et des nominations, membre du comité des rémunérations



Don Nicolaisen
Membre du Conseil d'administration, président du comité des risques, membre du comité d'audit

Vernon L. Sankey
Membre du Conseil d'administration, président du comité des rémunérations

Thomas K. Escher
Membre du Conseil d'administration,
membre du comité d'audit

Fred Kindle
Membre du Conseil d'administration,
membre du comité des rémunérations

Armin Meyer
Membre du Conseil d'administration,
membre du comité de gouvernance et des nominations, membre du comité des risques

Gerhard H. Schulmeyer
Membre du Conseil d'administration,
président du comité d'audit,
membre du comité des risques

Tom de Swaan
Membre du Conseil d'administration,
membre du comité des risques,
membre du comité de gouvernance et des nominations

Rolf U. Watter
Membre du Conseil d'administration,
membre du comité d'audit

Comité exécutif du groupe

James J. Schiro
Chief Executive Officer

John J. Amore
Chief Executive Officer
General Insurance

Paul N. Hopkins
Chief Executive Officer
Farmers Insurance Group

Axel P. Lehmann
Chief Executive Officer
North America Commercial[1]
Group Chief Risk Officer[2]

Paul van de Geijn
Chief Executive Officer
Global Life

Dieter Wemmer
Chief Financial Officer

Annette Court
Chief Executive Officer
Europe General Insurance

Mike Foley
Chief Executive Officer
North America Commercial[2]

Mario Greco
Successeur désigné du Chief Executive Officer
Global Life

Patrick H. O'Sullivan
Chief Growth Officer

Geoff Riddell
Chief Executive Officer
Global Corporate

Martin Senn
Chief Investment Officer

[1] Jusqu'au 31 décembre 2007
[2] Au 1er janvier 2008

Risque, responsabilité et gouvernance

Table des matières

Gestion des risques

Gérer de manière efficace les risques affectant Zurich est essentiel à notre capacité d'aider nos clients à gérer les leurs. Alors que la gestion des risques est depuis longtemps la discipline de base des assureurs, elle est devenue encore plus cruciale pour nous et pour nos clients au fur et à mesure de l'évolution de l'environnement de risk vers une complexité croissante.

Nous définissons la gestion des risques d'entreprise comme une méthode structurée à l'échelon du groupe en vue d'identifier, de mesurer, de gérer, de rendre compte et d'affronter les risques qui affectent la réalisation de nos objectifs stratégiques et financiers. Nous considérons les risques et les opportunités des deux côtés du bilan.

Notre gestion des risques a pour objectif de protéger la base de capital, de renforcer la création de valeur, de servir de support aux prises de décisions et de préserver notre réputation et notre marque en édifiant une culture de prise de conscience des risques.

Nos principales catégories de risques incluent:

- les risques d'assurance qui nous sont transférés par les clients au travers du processus de souscription
- les risques opérationnels associés aux collaborateurs, aux processus et aux systèmes de la société ainsi qu'aux événements externes
- les risques de réputation dus au fait qu'une action ou une omission de la société ou de l'un de ses collaborateurs pourrait porter préjudice à notre réputation ou à la confiance que nous témoignent nos parties prenantes
- les risques stratégiques pouvant résulter en tant qu'effet secondaire implicite de la planification ou de l'exécution de la stratégie
- les risques de crédit associés à une perte ou une perte potentielle d'une contrepartie qui ne parvient pas à satisfaire à ses obligations financières
- les risques de marché associés aux positions du bilan du groupe dont la valeur dépend des placements sur les marchés financiers

Veuillez vous référer aux Consolidated Financial Statements, note 26 gestion des risques, pour tous les détails relatifs aux risques de crédit et de marché ainsi que pour toute information complémentaire inhérente aux risques d'assurance.

Gouvernance des risques

Le Conseil d'administration établit le cadre de gestion des risques du groupe. Le comité des risques du Conseil d'administration sert de point central pour la vue d'ensemble relative à la gestion des risques. Il examine le cadre de gouvernance des risques dans tout le groupe, y compris les méthodes de gestion des risques, les politiques, les modèles et rapports ainsi que la stratégie des risques. Ce comité s'est réuni six fois en 2007. Pour faciliter l'échange d'informations entre le comité d'audit du Conseil d'administration et le comité des risques du Conseil d'administration, le président du comité d'audit est membre du comité des risques et vice versa.

Le comité des risques du Conseil d'administration évalue si la Direction générale se penche sur les questions des risques et du contrôle à temps et de manière appropriée. Le comité des risques du Conseil d'administration reçoit des rapports réguliers concernant les profils de risques du groupe et les actions de réduction des risques.

Le groupe a des comités d'audit ou des risques supplémentaires à tous les niveaux de l'organisation, lesquels examinent régulièrement et systématiquement les risques dans les différentes entités du groupe et veillent à attirer l'attention de la Direction générale de manière appropriée.

Le Chief Executive Officer, en collaboration avec le Comité exécutif du groupe, supervise la performance du groupe dans le domaine des politiques en matière de gestion des risques ainsi qu'au niveau du développement de ces politiques si nécessaires. Fin 2007, le groupe a nommé un membre du Comité exécutif du groupe au titre de Group Chief Risk Officer, ce qui reflète le rôle renforcé de la gestion des risques dans l'environnement complexe d'aujourd'hui ainsi que l'importance stratégique que nous accordons à la gestion des risques.

Nous gérons les risques au sein de l'organisation, du Chief Executive Officer à nos zones d'activités et fonctionnelles, en nous alignant sur notre organisation matricielle. Nous avons des centres de compétence au sein du Corporate Center pour des types de risques tels que ceux de crédit et du marché, avec une gestion décentralisée des risques qui surviennent essentiellement au niveau local.

Le groupe bénéficie aussi de la coopération de son réseau de spécialistes de gestion des risques et d'activités fonctionnelles au sein de chaque entité de même qu'au Corporate Center, où nous disposons de gestionnaires dédiés aux différents types de risques.

Les politiques de gestion des risques à l'échelon du groupe précisent les limites de tolérance face aux risques, les compétences dans le domaine, les exigences en termes de rapports ainsi que les procédures de transmission à la Direction générale des questions relatives aux risques. Nous surveillons régulièrement nos risques au moyen d'analyses et de rapports divers ainsi que de modélisations pertinentes. Nous évaluons nos risques de manière systématique et stratégique au travers de notre propre processus de Total Risk Profiling® qui nous permet d'identifier puis d'évaluer la probabilité de survenance d'un scénario à risques et l'ampleur des conséquences s'il venait à se produire. Nous élaborons, surveillons et appliquons alors des actions d'amélioration appropriées. Le processus de risk profiling est intégré dans la manière dont nous faisons face aux changements et il est particulièrement adapté à l'évaluation des risques stratégiques et des risques touchant à notre réputation.

Perspectives externes

Différentes parties prenantes externes, dont des agences de notation et des organes de surveillance, mettent de plus en plus l'accent sur l'importance d'une saine gestion des risques dans notre secteur.

Les agences de notation s'intéressent de manière croissante à la gestion des risques en tant que facteur d'évaluation des sociétés. Standard & Poor's est la seule agence de notation à appliquer un rating spécifique pour la gestion des risques d'entreprise. Standard & Poor's a amélioré notre rating en matière de gestion des risques d'entreprise, le faisant passer de «adequate» en 2006 à «strong» en 2007. 13 pour cent seulement des assureurs européens ont reçu la notation «strong».

Les New International Financial Reporting Standards exigent que certaines informations relatives à la gestion des risques soient soumises à un audit dans les Consolidated Financial Statements annuels. Veuillez vous référer aux Consolidated Financial Statements, note 26 gestion des risques, pour tous les détails relatifs aux risques de crédit et de marché ainsi que pour toute information complémentaire inhérente aux risques d'assurance.

Nous nous appuyons également sur des compétences externes afin de mieux comprendre et évaluer nos risques, notamment en ce qui concerne les domaines de changements complexes. Veuillez consulter le Rapport de gestion 2007 pour de plus amples informations sur nos International Advisory Council, Natural Catastrophe Advisory Council et Climate Change Advisory Council. En outre, l'Investment Management Advisory Council fournit des informations en retour à notre Direction générale sur l'atteinte de rendements ajustés aux risques supérieurs aux engagements pour les actifs investis du groupe.

Nous sommes également fortement impliqués dans le CRO Forum (organisation composée des chief risk officers des plus grandes compagnies d'assurance européennes et de conglomérats financiers), spécialisé dans le développement et la promotion des best practices du secteur dans la gestion des risques. Nous nous sommes particulièrement engagés, en 2007, dans les efforts déployés par le Forum pour aider à formuler les exigences de solvabilité européennes.

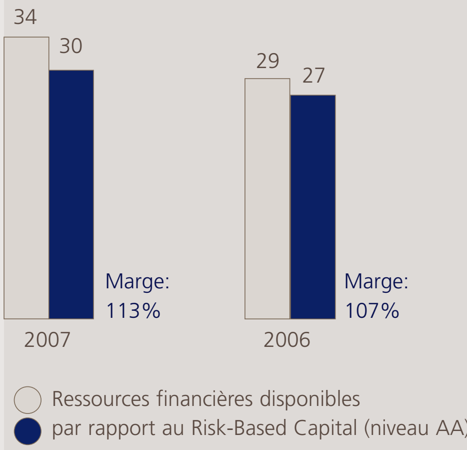
Gestion des risques

Gestion des capitaux

Nous veillons à ce que toutes nos filiales réglementées répondent en tout temps aux exigences réglementaires locales en matière de capital. Notre principal outil de gestion du capital est notre modèle interne de Risk-Based Capital (RBC). Nous utilisons le RBC pour évaluer la consommation économique en capital de nos activités sur la base d'un bilan unique. Nous définissons le RBC comme le capital requis pour protéger les preneurs d'assurance du groupe contre la pire perte possibles (que nous calibrons selon notre objectif de puissance financière AA comme un événement avec une probabilité de survenance de un sur 2000 au cours d'une année; ceci donne un niveau de confiance de 99,95 pour cent). Le cadre RBC est une partie intégrante de la manière dont nous gérons le groupe. Il continue à être intégré dans notre organisation et nos prises de décisions, comme l'allocation du capital, la gestion de la performance commerciale, la tarification, l'achat de réassurance, l'évaluation des transactions, l'optimisation des risques et la communication avec les instances de régulation et les agences de notation.

Le graphique ci-dessous présente sous forme de récapitulatif la consommation de RBC pour nos activités comparée aux ressources financières disponibles (Available Financial Resources, (AFR)). Le calcul AFR de Zurich traduit le bilan établi conformément aux normes IFRS en un aperçu économique conforme avec la méthodologie RBC. Les AFR indiquent les ressources financières qui protègent les preneurs d'assurance en cas de survenance du pire scénario en matière de sinistre. Elles sont déterminées en ajustant les fonds propres attribuables aux actionnaires selon les normes IFRS en leur déduisant les actifs et passifs intangibles ainsi que les dividendes/-rachats d'actions proposés. À ce montant sont ajoutées la valeur des futurs bénéfices sur les affaires en cours ainsi que les dettes prioritaires et subordonnées d'une échéance de plus d'un an. Puis finalement, des ajustements concernant l'étendue du RBC sont effectués (p. ex. participations minoritaires) afin de déterminer les ressources financières disponibles pour protéger les preneurs d'assurance pendant la période d'observation. Les montants du graphique indiquent les AFR au début de l'année correspondante (sur la base du bilan IFRS au 31 décembre de l'année précédente) permettant de couvrir les risques ayant une probabilité de survenance durant l'année indiquée (RBC):

Ressources financières disponibles par rapport au Risk-Based Capital
(milliards de dollars au 1er janvier)



Nous maintenons également le dialogue avec les agences de notation concernant l'évaluation de l'adéquation de nos fonds propres.

L'évaluation de la solidité financière des principales unités opérationnelles du groupe est un élément important dans notre position concurrentielle. De plus, les ratings de crédit du groupe dérivés des ratings de notre solidité financière affectent le coût du capital. En juin 2007, Standard & Poor's a amélioré à «AA-» le rating de la solidité financière de «Zurich» Compagnie d'Assurances et d'autres unités opérationnelles clés du groupe. En octobre et décembre 2007, Fitch et A.M. Best, respectivement, ont amélioré leur perspective concernant le rating de la solidité financière 'A+' et 'A (excellent)' de «Zurich» Compagnie d'Assurances de «stable» à «positive».

Veuillez vous référer aux Consolidated Financial Statements, note 27 Capital Management, pour de plus amples informations sur notre gestion du capital et notre solvabilité.

Gestion des risques d'assurance vie

Dans les activités d'assurance vie, nous avons mis en place des comités formels de développement de produits au niveau local et un comité d'approbation au niveau du groupe pour de nouveaux produits qui pourraient accroître ou réduire nos risques de manière significative. De tels passages en revue nous permettent de prendre des risques planifiés au fur et à mesure que nous développons nos activités. Nous examinons régulièrement l'adéquation et les risques potentiels des produits existants.

Notre utilisation des principes de rapport de la valeur intrinsèque européenne (European Embedded Value) nous permet de continuer à comprendre et à rendre compte du profil de risques de nos produits vie et de la manière dont les risques pourraient évoluer dans des conditions de marché différentes. La valeur intrinsèque est la mesure que les marchés utilisent pour évaluer les activités vie; nous utilisons une approche cohérente vis-à-vis du marché qui est considérée comme la best practice du secteur. Veuillez consulter le Embedded Value Report pour des informations complémentaires.

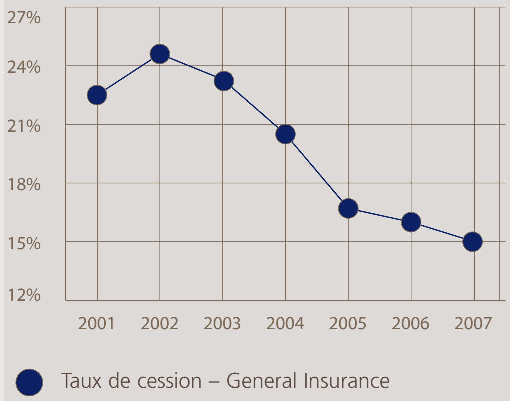
Pour une analyse approfondie des nos Emerging Risks Group, affectant aussi bien la gestion des risques de l'assurance vie que celle de l'assurance dommages, veuillez consulter le Rapport de gestion 2007.

Gestion des risques de l'assurance dommages

La discipline de souscription constitue un élément fondamental dans la gestion de nos risques. Nous fixons des limites à notre capacité de souscription et nous déléguons les compétences à nos collaborateurs sur la base de leur expertise spécifique. Au travers du Zurich Way, nous fixons des directives de tarification appropriées avec une concentration sur une prime technique homogène à travers l'organisation. Les analyses techniques confirment si les souscripteurs agissent dans le cadre de leurs compétences et adhèrent à notre philosophie et à notre politique de souscription. Nos réseaux de branches d'activité mondiaux partagent les best practices partout dans le monde, fournissant des conseils et une gouvernance supplémentaires. Comme avec les produits d'assurance vie, nous avons des procédures de gouvernance pour examiner les nouveaux produits potentiels et évaluer si les risques sont bien compris et justifiés par les rendements.

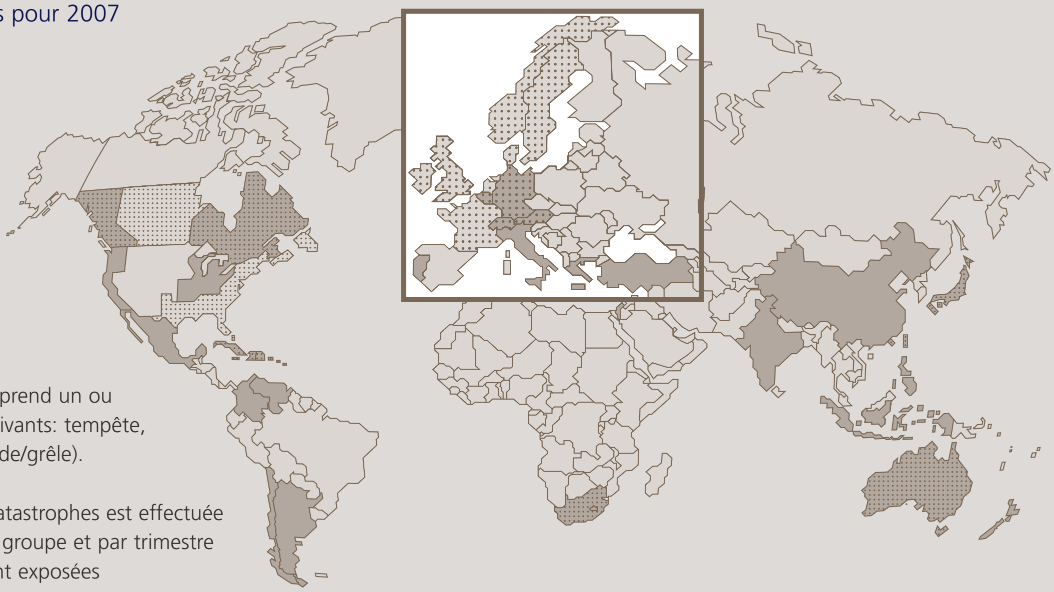
Un autre fondamental est la réassurance appropriée qui pondère les risques d'assurance. Nos principaux objectifs dans l'achat de réassurance sont de fournir des services de leader du marché pour nos clients tout en protégeant le bilan et en optimisant l'efficience financière du groupe. Nous maintenons une stratégie d'achat centralisée pour l'assurance dommages – et, depuis septembre 2007, également pour l'assurance vie – et continuons à composer des programmes nous permettant de bénéficier de la diversification et d'économies d'échelle. Nous continuons à analyser et à utiliser les marchés traditionnels de la réassurance et d'autres marchés alternatifs tels que les obligations catastrophe, afin de protéger Zurich contre des événements uniques extrêmes ainsi que contre la fréquence accrue d'événements tombant sous notre rétention. Notre Corporate Reinsurance Security Committee gère la qualité de crédit de nos cessions et de nos actifs de réassurance. Grâce à l'amélioration de nos processus de souscription et à la flexibilité que nous procure l'augmentation de nos fonds propres attribuables aux actionnaires, nous avons été en mesure de restructurer et de réaligner nos programmes de réassurance afin d'atteindre un meilleur ratio risques/rendement.

Primes cédées – tendance
(% des primes de General Insurance cédées aux réassureurs)



Gestion des risques

Régions à risques évaluées pour 2007



Risques géologiques (tremblements de terre)

Induits par le climat (comprend un ou plusieurs des éléments suivants: tempête, inondation fluviale, tornade/grêle).

Notre modélisation des catastrophes est effectuée par année à l'échelon du groupe et par trimestre pour les régions fortement exposées

Modélisation des catastrophes naturelles

Comprendre les effets potentiels des catastrophes naturelles est un élément critique pour la gestion des risques de General Insurance. Alors que les catastrophes spécifiques sont imprévisibles, la modélisation nous aide à déterminer les sinistres potentiels en cas de survenance de catastrophes. Nous utilisons une combinaison de modèles de tiers et de modèles internes pour nous aider à gérer nos activités de souscription et d'accumulation dans les zones modélisées, de sorte à rester dans le cadre des limites d'exposition prévues et à nous aider à déterminer la réassurance que nous achetons.

Nous modélisons à la fois au niveau local et au niveau du groupe en vue d'évaluer et d'agréger nos expositions aux risques. Nous surveillons notre modélisation de manière centralisée afin d'assurer une approche cohérente et une perspective globale de nos accumulations. Nous disposons de centres techniques intégrés au sein des activités, ce qui contribue à améliorer la qualité générale de nos données. Nous cherchons constamment à améliorer notre modélisation et à accroître la précision de notre collecte de données afin d'augmenter l'exactitude et l'utilité de nos informations. En 2007, par exemple, nous avons entrepris des efforts particuliers pour ajouter des détails aux polices municipales au Royaume-Uni, ce qui a permis d'augmenter le nombre de détails de localisation de 700.000 à trois millions. Nous avons également ajouté les régions à risques géologiques suivantes: Allemagne, Suisse, Autriche, Belgique, Turquie, Grèce, Chine, Inde, Nouvelle-Zélande, Guam et Colombie ainsi que des régions à risques en raison de facteurs climatiques (Norvège et Guam).

Gestion des risques de catastrophes liées aux activités humaines

L'expérience de Zurich dans la surveillance d'expositions potentielles à des catastrophes naturelles s'applique également aux menaces découlant des catastrophes liées aux activités humaines, en particulier au terrorisme. Compte tenu du niveau élevé d'incertitude quant aux événements susceptibles de survenir, notre surveillance et nos analyses d'accumulations comprennent toute une série d'hypothèses relatives aux caractéristiques potentielles des menaces. Nous analysons et regroupons nos expositions aux accidents de salariés et aux sinistres choses afin d'identifier les domaines avec une concentration significative. Les données qui en découlent permettent à nos souscripteurs, notamment en Amérique du Nord, d'évaluer la manière dont la couverture de risques spécifiques à un client peut affecter l'exposition de Zurich dans son ensemble. Dans d'autres régions, nos analyses ont montré que nos expositions sont significativement réduites, largement en raison de pools fournis par les gouvernements. Nous surveillons périodiquement les limites d'accumulations dans ces zones.

Gestion des risques opérationnels

Généralement, tous les risques contiennent un aspect quelconque de risque opérationnel. Les initiatives du Zurich Way nous aident à gérer les risques opérationnels par une standardisation des processus. Par ailleurs, nous nous sommes efforcés d'identifier plus précisément les principaux risques opérationnels en appliquant une approche commune au travers du groupe, et en tirant profit des renseignements fournis par d'autres sources d'informations relatives aux risques comme les contrôles internes et le Total Risk Profiling®. Nous réalisons des évaluations des risques opérationnels qui constituent une évaluation qualitative de tels risques, et nous concevons une base de données regroupant les données des sinistres. L'analyse de tels sinistres nous aide à initier les changements qui s'imposent.

En 2007, nous avons implanté notre structure dédiée aux risques opérationnels dans les grands centres d'activités. Nous avons aussi piloté une approche basée sur des scénarios afin de quantifier les risques opérationnels à une période précoce de l'année et avons utilisé cette méthodologie pour nos calculs du RBC.

Au fur et à mesure du développement d'une structure intégrée de gestion des risques opérationnels, nous continuons à nous concentrer sur des problématiques opérationnelles hautement prioritaires, telles que l'externalisation, la technologie de l'information et la gestion de la continuité de l'exploitation. Une tâche importante consiste à garder nos plans de continuité de l'exploitation à jour avec un accent porté sur la récupération à la suite d'événements inattendus tels que les catastrophes naturelles et la possibilité d'une pandémie. En 2007, nous avons continué à nous préparer aux possibilités de pandémie et nous sommes concentrés sur la formation à la gestion des crises.

Notre initiative sur plusieurs années de renforcement de la cohérence, de la documentation et de l'évaluation de nos contrôles internes se poursuit pour les contrôles et les sites significatifs. Bien qu'elle soit essentiellement concentrée sur des contrôles majeurs liés aux rapports financiers, cette initiative s'applique également aux contrôles opérationnels. Veuillez vous référer au chapitre sur le «Système de contrôle interne» du Rapport sur la gouvernance d'entreprise pour de plus amples informations.

Gestion des risques stratégiques et de réputation

Comme pour les risques opérationnels, chaque type de risque a des conséquences potentielles pour la réputation de Zurich. C'est pourquoi une gestion efficace de chaque type de risque nous aide également à réduire les risques liés à notre réputation. Nous nous efforçons en outre de préserver notre réputation en observant les lois et règlements en vigueur et en respectant les valeurs fondamentales et les principes de base des Zurich Basics, qui incluent l'intégrité et les bonnes pratiques commerciales. Nous gérons de manière centralisée certains aspects du risque de réputation, par exemple la communication, par des fonctions dotées de la compétence appropriée.

Les décisions commerciales stratégiques impliquent, de par leur nature, des risques. Nous veillons à réduire les risques implicites de telles décisions au moyen de nos outils d'évaluation des risques, y compris le processus de Total Risk Profiling®. Le Comité exécutif du groupe évalue régulièrement les principaux scénarios de risques stratégiques pour le groupe en tant qu'entité, et nous évaluons les risques liés à des transactions de fusions et acquisitions spécifiques. Le groupe gère par ailleurs de tels risques en assignant des responsabilités et des compétences clairement définies et en fixant des limites pour l'examen et l'approbation de décisions stratégiques.

Responsabilité d'entreprise

Nous sommes convaincus qu'une entreprise responsable est celle qui prend des mesures pour créer une plus-value à la fois pour l'entreprise et la société en se penchant de façon proactive sur les principales questions sociales, environnementales et de gouvernance.

Pour améliorer encore notre performance en matière de responsabilité d'entreprise, nous continuerons à mieux intégrer les questions importantes et les attentes correspondantes des parties prenantes dans les activités de base de Zurich et à tirer profit des best practices à travers tout le groupe.

Le Corporate Responsibility Council, qui comprend des membres de la Direction générale et des fonctions clés, sera chargé d'assurer une vue d'ensemble des activités et de la performance en matière de responsabilité d'entreprise et de fournir des conseils sur la formulation de la stratégie et des priorités.

Nous fixerons des priorités en fonction de l'impact potentiel sur les activités, du niveau d'intérêt sociétal et de notre capacité à nous différencier. Les axes d'efforts prévus pour 2008 incluent: une performance améliorée dans le DJSI et le FTSE4Good, la micro-assurance, le changement climatique, la philanthropie d'entreprise et l'engagement des collaborateurs.

La responsabilité d'entreprise est la manière dont nous réalisons des affaires. Vous trouverez donc des informations pertinentes, y compris des informations sur notre engagement en faveur de l'excellence dans les services que nous fournissons à nos clients et à nos collaborateurs, deux parties prenantes clés, tout au long du Rapport de gestion 2007.

DJSI et FTSE4Good

Zurich atteint en permanence son objectif de responsabilité d'entreprise consistant à faire partie des indices Dow Jones Sustainability (DJSI) et FTSE4Good Index Series depuis leur lancement en 1999 et 2001, respectivement. Le DJSI et le FTSE4Good ne sont pas seulement devenus des benchmarks importants pour le nombre croissant d'investisseurs qui jugent une bonne performance de la responsabilité d'entreprise essentielle pour le succès à long terme de leurs placements, ils sont aussi un indicateur de notre succès dans la gestion des principales questions environnementales, sociales et de gouvernance.

Zurich continue à améliorer d'année en année la performance globale, et les résultats restent supérieurs à la moyenne dans les dimensions sociales, environnementales et économiques du DJSI. Il existe néanmoins encore un potentiel d'amélioration dans les dimensions sociales et environnementales, en particulier dans le domaine des rapports sociaux, de l'attitude face aux risques et aux opportunités en matière d'environnement et de l'engagement des parties prenantes. Nous intégrons les résultats et les enseignements tirés de tels ratings dans le développement des activités du groupe, et nous continuerons à en tirer profit pour développer nos points forts et améliorer nos points faibles.

Micro-assurance

Pour des centaines de millions de familles à faible revenu, l’assurance et d’autres services financiers sont trop souvent inconnus, inadéquats ou hors de portée.

La micro-assurance combine le savoir-faire de base et la sophistication de l’assurance et de la gestion des risques avec de nouvelles connaissances, analyses et innovations de manière à répondre de façon appropriée et convenable aux besoins des populations à faible revenu. Elle vise la durabilité; les produits et services doivent apporter des avantages aux clients tout en étant économiquement viables pour le prestataire.

Début 2007, Zurich a constitué une équipe Global Microinsurance associant l’expertise de Zurich en matière d’assurance à une envergure mondiale afin de développer plus rapidement la micro-assurance et les connaissances en micro-assurance.

En février 2007, Zurich a conclu un accord de partenariat public privé avec la Direction du développement et de la coopération suisse et l’Organisation Internationale du Travail. Cet accord a permis de fournir une assistance technique directe aux projets en cours en Bolivie, en Afrique du Sud et au Venezuela ainsi qu’un soutien en matière de planification stratégique pour les autres centres d’activités explorant les opportunités de développement de la micro-assurance. De remarquables projets portent sur le développement de produits et la distribution à la Royal Bafokeng Nation en Afrique du Sud, sur l’analyse de la demande en Afrique du Sud et au Venezuela, ainsi que sur un examen des principaux enseignements tirés en Bolivie.

Nous avons conclu cette année des partenariats avec des agences gouvernementales et non gouvernementales, des organisations multilatérales et des institutions académiques, identifiant les développements les plus intéressants et les plus prometteurs dans le domaine. Nous avons participé activement au groupe de travail sur la micro-assurance mis en place par le Consultative Group to Assist the Poor et l’International Association of Insurance Supervisors. Nous avons aussi lancé une expérience pilote de formation financière avec Microfinance Opportunities en Afrique du Sud, la formation étant une composante cruciale du succès de la micro-assurance.

L’activité d’expansion de la micro-assurance s’est poursuivie en 2007 dans les centres d’activités en Amérique latine, en Afrique et en Grande Chine. De nouvelles expériences ont été tentées en termes de couverture et de canal de distribution: couvertures dommages, couverture maladie et assurance vie, distribution par des intermédiaires et par la vente directe. Certaines de ces expériences représentaient des innovations marginales, d’autres étaient plus audacieuses. Zurich reconnaît que l’amélioration et l’apprentissage permanents constituent les éléments fondamentaux de cette initiative et que de cette manière, les chances de progresser augmentent.

Veuillez vous référer au Rapport de gestion 2007 pour une description complète de l’initiative de micro-assurance de Zurich.

Responsabilité d'entreprise

Changement climatique

En tant que leader mondial de la gestion des risques, nous avons lancé une initiative visant à développer des produits et des services adaptés aux nouveaux risques associés au changement climatique. Dans le même temps, nous prenons des mesures pour gérer nos émissions de carbone.

Bien que nos activités à travers le monde aient déjà commencé à répondre aux besoins et aux attentes des clients dans le domaine des risques liés au climat, la nouvelle initiative nous permet d'adopter une approche cohérente et mieux ciblée. Elle comporte trois éléments:

- Un bureau climatique interne visant à motiver nos 60.000 collaborateurs qui aidera à développer des produits et des solutions de risques. Il sera intégré dans notre infrastructure de souscription.
- Un Climate Change Advisory Council constitué de leaders fonctionnels internes et d'experts externes, qui fournira des conseils au management de Zurich sur les questions stratégiques et opérationnelles en combinaison avec le changement climatique.
- Un programme de recherche appliquée avec des organisations et des institutions chargées d'examiner les principales questions économiques, financières et politiques associées au changement climatique.

En tant que premier partenariat de ce troisième volet, Zurich financera un programme d'éminents visiteurs à la Donald Bren School of Environmental Science and Management à l'Université de Californie. L'école évaluera notre empreinte carbonique afin de nous aider à gérer les émissions de carbone d'une manière judicieuse et durable.

Ce nouvel élan s'ajoute aux initiatives déjà ancrées au sein de notre organisation. L'Europe, les États-Unis et l'Australie offrent tous des produits basés sur les risques liés au climat. Le Canada, les États-Unis et l'Europe se sont mis en rapport avec des experts dans ces domaines. Certains centres d'activités, y compris en Suisse, se sont engagés à développer et à mettre en œuvre des stratégies de gestion des émissions de CO_2. Farmers aux États-Unis offre des rabais aux conducteurs de véhicules à combustion hybride.

Voici un exemple de l'engagement de nos collaborateurs sur les questions liées au changement climatique au niveau pratique et personnel: en 2007, six d'entre eux se sont rendus au Sri Lanka pour aider à repeupler les forêts de mangroves détruites par le tsunami désastreux de décembre 2004. Plus de 100 collaborateurs de 16 pays se sont portés candidats afin de rejoindre le projet organisé par le Earthwatch Institute of Europe. Les six lauréats venaient d'Australie, du Canada, d'Espagne, de Suisse, du Royaume-Uni et des États-Unis. D'autres volontaires ont été recherchés pour 2008, et, une fois rentrés au pays, chacun d'eux deviendra un champion de la responsabilité d'entreprise.

Veuillez vous référer au Rapport de gestion 2007 pour une description complète de l'initiative liée au changement climatique de Zurich.

Philanthropie d'entreprise

Nous sommes très fiers de donner et de faire des efforts pour doter nos collaborateurs des connaissances et des ressources nécessaires pour mieux gérer le changement et les risques dans leur vie et dans le monde qui les entoure. Zurich offre d'importantes contributions financières et en nature aux communautés dans lesquelles elle opère tout autour du globe. En réponse aux besoins et aux priorités locaux, notre engagement couvre une large gamme d'activités.

Afin d'augmenter l'impact positif sur la société, nous avons l'intention d'accorder une plus grande attention et cohérence à la philanthropie d'entreprise du groupe et à notre travail dans les fondations. Cela permettra aussi de garantir que la philanthropie du groupe soit en harmonie avec notre stratégie globale de responsabilité d'entreprise et la soutienne. Un élément important de la philanthropie d'entreprise sera l'engagement actif et l'implication des collaborateurs.

Pour toute information complémentaire, veuillez consulter notre site Internet à l'adresse www.zurich.com.

Rapport sur la gouvernance d'entreprise

Zurich Financial Services s'est engagé à pratiquer une gouvernance d'entreprise efficace, basée sur les principes d'équité, de transparence et de responsabilité dans l'intérêt de ses actionnaires et de ses clients ainsi que de ses collaborateurs et d'autres parties prenantes. Les structures, les règlements et les processus sont conçus de manière à assurer une organisation et une marche des affaires correctes au sein du groupe ainsi qu'à définir les pouvoirs et les responsabilités de ses organes et collaborateurs.

Le présent rapport décrit la manière dont le groupe pratique la gouvernance d'entreprise et présente les principaux éléments de la gouvernance d'entreprise au sein du groupe Zurich Financial Services. Il inclut les informations requises par la Directive concernant les informations relatives à la Corporate Governance de la SWX Swiss Exchange (avec effet au 1er janvier 2007). Il explique également la manière dont le groupe s'est conformé, en 2007, au Code suisse de bonne pratique pour le gouvernement d'entreprise, édité en 2002 par la Fédération des entreprises suisses et modifié en octobre 2007. Par ailleurs, le groupe continue de publier un système de contrôle interne (voir page 51) en conformité avec la Turnbull Guidance britannique.

Les principes de la gouvernance d'entreprise et les normes décrits ci-dessus ont été intégrés dans de nombreux documents, en particulier dans les statuts, les règlements organisationnels ainsi que les chartes et règlements des comités du Conseil d'administration. Le comité de gouvernance et des nominations du Conseil d'administration, qui supervise la gouvernance du groupe, compare régulièrement la gouvernance aux normes de bonne pratique et veille à ce qu'elle soit conforme aux exigences de la gouvernance d'entreprise.

Une structure efficace est en place afin d'assurer la coopération entre le Conseil d'administration, la Direction générale et les fonctions de contrôle interne. Cette structure réalise des contrôles et veille à équilibrer les responsabilités. Elle a également pour but d'assurer l'indépendance institutionnelle du Conseil d'administration par rapport au Chief Executive Officer du groupe (CEO) et au Comité exécutif du groupe (GEC), responsables de gérer le groupe au quotidien. Le Conseil d'administration de Zurich Financial Services est constitué uniquement de membres sans pouvoir exécutif. Le président du Conseil d'administration et le CEO ont des rôles distincts, ce qui garantit la séparation des pouvoirs entre les fonctions et assure l'autonomie du Conseil d'administration.

Ce rapport suit la structure recommandée par la Directive de la SWX Swiss Exchange. Le chapitre consacré aux rémunérations, participations et prêts des membres du Conseil d'administration et des membres du GEC fait l'objet d'un rapport séparé, le Rapport sur les rémunérations (voir pages 54 et suivantes), qui complète le présent Rapport sur la gouvernance d'entreprise.

Structure du groupe et actionnaires

Structure opérationnelle du groupe

Zurich Financial Services, la société holding du groupe, est une société suisse organisée en conformité avec les lois suisses.

Le groupe est géré sur une base matricielle correspondant à la fois aux branches d'activités et à la répartition géographique, ce qui se reflète dans les domaines de responsabilité assignés aux membres du GEC. Le GEC est présidé par le CEO et composé du Chief Financial Officer, du Chief Investment Officer, du Chief Growth Officer, du Group Chief Risk Officer, des responsables des segments opérationnels – General Insurance, Global Life et Farmers Management Services – ainsi que des responsables des divisions d'affaires de North America Commercial, Global Corporate et Europe General Insurance. Pour de plus amples informations sur le GEC, veuillez vous référer aux pages 42 à 47.

Cette structure de direction mène à l'établissement de rapports du groupe sur la base des segments opérationnels primaires suivants:

- General Insurance répond aux besoins d'assurance dommages d'un large cercle de clients, allant des particuliers aux petites et moyennes entreprises, aux entreprises commerciales d'assurances et aux grandes multinationales.
- Global Life poursuit une stratégie axée sur le client, avec des offres leader sur le marché dans les produits «unit-linked» et de protection et une distribution sur plusieurs canaux en vue de développer des positions leader sur les segments sélectionnés et des rendements supérieurs pour nos actionnaires.
- Farmers Management Services fournit, au travers de Farmers Group, Inc. et ses filiales (FGI), des services de gestion dissociés des sinistres aux Farmers Exchanges, d'éminents souscripteurs de branches d'activités particuliers et petites entreprises aux États-Unis. FGI perçoit des honoraires pour la fourniture de services aux Exchanges, que nous gérons sans les détenir, et à leurs clients.
- Le segment Other Businesses comprend Farmers Re, qui fournit la réassurance aux Farmers Exchanges, Center et l'unité Marchés des capitaux et activités bancaires. Ce segment inclut également certaines activités qui sont gérées de manière centralisée et qui ne sont pas considérées comme des activités principales.
- Le segment Corporate Functions englobe les sociétés holding et les sociétés de financement du groupe, les opérations du Corporate Center ainsi que certaines entités qui s'occupent des placements alternatifs.

En 2007, le format secondaire de présentation des informations sectorielles du groupe a continué à être géographique et se présente comme suit: North America, Europe, International Businesses et Central Region.

Un examen détaillé des résultats par segments opérationnels et par divisions pour l'exercice 2007 est présenté dans le Rapport financier à partir de la page 70. Par ailleurs, un aperçu des points forts et des activités commerciales du groupe est présenté dans le Rapport de gestion disponible sur le site Internet de Zurich www.zurich.com (http://zdownload.zurich.com/main/reports/business_review_2007_fr.pdf).

Zurich Financial Services est coté à la SWX Swiss Exchange. Certaines sociétés du groupe ont émis des obligations cotées dans le cadre du programme Euro Medium Term Note et d'autres instruments financiers.

Une liste des principales filiales du groupe comprenant de plus amples informations sur les principales filiales opérationnelles cotées figure dans ce Rapport financier aux pages 204 à 207. Pour de plus amples informations sur les cotations d'actions de Zurich Financial Services, veuillez vous référer aux Informations pour les actionnaires aux pages 259 à 261.

Principaux actionnaires

Au 1er décembre 2007, les règles relatives à la publication de participations importantes dans des sociétés suisses cotées en Suisse ont été modifiées. À compter de cette date, une déclaration doit avoir lieu à un seuil de 3 pour cent, et non plus à partir de 5 pour cent comme c'était le cas auparavant. En outre, depuis le 1er juillet 2007, les options d'achat et autres instruments financiers doivent être ajoutés à toutes les positions d'actions, même s'ils permettent uniquement la livraison en espèces (cash settlement). Aux termes du nouveau régime, une déclaration doit avoir lieu séparément pour les positions d'achat (y compris les actions, les options long call et les options short put) et les positions de vente (y compris les options long put et les options short call). Les seuils de pourcentage sont calculés sur la base du montant total de droits de vote tels qu'inscrit au registre du commerce.

Zurich Financial Services n'a pas connaissance de personnes détenant, directement ou indirectement, des participations en tant qu'ayants droit économiques en actions, droits d'option et/ou droits de conversion relatifs à des actions de Zurich Financial Services, représentant 5 pour cent ou plus de ses actions émises au 30 novembre 2007. Au 1er décembre 2007, Barclays Plc, 1 Churchill Place, Londres, E14 5HP, Royaume-Uni, et ses filiales, détenaient une position d'achat de 4,25 pour cent d'actions nominatives Zurich Financial Services. Outre Barclays Plc, Zurich Financial Services n'a pas connaissance de personnes détenant, directement ou indirectement, des participations en tant qu'ayants droit économiques en actions, droits d'option et/ou droits de conversion relatifs à des actions de Zurich Financial Services, représentant 3 pour cent ou plus de ses actions émises au 31 décembre 2007. Zurich Financial Services n'a pas non plus connaissance de personnes, seules ou avec d'autres, exerçant un contrôle ou étant partie à un accord quelconque visant à exercer un contrôle, directement ou indirectement, sur Zurich Financial Services en date du 30 novembre 2007, ou du 31 décembre 2007, respectivement.

En 2007, Zurich Financial Services n'a reçu aucune notification au sens de l'ancien régime de publication.

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Par ailleurs, les notifications suivantes ont été faites après le 1er décembre 2007:

- JPMorgan Chase & Co, 270 Park Avenue, New York, NY 100017, États-Unis, et ses filiales, ont annoncé au 1er décembre 2007 une position d'achat de 3,62 pour cent et une position de vente de 1,43 pour cent d'actions nominatives Zurich Financial Services. Au 28 décembre 2007, il a annoncé qu'à la fois les positions d'achat et de vente étaient tombées en dessous du seuil de 3 pour cent.
- Le Credit Suisse Group, Paradeplatz 8, case postale, 8070 Zurich, Suisse, et ses filiales, ont annoncé au 1er décembre 2007 une position d'achat de 3,32 pour cent et une position de vente de 3,4 pour cent d'actions nominatives Zurich Financial Services. Par la suite, il a annoncé que ses positions d'achat et de vente étaient tombées en deçà du seuil de 3 pour cent au 21 décembre 2007 et au 27 décembre 2007, respectivement.

Participation croisée

Zurich Financial Services n'a pas de participation dans une autre société excédant 5 pour cent des droits de vote de cette société détenant elle-même des participations dans Zurich Financial Services excédant 5 pour cent des droits de vote de Zurich Financial Services.

Structure du capital

Capital-actions

Au 31 décembre 2007, le capital-actions ordinaire de Zurich Financial Services s'élevait à 14.554.682,00 francs suisses, étant divisé en 145.546.820 actions nominatives entièrement libérées, d'une valeur nominale de 0,10 franc suisse chacune. Le Conseil d'administration proposera aux actionnaires, lors de l'Assemblée générale du 3 avril 2008, le paiement d'un dividende ordinaire par action de 15,00 francs suisses avant impôts.

Le 15 février 2007, il a été annoncé qu'un rachat d'actions de Zurich Financial Services de 1,25 milliard de francs suisses était autorisé par le Conseil d'administration pour le courant 2007, ce programme de rachat d'actions ayant été clôturé le 2 juillet 2007. Lors de l'Assemblée générale du 3 avril 2008, il sera demandé aux actionnaires d'approuver l'annulation de 3.432.500 actions de Zurich Financial Services rachetées aux termes de ce programme et de réduire en conséquence le capital-actions ordinaire.

Capital-actions autorisé et conditionnel

Au 31 décembre 2007, le Conseil d'administration de Zurich Financial Services est habilité à augmenter le capital-actions de 600.000 francs suisses, représentant 6.000.000 actions nominatives d'une valeur nominale de 0,10 franc suisse chacune, avant le 1er juin 2008. Zurich Financial Services a également un capital-actions conditionnel de 548.182,80 francs suisses, représentant 5.481.828 actions nominatives d'une valeur nominale de 0,10 franc suisse chacune, pour augmenter son capital-actions en exerçant des droits de conversion et/ou d'option accordés en lien avec l'émission d'emprunts ou de titres de créances similaires par Zurich Financial Services ou l'une des sociétés du groupe sur les marchés financiers nationaux ou internationaux, et/ou des droits d'options accordés aux actionnaires. Il existe par ailleurs un capital-actions conditionnel supplémentaire de 320.257,90 francs suisses représentant 3.202.579 actions nominatives d'une valeur nominale de 0,10 franc suisse chacune, pouvant être émises en faveur des collaborateurs du groupe.

Pour de plus amples informations sur la structure du capital ainsi que sur le capital-actions autorisé et conditionnel, veuillez consulter les Consolidated Financial Statements, note 21 aux pages 160 à 162.

Modifications du capital-actions en 2006

Le 15 février 2006, le Conseil d'administration a approuvé l'émission d'un maximum de 1.000.000 actions sur les 1.500.000 actions donnant droit au paiement de dividendes à partir du capital-actions conditionnel aux collaborateurs et a soumis par la suite une demande de cotation de 1.000.000 actions nominatives issues du capital-actions conditionnel à la SWX Swiss Exchange.

À l’occasion de l’Assemblée générale du 20 avril 2006, les actionnaires ont approuvé une réduction du capital-actions sous la forme d’une réduction de la valeur nominale de chaque action de 2,50 francs suisses à 0,10 franc suisse. À la date d’entrée en vigueur de la réduction de la valeur nominale, le 3 juillet 2006, Zurich Financial Services avait 144.565.255 actions émises et entièrement libérées, y compris 558.300 actions émises à partir du capital conditionnel. En conséquence de cette réduction, le capital-actions a été réduit de 346.956.612 francs suisses, passant de 361.413.137,50 francs suisses à un nouveau total de 14.456.525,50 francs suisses. Le capital-actions autorisé a été réduit à 600.000 francs suisses et le capital-actions conditionnel à 548.182,80 francs suisses et 94.170 francs suisses, respectivement.

Le 31 décembre 2006, un total de 742.444 actions du capital-actions conditionnel a été émis en faveur des collaborateurs. En conséquence, le capital-actions ordinaire s’élevait à 14.474.939,90 francs suisses et le capital-actions conditionnel à 548.182,80 francs suisses et 75.755,60 francs suisses, respectivement, au 31 décembre 2006.

Modifications du capital-actions en 2007

Sur la base d’une proposition du Conseil d’administration de Zurich Financial Services en date du 14 février 2007, les actionnaires ont, lors de l’Assemblée générale du 3 avril 2007, approuvé l’augmentation du capital-actions conditionnel de 324.244,40 francs suisses, le faisant passer de 75.755,60 francs suisses à un nouveau maximum de 400.000 francs suisses, pour l’émission de nouvelles actions nominatives en faveur des collaborateurs du groupe en émettant jusqu’à 4.000.000 actions nominatives à libérer entièrement d’une valeur nominale de 0,10 franc suisse chacune. Le 5 mars et le 7 mai 2007, 500.000 et 3.242.444 nouvelles actions nominatives d’une valeur nominale de 0,10 franc suisse chacune issues du capital-actions conditionnel étaient cotées à la SWX Swiss Exchange. Les actions ont été allouées de manière à être émises au fil du temps afin de remplir les obligations du groupe dans le domaine des plans d’actions et d’options des collaborateurs.

Au cours de l’année 2007, 797.421 actions ont été émises en faveur des collaborateurs. En conséquence, le capital-actions ordinaire s’élevait à 14.554.682,00 francs suisses (145.546.820 actions) et le capital-actions conditionnel à 548.182,80 francs suisses (5.481.828 actions) et 320.257,90 francs suisses (3.202.579 actions), respectivement, au 31 décembre 2007.

Résumé des changements dans le capital ordinaire sur les deux dernières années

	Capital-actions en CHF	Nombre d’actions	Valeur nominale en CHF
Au 31 décembre 2005	360.017.387.50	144.006.955	2.50
Actions nouvellement émises à partir du capital contingent	1.395.750.00	558.300	2.50
Réduction nominale de valeur de chaque action de CHF 2,50 à CHF 0,10 le 3 juillet 2006	(346.956.612.00)	144.565.255	–
Actions nouvellement émises à partir du capital contingent	18.414.40	184.144	0.10
Au 31 décembre 2006	14.474.939.90	144.749.399	0.10
Actions nouvellement émises à partir du capital contingent	79.742.10	797.421	0.10
Au 31 décembre 2007	14.554.682.00	145.546.820	0.10

Pour obtenir des informations sur les modifications du capital-actions durant l’exercice 2005, veuillez consulter le Rapport annuel 2006 de Zurich Financial Services, Financial Report, pages 32 à 33 et page 154.

Actions et bons de participation

Les actions de Zurich Financial Services sont des actions nominatives d’une valeur nominale de 0,10 franc suisse chacune. Ces actions sont entièrement libérées. Conformément à l’article 14 des statuts, chaque action donne droit à une voix aux Assemblées générales des actionnaires et autorise le détenteur inscrit à exercer tous les autres droits sociaux en rapport avec chaque action, à condition que l’actionnaire soit inscrit au registre des actions.

Certaines participations en actions sont détenues par des investisseurs sous la forme de CREST Depository Interests (CDIs)[1] ou d’American Depositary Receipts (ADRs)[2]. Au 31 décembre 2007, les investisseurs détenaient 639.596 CDIs (représentant 639.596 actions de Zurich Financial Services) et 24.212.600 ADRs (représentant 2.421.260 actions de Zurich Financial Services).

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Zurich Financial Services n'a pas émis de bons de participation.

Bons de jouissance

Zurich Financial Services n'a pas émis de bons de jouissance.

Restrictions de transfert et inscriptions des nominees

Les statuts ne prévoient pas de restrictions de transfert, à l'exception des formalités de transfert des actions non documentées.

L'inscription en tant qu'actionnaire nécessite une déclaration selon laquelle l'actionnaire a acquis les actions en son propre nom et pour son propre compte. Les nominees détenant des actions de Zurich Financial Services peuvent se faire enregistrer pour le compte ou en tant que nominees d'une autre personne pour 200.000 actions au maximum avec droits de vote, sans égard au fait qu'ils aient dévoilé l'identité de l'ayant droit économique. Un nominee a cependant le droit de se faire enregistrer en tant que détenteur avec droits de vote de plus de 200.000 actions, s'il s'engage à dévoiler l'identité de chaque ayant droit économique et à informer les ayants droit économiques des agissements de la société, à les consulter en ce qui concerne l'exercice des droits de vote et des droits de souscription préférentiels, à transférer les dividendes et à agir dans l'intérêt et en conformité avec les instructions de l'ayant droit économique.

Il existe des dispositions spéciales concernant l'enregistrement d'actions et l'exercice des droits qui y sont rattachés par CREST International Nominees Ltd. pour le compte de détenteurs de CDI et par la Bank of New York Mellon en relation avec le programme ADR de Zurich Financial Services. Après la décotation de ses actions à la Bourse de Londres (LSE), en date du 2 octobre 2006, Zurich Financial Services a résilié son parrainage du service des mandataires du groupe administré par Lloyds TSB Registrars fin 2007.

Emprunts convertibles et options

Zurich Financial Services n'a pas d'emprunts convertibles ou d'options en cours au 31 décembre 2007. Pour plus d'informations sur les plans d'options sur actions en faveur des employés, veuillez consulter les Consolidated Financial Statements, note 23 aux pages 168 à 171.

[1] Dans le cadre de l'unification de la structure de holding en 2000, les anciens détenteurs d'actions ordinaires de Allied Zurich p.l.c. ont reçu des actions Zurich Financial Services délivrées sous la forme de CREST Depository Interests, ou CDI. CREST est le système pour la négociation sans papier de titres et la détention de titres sans certificats au Royaume-Uni. CREST détient les actions sous forme de trust et depository interests émis dématérialisés représentant des droits sur les actions Zurich Financial Services dénommées CDI. Etant donné que les détenteurs de CDI ne sont pas les détenteurs légaux des actions représentées par les CDI, ils ne sont pas en mesure d'exercer ou de faire valoir directement les mêmes droits que les détenteurs d'actions. Les détenteurs de CDI sont toutefois les bénéficiaires des actions représentées par les CDI et seront autorisés, en tant que tels, à donner des instructions au CREST Depository sur l'exercice de certains droits non économiques rattachés aux actions. Chaque CDI représente une action Zurich Financial Services.

[2] Zurich Financial Services a établi un programme American Depositary Share, ou ADS, de niveau 1, aux États-Unis. Aux termes de ce programme, la Bank of New York Mellon émet les ADS. Chaque ADS représente le droit de recevoir un dixième d'une action Zurich Financial Services. Chaque ADS représente également des titres, des espèces ou toute autre propriété déposés à la Bank of New York Mellon mais non distribués aux détenteurs d'ADS. Les ADS sont négociés hors bourse (over the counter – OTC) et matérialisés par des American Depositary Receipts, ou ADR. Les détenteurs d'ADS ne sont pas traités comme des actionnaires de Zurich Financial Services et ne sont pas en mesure d'exercer ou de faire valoir directement des droits d'actionnaires. Seule la Bank of New York Mellon peut, en tant que dépositaire, exercer des droits de vote selon les instructions reçues des ayants droit économiques d'ADR.

Conseil d'administration

Membres du Conseil d'administration au 31 décembre 2007

Nom	Nationalité	Âge	Fonction	Année de nomi-nation	Expiration du mandat en cours
Manfred Gentz	Allemand	65	Président du Conseil d'administration Président du comité de gouvernance et des nominations Membre du comité des rémunérations	2005	2008
Philippe Pidoux	Suisse	64	Vice-président du Conseil d'administration Membre du comité de gouvernance et des nominations Membre du comité des rémunérations	1997 [1]	2009
Thomas Escher	Suisse	58	Membre du Conseil d'administration Membre du comité des risques	2004	2009
Fred Kindle	Suisse	48	Membre du Conseil d'administration Membre du comité des rémunérations	2006	2008
Armin Meyer	Suisse	58	Membre du Conseil d'administration Membre des Governance et Nominations Committee Membre du Risk Committee	2001	2010
Don Nicolaisen	Américain	63	Membre du Conseil d'administration Président du comité des risques Membre du comité d'audit	2006	2009
Vernon Sankey	Britannique	58	Membre du Conseil d'administration Président du Remuneration Committee	1998 [1]	2009
Gerhard Schulmeyer	Allemand/ Américain	69	Membre du Conseil d'administration Président du comité d'audit Membre du comité des risques	1998 [1]	2008
Tom de Swaan	Hollandais	61	Membre du Conseil d'administration Membre des Governance et Nominations Committee Membre du Risk Committee	2006	2008
Rolf Watter	Suisse	49	Membre du Conseil d'administration Membre du comité des risques	2002	2010

[1] M.Pidoux a été membre du Conseil d'administration de Zurich Insurance Company depuis 1997. En 1998, après la fusion entre B.A.T. Financial Services et Zurich Insurance Company la «fusion»), il a été membre d'un ou de plusieurs Conseils d'administration de la structure holding alors en vigueur du groupe consistant en Zurich Group Holding (appelée ensuite Zurich Financial Services), Allied Zurich p.l.c. et Zurich Allied SA. La structure du groupe a été réorganisée en octobre 2000 («unification»). M. Sankey et M. Schulmeyer étaient également membres du Conseil d'administration d'un ou de plusieurs conseils d'administration de la structure de holding du groupe qui avait été instaurée après la fusion. Depuis l'unification, ils sont tous été membres du Conseil d'administration de Zurich Financial Services.

Tous les membres actuels du Conseil d'administration ont exercé leur mandat tout au long de l'année 2007. Madame Gilmore et Monsieur Mead se sont démis de leurs fonctions au sein du Conseil d'administration avec effet à compter de l'Assemblée générale du 3 avril 2007.

Tous les membres du Conseil d'administration de Zurich Financial Services sont également membres du Conseil d'administration de «Zurich» Compagnie d'Assurances. Monsieur Gentz est également président du Conseil d'administration de cette dernière.

Monsieur Gerber est le président d'honneur de Zurich Financial Services. Il a été président de «Zurich» Compagnie d'Assurances entre 1977 et 1995 et Chief Executive Officer entre 1977 et 1991. En reconnaissance de ses qualités de dirigeant et des services qu'il a rendus à l'entreprise, il a été nommé président d'honneur. Un tel titre ne confère pas d'appartenance au Conseil d'administration ni de droits ou d'obligations correspondants et ne lui donne pas non plus droit à des rémunérations.

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Biographies

Manfred Gentz a étudié le droit aux universités de Berlin et Lausanne, clôturant ses études par un doctorat en droit de l'Université libre de Berlin. En 1970, il a rejoint Daimler-Benz AG, où il a exercé différentes fonctions. En 1983, il a été nommé membre du Comité directeur de Daimler-Benz AG, responsable, dans un premier temps, des ressources humaines. De 1990 à 1995, il a été Chief Executive Officer de Daimler-Benz Interservices (debis) à Berlin, puis devint Chief Financial Officer de Daimler-Benz AG en 1995. En décembre 1998, M. Gentz a été nommé au Comité directeur de DaimlerChrysler AG, où il a été responsable des finances et du controlling jusqu'en décembre 2004. De 1987 à 1995, il a été membre du Conseil de surveillance d'Agrippina Versicherung AG et, de 1996 à 2005, membre du Conseil de surveillance de Zürich Beteiligungs-Aktiengesellschaft (Allemagne). De 1985 à 2005, M. Gentz a fait partie du Conseil de surveillance de Hannoversche Lebensversicherung AG (à partir de 1990 en tant que président suppléant). De mai 2005 à mars 2006, il a été président du Conseil de surveillance de Eurohypo AG. Outre ses fonctions au Conseil de surveillance de Adidas AG, à la Bourse allemande (Deutsche Börse AG) et à DWS Investment GmbH, il est président de la CCI (Chambre de Commerce Internationale) en Allemagne. Il est actif dans de nombreuses institutions scientifiques et culturelles et préside, entre autre, le conseil de l'Université technique de Berlin.

Philippe Olivier Pidoux a achevé ses études à l'Université de Lausanne, en Suisse, par un doctorat en droit et détient également un master en jurisprudence comparative de l'Université du Texas. Il est associé au sein du cabinet d'avocats BMP Associés à Lausanne, en Suisse. M. Pidoux a été membre du Gouvernement du Canton de Vaud de 1986 à 1994 et membre du Parlement suisse entre 1983 et 1999. De 1991 à 2003, il a été membre du Conseil d'administration et, à partir de 1999, vice-président de la Banque Nationale Suisse. Il est également président de Publigroupe SA.

Thomas Konrad Escher a obtenu son diplôme d'Ingénieur en Électricité et en Sciences économiques de l'École Polytechnique Fédérale (EPF) et a rejoint IBM en 1974. Au cours des années suivantes, sa carrière l'a amené à assumer diverses fonctions directionnelles assorties de responsabilités des marchés et des relations clients outre-mer, dans différents pays d'Europe et en Suisse. En 1996, M. Escher a rejoint la Société de Banque Suisse et a été – en tant que membre du Comité exécutif – CEO pour la plus grande zone de marché en Suisse et pour l'organisation de la technologie de l'information. Depuis la fusion entre la Société de Banque Suisse et l'Union de Banques Suisses en UBS SA en 1998, il a dirigé le secteur d'activités IT des divisions Gestion de fortune et Business Banking jusqu'à la mi-2005 comme membre du Comité exécutif élargi du groupe. À partir du 1er juillet 2005, M. Escher a endossé la fonction de vice-président de la Gestion de fortune d'UBS.

Fred Kindle a obtenu un diplôme d'ingénieur de l'École Polytechnique Fédérale de Zurich (EPFZ). En 1984, il a rejoint Hilti SA au Liechtenstein en tant que chef de projets dans le domaine du marketing et, deux ans plus tard, s'est inscrit à la Northwestern University, à Evanston, aux États-Unis, où il a obtenu un MBA. De 1988 à 1992, il a été collaborateur et Engagement Manager auprès de McKinsey & Company à New York et Zurich. Il a ensuite rejoint Sulzer Chemtech SA en Suisse en tant que responsable du Mass Transfer Department et en 1996, il a pris la direction de la Product Division. En 1999, il est nommé CEO de Sulzer Industries, l'un des deux groupes opérationnels de Sulzer SA. Il devient CEO de Sulzer deux ans plus tard. Après avoir rejoint ABB Ltd. en automne 2004, M. Kindle est nommé CEO du groupe ABB mondial en janvier 2005, fonction qu'il détient jusqu'en février 2008. Il est membre du Conseil d'administration de la Swiss American Chamber of Commerce et également du Conseil d'administration de VZ Holding AG, à Zurich.

Armin Meyer est titulaire d'un doctorat en génie électrique de l'École polytechnique fédérale (EPF) et a rejoint BBC Brown Boveri Ltd. en 1976 en tant qu'ingénieur de développement. En 1980, il prend la direction de la recherche et du développement des moteurs industriels et, en 1984, la direction du centre d'activités international pour les générateurs d'électricité. En 1988, il devient président d'ABB Drives Ltd. et, en 1992, président d'ABB Power Generation Ltd. De 1995 à 2000, il est vice-président exécutif d'ABB Ltd. et membre du Comité exécutif du groupe. En 1997, il devient membre du Conseil d'administration de Ciba Spécialités Chimiques SA au moment de sa séparation de Novartis. Il devient président du Conseil d'administration de Ciba Spécialités Chimiques SA en automne 2000. Du 1er janvier 2001 au 31 décembre 2007, il assume en outre la fonction de Chief Executive Officer. Il est membre du Conseil de fondation de l'International Institute for Management Development, IMD, à Lausanne, en Suisse, et du Conseil Européen de l'industrie chimique à Bruxelles (Cefic), en Belgique.

Don Nicolaisen est titulaire d'une licence (BBA) de l'Université du Wisconsin-Whitewater et a rejoint Price Waterhouse (qui est devenue plus tard PricewaterhouseCoopers), dont il est devenu associé en 1978. Il y a assumé différentes fonctions, y compris celle d'auditeur et président des services financiers de PricewaterhouseCoopers. Pour cette même société, il a dirigé le bureau national pour la comptabilité et les services de la Securities and Exchange Commission de 1988 à 1994 et a fait partie des Conseils d'administration américain et mondial de 1994 à 2001. De septembre 2003 à novembre 2005, il a été chef de la comptabilité de la US Securities and Exchange Commission, et le principal conseiller de la Commission dans les questions de comptabilité et d'audit. Il est membre du Conseil d'administration de Verizon Communications Inc., de Morgan Stanley et de MGIC Investment Corporation. Il fait en outre partie du comité consultatif pour la Leventhal School of Accounting de la University of Southern California.

Vernon Louis Sankey est titulaire d'un master (MA) de l'Oriel College, Oxford, et a rejoint Reckitt and Colman au Royaume-Uni en 1971, travaillant ensuite en France, au Danemark, au Royaume-Uni et aux États-Unis. Il est nommé au Conseil d'administration en 1989 et assume la fonction de Chief Executive Officer de la société de 1991 à 1999. De 2000 à septembre 2007, il est président de Photo-Me International plc. De 2001 à juin 2007, il est membre du Conseil d'administration de Cofra AG, Suisse, et, de 2004 à juillet 2007, de Taylor Woodrow plc. Il est membre du Conseil d'administration de Vividas Group plc depuis 2005. En date du 1er janvier 2006, il est nommé membre du Conseil de surveillance de Atos Origin SA, Paris, et, le 10 octobre 2006, de Firmenich SA, Genève. Il a été président de Thomson Travel Group plc jusqu'en août 2000, de Gala Group Holdings plc jusqu'en février 2003 et de The Really Effective Development Company Ltd jusqu'en mars 2006. Il a également été membre du Conseil d'administration de Pearson plc jusqu'en avril 2006 et est ancien membre du Conseil d'administration de la Food Standards Agency au Royaume-Uni. En plus de ses activités au Conseil d'administration, il est conseiller pour de nombreuses autres sociétés.

Gerhard Hans Schulmeyer est titulaire d'une licence (BSc) en génie électronique de la haute école technique de Francfort et d'une licence (BSc) en commerce international de l'Université de Francfort. Il possède également un master (MSc) en Management Science du Massachusetts Institute of Technology. Après avoir exercé diverses fonctions de direction au sein de Braun, Sony Wega et Motorola, il devient président et Chief Executive Officer d'ABB USA et membre du Conseil exécutif d'ABB Ltd. en 1989. De 1994 à 1998, il est président et CEO de Siemens Nixdorf en Allemagne et, de 1999 à décembre 2001, il assume la fonction de président et CEO de Siemens Corporation aux États-Unis. De janvier 2002 à mars 2006, il a été Professor of practice à la Sloan School of Management du Massachusetts Institute of Technology et, jusqu'en octobre 2007, il a été membre du Conseil d'administration public, sans pouvoir exécutif, de Alcan Inc. Il est membre du Conseil d'administration, sans pouvoir exécutif, de Ingram Micro Inc. et Korn/Ferry International. Il est également membre du Conseil d'administration de Invest In Germany et membre du Conseil de fondation de la US National Chamber Foundation.

Tom de Swaan a achevé ses études à l'Université d'Amsterdam par un master en économie. Il a rejoint De Nederlandsche Bank N.V. en 1972 et, de 1986 à 1998, il en a été membre du Conseil d'administration. En janvier 1999, il est devenu membre du Conseil de gestion et Chief Financial Officer de la banque ABN AMRO. Il s'est démis de ses fonctions auprès de ABN AMRO le 1er mai 2006, mais a poursuivi son activité en tant que conseiller du Conseil de gestion jusqu'en juin 2007. M. de Swaan est membre sans pouvoir exécutif du Conseil d'administration de GlaxoSmithKline Plc et président de son comité d'audit. Il est membre du Conseil de surveillance de Royal DSM, un groupe chimique basé aux Pays-Bas, et de Corporate Express, distributeur néerlandais de fournitures de bureaux. Depuis le 3 mai 2007, il est vice-président du Conseil de surveillance de Royal Ahold, chaîne de détail mondiale, et, depuis le 10 mai 2007, vice-président du Conseil de surveillance de Van Lanschot NV, la société holding de F. van Lanschot Bankiers, une banque néerlandaise indépendante. De 1987 à 1988, il est président du Amsterdam Financial Center et, de 1995 à 1997, président du sous-comité de surveillance bancaire de l'Institut Monétaire Européen. Il a également été membre du comité de Bâle sur la surveillance bancaire de 1991 à 1996 et son président de 1997 à 1998 ainsi que membre sans pouvoir exécutif du Conseil d'administration de la Financial Services Authority au Royaume-Uni de janvier 2001 à fin 2006. M. de Swaan est également membre du Conseil d'administration de plusieurs organisations d'intérêt public. Il a été, entre autres, trésorier du Conseil d'administration du Royal Concertgebouw Orchestra, du Netherlands Cancer Institute et de l'International Franz Liszt Piano Competition. Il préside par ailleurs le comité consultatif de la Rotterdam School of Management.

Rolf Urs Watter est titulaire d'un doctorat en droit de l'Université de Zurich et d'un master en droit de l'Université de Georgetown aux États-Unis. Il est admis au barreau du Canton de Zurich. Depuis 1994, il est associé au sein du cabinet d'avocats Bär & Karrer SA à Zurich. Il est devenu membre de son Comité exécutif en 2000 et membre avec pouvoir exécutif du Conseil d'administration par le biais de l'incorporation de Bär & Karrer SA en 2007. Depuis 2004, il est président sans pouvoir exécutif de Cablecom Holding AG et, depuis avril 2007, membre sans pouvoir exécutif du Conseil d'administration de Nobel Biocare Holding SA. Il est par ailleurs membre du Conseil d'administration de Syngenta AG (depuis 2000), de UBS Alternative Portfolio AG

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(depuis 2000) et de A.W. Faber-Castell (Holding) AG (depuis 1997). Il a été membre du Conseil d'administration de Centerpulse SA (2002 – 2003), de Forbo Holding AG (1999 – 2005) et de Feldschlösschen Boissons SA (2001 – 2004). Il est professeur à temps partiel à la faculté de droit de l'Université de Zurich. Par ailleurs, il est membre du comité d'admission de la SWX et de la Commission spécialisée de l'instance de la publicité des participations. Il est également président de deux institutions caritatives.

L'adresse professionnelle de chacun des membres du Conseil d'administration est: Mythenquai 2, 8002 Zurich, Suisse.

Élections et durée du mandat

Les statuts stipulent que le Conseil d'administration doit compter au moins sept membres et au plus 13 membres. La durée de mandat ordinaire est de trois ans. À l'expiration de leur mandat, les membres peuvent être réélus immédiatement. Les statuts stipulent que l'ordre de rotation doit être fixé de telle sorte qu'il n'y ait pas plus de quatre membres dont le mandat arrive à expiration en même temps à la date d'une Assemblée générale. L'élection d'un membre du Conseil d'administration est effectuée sur une base individuelle. Les membres sont élus à la majorité des voix représentées. Les règlements organisationnels de Zurich Financial Services stipulent qu'aucune personne de 70 ans ou plus ne pourra être nommée membre du Conseil d'administration, bien que certaines exceptions puissent être admises dans des circonstances particulières.

Lors de l'Assemblée générale qui se tiendra le 3 avril 2008, les mandats de MM. Gentz, Kindle, Schulmeyer et de Swaan arriveront à expiration. Alors que M. Schulmeyer quittera le Conseil d'administration, MM. Gentz, Kindle et de Swaan ont été proposés pour réélection par le Conseil d'administration. Ils se mettent chacun à disposition pour réélection pour une durée de trois ans.

Susan Bies et Victor Chu ont été nommés membres supplémentaires du Conseil d'administration de Zurich Financial Services, chacun pour deux ans.

Susan Bies, 60 ans, américaine, détient une licence (BS) du State University College de Buffalo, New York, ainsi qu'un master (MA) de la Northwestern University, Evanston, où elle a également obtenu plus tard un doctorat. Elle a commencé sa carrière en 1970 en qualité d'économiste régionale dans le domaine de la structure bancaire auprès de la Federal Reserve Bank de St. Louis, Missouri, et, deux ans plus tard, est devenue professeur assistante d'économie à la Wayne State University, Detroit, Michigan. En 1977, elle endosse une fonction similaire au Rhodes College, Memphis, Tennessee et rejoint, en 1979, First Tennessee National Corporation à Memphis, où elle reste jusqu'en 2001. Durant les premières années, ses domaines de responsabilités incluent la planification tactique et le développement d'entreprise. En 1984, elle devient Chief Financial Officer et présidente du comité des actifs/passifs. En 1995, elle devient vice-présidente avec pouvoir exécutif de la gestion des risques, ainsi qu'auditeur et présidente du comité exécutif de gestion des risques, tout en continuant à assumer ses fonctions au sein du comité des actifs/passifs. De 2001 à 2007, elle est membre du Board of Governors du Federal Reserve System. De 1996 à 2001, Mme Bies a fait partie de la Emerging Issues Task Force du Financial Accounting Standards Board. Elle est actuellement membre du comité consultatif de la Securities and Exchange Commission pour l'amélioration des rapports financiers, et présidente de son sous-comité Substantive Complexity.

Victor L.L. Chu, 50 ans, anglais, a obtenu une licence en droit (LL.B) du University College de Londres en 1979. Il est admis à pratiquer le droit en Angleterre et à Hong Kong. Depuis 1982, il pratique dans le domaine du droit des sociétés et du droit commercial ainsi que dans le domaine des titres, avec spécialisation sur la Chine et les transactions d'investissement régionales. De 1995 à 2000, M. Chu a été secrétaire général suppléant de l'International Bar Association. Depuis 1988, il est président du First Eastern Investment Group, société d'investissement direct leader spécialisée sur la Chine. Il est également président de First Eastern Investment Bank Limited et de FE Securities Limited. Au cours des 20 dernières années, il a été à différentes reprises membre du Conseil d'administration et membre du conseil de la Hong Kong Stock Exchange, membre du Hong Kong Takeovers and Mergers Panel, membre du comité consultatif de la Hong Kong Securities and Futures Commission et membre à temps partiel de la Central Policy Unit du gouvernement de Hong Kong. Il est actuellement membre du Conseil de fondation du World Economic Forum et coprésident du International Business Council du Forum. Il est aussi membre du Conseil exécutif de la Chambre de commerce internationale, pour laquelle il préside la Commission on Financial Services and Insurance. M. Chu est trustee du International Crisis Group à Bruxelles et du WWF à Hong Kong. Il est membre du Governing Council du University College, à Londres, du Conseil directeur de la Kennedy School à Harvard, et du Conseil de la Foreign Affairs University of China. M. Chu exerce aussi des activités au sein des conseils consultatifs de Asia House, Asia Foundation, Beijing Music Festival Foundation, East Asia Institute of de l'Université de Cambridge et Atlantic Council of the USA.

Structure organisationnelle interne

Le **Conseil d'administration** est présidé par le président ou, en son absence, par le vice-président. Différents thèmes lui sont présentés lors de ses réunions tout au long de l'année. Il est informé en permanence des évolutions concernant le groupe et reçoit les informations à temps, sous une forme et dans une qualité appropriées pour lui permettre d'accomplir ses obligations en conformité avec les normes de diligence mentionnées à l'article 717 du Code suisse des obligations.

Le Conseil d'administration est composé exclusivement de membres sans pouvoir exécutif, qui sont indépendants de la Direction générale et qui n'ont jamais exercé d'activités de direction opérationnelle au sein du groupe. Le comité de gouvernance et des nominations vérifie chaque année l'indépendance des membres du Conseil d'administration et présente ses constatations au Conseil d'administration pour détermination finale. Les membres du Conseil d'administration sont aussi soumis à des règlements et consignes devant permettre d'éviter les conflits d'intérêts et réglementant l'utilisation des informations internes. Une auto-évaluation de l'ensemble du Conseil d'administration a lieu une fois par an. En 2007, l'auto-évaluation du Conseil d'administration a été réalisée sur la base d'un questionnaire complet. Un rapport détaillé a été élaboré pour le Conseil d'administration et étudié par ce dernier.

En raison de la séparation des fonctions du président du Conseil d'administration et du CEO et du fait que le Conseil d'administration n'a aucun pouvoir exécutif, il n'est pas nécessaire d'élire un «lead director» conformément au Code suisse de bonne pratique pour le gouvernement d'entreprise.

Le CEO assiste aux séances du Conseil d'administration ex officio. Sur invitation, les membres du Comité exécutif du groupe (GEC) participent régulièrement aux séances du Conseil d'administration. D'autres cadres dirigeants assistent parfois à ces réunions. La plupart des séances du Conseil d'administration incluent des sessions privées sans la participation de la Direction générale.

Le Conseil d'administration élit parmi ses membres le président et le vice-président, et désigne le secrétaire.

Le Conseil d'administration doit se réunir au moins six fois par an; en 2007, il a tenu 11 réunions, quatre s'étant déroulées en partie par téléphone et deux ayant duré deux jours. À l'occasion de deux des 11 réunions, le Conseil d'administration a effectué des visites distinctes à des unités aux États-Unis et en Espagne; une réunion a été entièrement consacrée à la discussion de thèmes stratégiques. Cinq réunions ont duré entre cinq et neuf heures par jour, et les six réunions restantes ont duré près de deux heures. Par ailleurs, le Conseil d'administration a approuvé trois résolutions par voie de circulaire.

En 2007, jusqu'à l'Assemblée générale du 3 avril 2007, 83 pour cent des membres ont assisté en moyenne aux séances du Conseil d'administration. Après l'Assemblée générale, le nombre de membres du Conseil d'administration a baissé de 12 à 10, et l'assiduité moyenne aux séances du Conseil d'administration a atteint 94 pour cent. Les membres du Conseil d'administration ont consacré du temps supplémentaire à participer aux réunions des comités du Conseil, à préparer les réunions et à déléguer leurs compétences.

Le Conseil d'administration peut élire parmi ses membres des comités chargés de domaines spécifiques et établir des attributions et des règlements concernant les pouvoirs délégués et les rapports au Conseil d'administration. Les comités assistent le Conseil d'administration dans l'accomplissement de ses obligations. Dans la mesure où les comités ne sont pas autorisés à prendre des résolutions, ils discutent et proposent les thèmes au Conseil d'administration pour l'engagement des actions appropriées et la prise de résolutions avant que de tels thèmes soient portés devant le Conseil d'administration. Le Conseil d'administration dispose des comités permanents ci-dessous, lesquels rendent régulièrement compte au Conseil et lui soumettent des propositions pour la prise de résolutions. En moyenne, les réunions des comités ont duré entre deux et trois heures.

Le **comité de gouvernance et des nominations** est composé de quatre membres du Conseil d'administration. Il supervise la gouvernance du groupe et la compare aux normes de bonne pratique afin de garantir la protection complète des droits des actionnaires. Le comité développe également des directives de gouvernance d'entreprise qu'il propose au Conseil d'administration et remanie de temps en temps. Le comité de gouvernance et des nominations est par ailleurs chargé de la planification des successions pour ce qui est du Conseil d'administration, du CEO et des membres du GEC et du Comité exécutif élargi du groupe (Group Management Board, GMB). Dans ce contexte, il propose les principes pour la nomination et la qualification des membres du Conseil et soumet des propositions au Conseil d'administration sur la composition de ce dernier ainsi que sur la nomination du président, du vice-président, du CEO et des autres membres du GEC et du GMB. Le comité examine le système de développement de la Direction générale et supervise les progrès réalisés dans la planification des successions. Les décisions finales relatives aux nominations et désignations sont prises par le Conseil d'administration, sous réserve de l'approbation des actionnaires dans la mesure où une

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telle procédure est prévue. Au cours de l'année 2007, le comité de gouvernance et des nominations s'est réuni cinq fois (dont une réunion commune avec le comité des rémunérations) et s'est penché en particulier sur la nomination et les qualifications des membres du Conseil d'administration ainsi que sur la planification de la succession pour les cadres supérieurs. L'assiduité moyenne aux réunions du comité de gouvernance et des nominations a atteint 90 pour cent.

Le **comité des rémunérations** comprend quatre membres du Conseil d'administration. Le comité des rémunérations évalue et propose au Conseil d'administration les principes de rémunération pour le groupe et le Conseil d'administration. Il propose également la rémunération des membres au Conseil d'administration pour approbation. Sur la base des principes de rémunération, il négocie les conditions d'emploi du CEO et examine celles des membres du GEC – comme négociées par le CEO – avant de les soumettre au Conseil d'administration pour approbation. Le comité des rémunérations approuve les contrats d'embauche pour les membres additionnels du GMB tels que négociés par le CEO et collabore avec lui sur d'autres questions importantes en matière d'emploi, de salaire et d'avantages. Il examine aussi la performance concernant les plans d'incitation à court terme et à long terme des cadres supérieurs. Pour l'assistance à l'examen des structures et des pratiques de rémunération, le comité des rémunérations a son propre conseiller indépendant, Hewitt Associates. Le comité des rémunérations s'est réuni six fois (dont une fois avec le comité de gouvernance et des nominations) en 2007, avec une assiduité moyenne de 97 pour cent. Des détails sur les principes de rémunération du groupe figurent dans le Rapport sur les rémunérations aux pages 55 à 57.

Le **comité d'audit** se compose de quatre membres qui répondent tous aux exigences requises en termes d'indépendance et de qualification. La charte du comité d'audit stipule que le comité d'audit, pris dans son ensemble, devrait avoir (i) des connaissances des IFRS et des états financiers, (ii) la faculté d'évaluer l'application générale de telles normes en rapport avec la comptabilisation des estimations, des charges et des provisions techniques, (iii) l'expérience de la préparation, de l'audit, de l'analyse ou de l'évaluation d'états financiers, qui présentent une ampleur et un niveau de complexité des questions comptables généralement comparables à ceux de Zurich Financial Services et du groupe, ou l'expérience de la supervision active d'une ou de plusieurs personnes impliquées dans ces activités, (iv) une compréhension suffisante des contrôles et procédures internes de l'établissement de rapports financiers et (v) une compréhension des fonctions de comité d'audit. Le comité d'audit a siégé sept fois en 2007. L'assiduité moyenne aux séances a représenté 89 pour cent.

Le comité d'audit sert de point central pour la communication et la vue d'ensemble relative à la comptabilité financière et au reporting, au contrôle interne, à l'actuariat et à la compliance au sein de la Direction générale. Il est chargé d'examiner le processus d'audit du groupe (y compris l'établissement des principes de base concernant l'audit de Zurich Financial Services et du groupe et la soumission de propositions correspondantes) et vérifie les systèmes de contrôle internes. Les auditeurs externes, les auditeurs internes et les membres concernés du GEC et du GMB et d'autres cadres dirigeants assistent aux réunions afin de discuter, entre autres, des rapports des auditeurs, de vérifier et d'évaluer le concept d'audit et le processus d'examen et d'évaluer les activités des auditeurs internes et externes. Pour de plus amples informations sur la supervision et le contrôle du processus d'audit externe, voir page 49. Le comité d'audit examine, au moins une fois par an, les normes de contrôle interne, y compris les activités, les plans, l'organisation et la qualité de l'audit interne et de la compliance du groupe.

Le comité d'audit examine également les résultats financiers annuels, semestriels et trimestriels du groupe avant de les soumettre au Conseil d'administration. Des sessions privées avec des auditeurs externes et internes ainsi qu'avec le responsable de l'actuariat sont prévues lors de la plupart des réunions du comité d'audit afin de permettre de mener des discussions sans la présence de la Direction générale.

Des déclarations concernant le contrôle interne et les procédures en place pour ce qui est du contrôle interne conformément à la Turnbull Guidance britannique sont présentées à la page 51.

Le **comité des risques** se compose de quatre membres. En 2007, il s'est réuni six fois; l'assiduité moyenne s'est élevée à 83 pour cent. Le comité des risques supervise la gestion des risques du groupe, en particulier la capacité du groupe à assumer des risques, y compris les limites convenues par catégorie de risque que le Conseil d'administration considère comme acceptables pour Zurich, le cumul des limites convenues à travers le groupe, la mesure de l'adhésion aux capacités de risques convenues et la capacité du groupe à assumer des risques en rapport avec les niveaux de capital anticipés. Il supervise également le cadre de gouvernance des risques dans tout le groupe, y compris la gestion des risques, les politiques de risque et leur mise en œuvre ainsi que la stratégie des risques et la surveillance des risques opérationnels. Le comité des risques examine également les méthodologies de mesure des risques et l'adhésion du groupe à son profil de risque, il examine aussi la performance de la fonction de gestion des risques du groupe. Il examine en outre, avec la Direction générale et la fonction gestion des risques du groupe, les règlements et procédures généraux du groupe et s'assure que des systèmes efficaces de gestion des risques sont en place. Le Group Chief Risk Officer établit, sur une base semestrielle, des rapports concernant le profil des risques du groupe et les actions de réduction des risques.

Pour assurer un échange d'informations permanent entre le comité des risques et le comité d'audit, et pour éviter d'éventuels problèmes de communication pouvant affecter les résultats financiers du groupe et la gestion des risques, le président du comité d'audit est membre du comité des risques et le président du comité des risques est membre du comité d'audit.

Domaines de responsabilité du Conseil d'administration et de la Direction générale

Outre la détermination de la stratégie globale du groupe et la supervision des cadres supérieurs, le Conseil d'administration se penche sur les questions clés relevant du domaine de la stratégie, des finances, de la structure et de l'organisation ainsi que du développement commercial. Le Conseil d'administration approuve le plan stratégique du groupe ainsi que les plans financiers annuels développés par la Direction générale. Il examine et approuve les états financiers annuels, semestriels et trimestriels de Zurich Financial Services et du groupe. Il établit des directives pour la politique commerciale générale et l'allocation du capital et approuve les changements majeurs dans les activités commerciales du groupe, y compris les transactions importantes de prêts et d'emprunts, et les évolutions commerciales importantes telles que les acquisitions ou cessions d'activités ou d'actifs, les investissements ou nouvelles activités, les fusions, les joint-ventures et les partenariats. Le Conseil d'administration se penche également sur d'autres questions revêtant une importance stratégique pour le groupe.

À l'exception des pouvoirs qui lui sont réservés, comme mentionné ci-dessus, le Conseil d'administration a délégué la direction du groupe au CEO. Le CEO et, sous sa direction, le GEC sont responsables du développement et de l'exécution des plans stratégiques et financiers approuvés par le Conseil d'administration. Le CEO a des pouvoirs et des devoirs spécifiques pour ce qui est des questions stratégiques, financières et autres, ainsi qu'en ce qui concerne la structure et l'organisation du groupe, et dirige, supervise et coordonne les activités des membres du GEC. Le CEO veille à ce que des outils de gestion appropriés pour le groupe soient développés et mis en œuvre et représente les intérêts généraux du groupe vis-à-vis de tierces parties. Le CEO a le pouvoir d'approuver certaines acquisitions et cessions d'activités et d'actifs, les investissements et l'établissement de nouvelles activités, fusions, joint-ventures et partenariats.

Instruments d'information et de contrôle vis-à-vis du Comité exécutif du groupe et du Comité exécutif élargi du groupe

Le Conseil d'administration supervise la Direction générale et surveille sa performance par des processus d'établissement de rapports et de contrôle. Les rapports réguliers du CEO et d'autres membres de la Direction générale au Conseil d'administration doivent comporter des informations appropriées et actualisées, y compris les données clés sur les activités de base, les informations financières, les risques existants et potentiels, des mises à jour sur les évolutions des principaux marchés ainsi que sur les principaux concurrents et autres événements importants. Le président du Conseil d'administration rencontre régulièrement le CEO. Avec d'autres membres du Conseil d'administration, il rencontre aussi le Chief Financial Officer et d'autres cadres dirigeants en dehors des séances ordinaires du Conseil d'administration. En 2007, le président a assisté à la réunion de leadership de Zurich, qui s'est focalisée sur de nombreuses stratégies et projets de croissance et leur coordination au sein du groupe.

Le groupe a mis en place un système d'information et de reporting financier. Le plan annuel pour le groupe, qui inclut un résumé des paramètres financiers et opérationnels, est examiné en détail par le GEC et approuvé par le Conseil d'administration. Des mises à jour mensuelles du plan sont préparées afin de comparer la performance réelle avec le plan. Les prévisions pour l'année sont révisées, si nécessaire, afin de refléter les changements au niveau des influences et des risques pouvant affecter les résultats du groupe. Des actions sont engagées en cas de variations dans les domaines où il est approprié de le faire. Ces informations sont examinées mensuellement par le GEC et tous les trimestres par le Conseil d'administration.

Le groupe a par ailleurs adopté et mis en œuvre une approche coordonnée, formalisée et cohérente en ce qui concerne la gestion et le contrôle des risques. Des informations concernant les processus de gestion des risques du groupe sont présentées dans la section Gestion des risques à la page 20 ainsi que dans la note 26 aux Consolidated Financial Statements à la page 176.

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Ce processus ainsi que les résultats de cette approche sont décrits à la page 51 sous le «Système de contrôle interne».

La fonction d'audit interne et les auditeurs externes ainsi que la fonction de compliance assistent également le Conseil d'administration dans l'exercice de ses devoirs de contrôle et de supervision. Des informations relatives aux principaux domaines d'activités de ces fonctions figurent aux pages 48 à 51.

Direction générale

Comité exécutif du groupe

Dans la mesure où ces tâches ne sont pas réservées au Conseil d'administration, la gestion des affaires est déléguée au CEO. Le CEO et, sous sa supervision, le GEC sont responsables des questions relevant de la politique stratégique, financière et commerciale à l'échelon du groupe, y compris la performance consolidée, l'allocation du capital ainsi que les fusions et acquisitions.

Le GEC est présidé par le CEO. Au 31 décembre 2007, le GEC se composait du Chief Financial Officer, du Chief Investment Officer, du Chief Growth Officer et des responsables des segments opérationnels – General Insurance, Global Life et Farmers Management Services. En outre, les responsables des divisions d'affaires suivantes sont également membres du GEC: North America Commercial, Global Corporate et Europe General Insurance. À compter du 1er mars 2007, la fonction de Chief Growth Officer nouvellement créée a été intégrée au GEC. Suite au départ à la retraite du Chief Operating Officer fin février 2007, cette fonction n'est plus représentée au sein du GEC. Par ailleurs, au 1er octobre 2007, le CEO Global Life désigné est également devenu membre du GEC.

Pour les domaines clés, des comités spécifiques ont été mis en place afin de faciliter la coordination et l'alignement des recommandations au CEO pour approbation de thèmes spécifiques qui sont souvent de nature inter-division et inter-fonction.

Le comité du bilan du groupe, présidé par le CEO, est un comité permanent du GEC. Ce comité examine les questions financières clés résultant de la mise en œuvre de la stratégie, des développements de l'environnement financier et des conditions financières du groupe. Il est responsable de la gestion et de l'allocation de capital et se penche sur les transactions spécifiques ou les changements commerciaux qui ne figurent pas dans le plan financier du groupe et qui sont susceptibles d'exercer une influence sur le bilan du groupe, dans le cadre des compétences déléguées par le Conseil d'administration. Il surveille par ailleurs la propension au risque du groupe et discute de thèmes susceptibles d'exercer une influence sur le bilan du groupe. Un autre comité du GEC est le comité des finances et des risques du groupe (anciennement comité des finances du groupe), présidé par le Chief Financial Officer. Le comité des finances et des risques du groupe surveille la mise en œuvre des questions financières décidées par le Conseil d'administration, le CEO et/ou le GEC et soumet des recommandations pour les activités futures en lien avec des transactions fusions et acquisitions potentielles et des thèmes relevant de la finance, de la gestion des risques et de la réassurance.

Des comités plus techniques incluent l'Asset/Liability Management (ALM) présidé par le Chief Investment Officer, le comité de réassurance du groupe, présidé par le responsable du comité de réassurance du groupe et le Group Pension Committee, présidé par le CEO Global Life.

En outre, afin de renforcer sa compréhension et son évaluation des enjeux et des risques auxquels Zurich peut être confronté, le groupe a de plus en plus recours à des compétences et des perspectives externes. À partir de la fin 2007, le groupe avait trois panels d'experts universitaires, commerciaux et industriels de premier plan devant lui fournir un feed-back et des informations spécifiques. Ceux-ci ne sont pas des organes du groupe et n'ont pas de pouvoir de décision. Ils apportent la compétence et les conseils nécessaires à la Direction générale ou à certaines fonctions du groupe. L'International Advisory Council, en particulier, a pour tâche de fournir une perspective et des compétences externes au CEO et aux membres du GEC et du GMB sur les stratégies de croissance et de politique publique du groupe. L'Investment Management Advisory Council fournit un feed-back sur les résultats et la stratégie de placement de Zurich et sur l'atteinte de rendements adaptés au risque supérieurs aux engagements pour les actifs investis du groupe. Le Natural Catastrophe Advisory Council fournit des informations spécifiques sur les modèles de survenance, la prévisibilité et les effets destructeurs des catastrophes ainsi qu'un feed-back sur l'approche de Zurich par rapport à de telles catastrophes dans le but de contribuer à améliorer l'efficacité de sa souscription et de ses achats de réassurance.

En janvier 2008, un nouveau panel d'universitaires et d'experts leader a été mis en place. Il s'agit du Climate Change Advisory Council, qui conseille la Direction générale sur les problèmes liés aux changements climatiques.

Membres du GEC au 31 décembre 2007

Nom	Nationalité	Âge	Fonction
James J. Schiro	Américain	61	Chief Executive Officer
John Amore	Américain	59	Chief Executive Officer General Insurance
Annette Court	Britannique	45	Chief Executive Officer Europe General Insurance
Mario Greco	Italien	48	Designated Chief Executive Officer Global Life
Paul Hopkins	Américain	51	Chief Executive Officer Famers Group, Inc.
Axel Lehmann	Suisse	48	Chief Executive Officer North America Commercial
Patrick O'Sullivan	Irlandais	58	Chief Growth Officer
Geoff Riddell	Britannique	51	Chief Executive Officer Global Corporate
Martin Senn	Suisse	50	Chief Investment Officer
Paul van de Geijn	Hollandais	61	Chief Executive Officer Global Life
Dieter Wemmer	Allemand	50	Chief Financial Officer

À l'exception de Annette Court et Mario Greco, qui ont rejoint le GEC au 1er mars 2007 et au 1er octobre 2007, respectivement, tous les membres actuels du GEC ont exercé leur mandat tout au long de l'année 2007.

Le 28 février 2007, Peter Eckert, le Chief Operating Officer, a quitté ses fonctions pour prendre sa retraite. En date du 1er mars 2007, Patrick O'Sullivan, l'ancien Group Finance Director, a endossé ses nouvelles fonctions de vice-président du Comité exécutif élargi du groupe et de Chief Growth Officer. En sa fonction de Chief Growth Officer, il est resté membre du GEC. Dieter Wemmer, l'ancien CEO de Europe General Insurance, a succédé à Patrick O'Sullivan en tant que Chief Financial Officer du groupe le 1er mars 2007. À la même date, Annette Court a pris sa fonction de CEO de Europe General Insurance et est devenue membre du GEC. Mario Greco a rejoint le groupe et le GEC le 1er octobre 2007 en tant que successeur désigné du CEO Global Life et succèdera par la suite à Paul van de Geijn en tant que CEO Global Life en 2008, lorsque Paul van de Geijn atteindra la date prévue de sa retraite.

Pour plus d'informations sur les indemnités de résiliation contractuelle, voir page 48.

Biographies

James J. Schiro a achevé ses études à la St John's University, New York, par un Bachelor of Business Administration. Il détient un titre de docteur honoris causa en sciences commerciales de la même université. Après avoir suivi une formation d'expert-comptable, il rejoint Price Waterhouse en 1967 et occupe divers postes de management avant de devenir président et associé de la firme américaine en 1994. Après la fusion de Price Waterhouse et de Coopers & Lybrand en 1998, il devient Global Chief Executive Officer de Pricewaterhouse-Coopers. Il rejoint Zurich en mars 2002 en tant que Chief Operating Officer – Group Finance et est nommé Chief Executive Officer du groupe deux mois plus tard. Il est membre du Conseil d'administration de PepsiCo. et du Conseil de surveillance de Royal Philips Electronics. Il est également président de la Swiss American Chamber of Commerce, membre du Conseil d'administration de la Geneva Association, membre du European Financial Services Round Table, membre du Business Council du World Economic Forum et, depuis février 2008, membre du Conseil d'administration de l'Institute of International Finance (IIF). Il est également vice-président de the American Friends of the Lucerne Festival et membre du Conseil de gestion du Festival de Lucerne. Il est par ailleurs membre du Conseil de gestion de la St John's University, New York, et de l'Institute of Advanced Study à Princeton, New Jersey, ainsi que de nombreux autres conseils.

John J. Amore est titulaire d'un diplôme en gestion d'entreprise de la Embry-Riddle Aeronautical University, Daytona Beach, aux États-Unis, et d'un MBA en finances de l'Université de New York. Avant de rejoindre Zurich, il est vice-président de la Commerce and Industry Insurance Company, une société membre du American International Group (AIG). Il est ensuite Chief Executive Officer du centre d'activités Zurich U.S. Specialties et est nommé Chief Executive Officer de Zurich US en décembre 2000. Il a été CEO de la division d'affaires North America Corporate de Zurich jusqu'à fin août 2004. En avril 2004, il est nommé CEO du segment opé-

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rationnel General Insurance et, depuis septembre 2004, il se concentre sur ce rôle de leadership mondial. M. Amore est l'ancien président du Conseil d'administration de la American Insurance Association et siège à ce conseil depuis 2001. Il est membre du Conseil du surveillance pour la School of Risk Management, Insurance and Actuarial Science à la St. John's University à New York. Il est associé élu pour le Partnership for New York City, une organisation dédiée à maintenir la position de la ville en tant que centre mondial de commerce et d'innovation, et siège au sein du Conseil d'administration de la U.S. Chamber of Commerce.

Annette Court est titulaire d'une licence en ingénierie de l'Université d'Oxford. Elle rejoint IBM UK Ltd. en 1983, où elle occupe différentes fonctions d'ingénierie des systèmes et de gestion des clients dans les secteurs bancaire et de l'assurance. En 1994, elle rejoint le Direct Line Group en tant que manager de planification centrale et, trois ans plus tard, devient responsable de la gestion de l'assurance véhicules à moteur. Elle est nommée directrice commerciale de Direct Line Insurance en 2000 et Chief Executive Officer du Direct Line Group l'année suivante, responsable de toutes les activités de commerce de détail, de partenariats et activités internationales. En 2003, Mme Court devient Chief Executive Officer de la Royal Bank of Scotland Insurance suite à l'acquisition et à l'intégration du Churchill Group avec Direct Line. Elle rejoint Zurich le 15 janvier 2007 et occupe la fonction de CEO de Europe General Insurance. Elle devient membre du GEC le 1er mars 2007. Elle est également membre du Conseil d'administration de la Association of British Insurers.

Mario Greco a obtenu un undergraduate degree en économie à l'Université de Rome et un master en économie internationale et en théorie monétaire à la Rochester University, New York (USA). M. Greco a démarré sa carrière professionnelle dans le conseil d'entreprise, travaillant avec le bureau de Milan de McKinsey & Company de 1986 à 1994, devenant associé en 1992 et principal associé dans le segment assurance. En 1995, il rejoint RAS (groupe Allianz) à Milan en tant que responsable de la division Sinistres. L'année suivante, il devient responsable général des activités d'assurance et, en 1998, il est nommé directeur commercial. En 2000, il devient Chief Executive Officer de la société, fonction qu'il assumera pendant quatre ans. Il est nommé responsable des activités Life Sustainability d'Allianz à Munich en 2004 et, plus tard dans l'année, il siège au sein du Conseil exécutif d'Allianz AG, assumant la responsabilité de la France, de l'Italie, de l'Espagne, du Portugal, de la Grèce et de la Turquie. En avril 2005, il rejoint le Sanpaolo IMI Group à Milan en tant que Chief Executive Officer de EurizonVita, anciennement appelée Aip, en tant que partie constituante d'un projet visant à développer les activités d'assurance et de gestion d'actifs du groupe. En octobre 2005, il est nommé Chief Executive Officer d'EFG, la société détenant les investissements du Sanpaolo IMI Group dans Eurizon Vita et Banca Fideuram, et Eurizon Capital. Il rejoint Zurich le 1er octobre 2007 en tant que CEO désigné Gobal Life et devient membre du GEC. Il est également membre du Conseil d'administration du Gruppo Editoriale l'Espresso, Indesit, Saras et Bocconi University, Milan.

Paul N. Hopkins détient un Bachelor of Science en gestion commerciale de la Eastern Illinois University et est diplômé de l'Advanced Executive Education program de la Wharton Business School. Il rejoint la société Farmers en 1978 en tant qu'agent et devient un collaborateur de Farmers, où il occupe par la suite différentes fonctions, assumant de plus en plus de responsabilités dans les domaines de la vente et du marketing. En 1992, il rejoint le Los Angeles Regional office en tant que Assistant Vice President, Regional Operations. Il devient Vice President Agencies en 1995, et Senior Vice President Agencies deux ans plus tard. En 1998, il est nommé Senior Vice President et Chief Marketing Officer, fonction qu'il occupe jusqu'au 1er janvier 2000, date à laquelle il est nommé Senior Vice President de State Operations. Sa prochaine fonction de Senior Vice President de Strategic Alliances prend effet en avril 2001. En août 2002, il est promu au titre de Executive Vice President, Market Management, et, deux ans plus tard, il devient le président de Farmers Group, Inc. M. Hopkins est nommé membre du Comité exécutif élargi de Zurich en décembre 2004. Depuis avril 2005, il est Chief Executive Officer de Farmers Group, Inc. et membre du Comité exécutif du groupe Zurich. Il est également membre du Conseil d'administration de Farmers Group, Inc. et président du Conseil d'administration de Farmers New World Life Insurance Company. En 2006, M. Hopkins est nommé président du Conseil d'administration de ZFUS Services, LLC, la plate-forme de services partagés nord-américaine de Zurich. M. Hopkins est également membre du Conseil de gestion du American Institute for Chartered Property Casualty Underwriters ainsi que membre du Conseil d'administration du Insurance Information Institute.

Axel P. Lehmann est titulaire d'un MBA et d'un doctorat de l'Université de Saint-Gall en Suisse. Après plusieurs études de recherche américaines, il écrit un certificat post-doctorat à l'Université de Saint-Gall et accomplit le Wharton Advanced Management Program. Il est maître de conférences dans plusieurs universités et instituts et devient vice-président de l'Institut pour la formation en assurance de l'Université de Saint-Gall et du centre Européen, où il est responsable du Consulting et du Management Development. Il dirige la planification et le controlling d'entreprise pour Swiss Life avant de rejoindre Zurich en 1996 et d'exercer différentes fonctions de direction opérationnelle et de développement d'entreprise à Zurich Suisse. Il devient membre du Comité exécutif élargi du groupe, responsable de fonctions de développement commercial à l'échelon du groupe, en novembre 2000. En septembre 2001, il est nommé Chief Executive Officer de l'ancienne région

Europe du Nord, puis Chief Executive Officer du groupe Zurich en Allemagne. En mars 2002, il devient CEO de la division d'affaires Continental Europe et membre du GEC. En 2004, il est chargé de la consolidation de la division Royaume-Uni et Irlande avec la division Continental Europe et est responsable en tant que CEO de la création de la division d'affaires Europe General Insurance intégrée. En septembre 2004, il devient CEO de Zurich North America Commercial à Schaumburg/Chicago. En janvier 2008, il endosse sa fonction actuelle de Group Chief Risk Officer avec des responsabilités supplémentaires pour l'IT du groupe. M. Lehmann est professeur honoraire pour la gestion commerciale et la gestion de services et président du Conseil d'administration de l'Institut pour la formation en assurance à l'Université de Saint-Gall en Suisse.

Patrick H. O'Sullivan est titulaire d'un diplôme d'études commerciales du Trinity College, à Dublin. Il a travaillé auprès de Arthur Andersen en tant qu'expert-comptable, obtenant ensuite un Master of Science en comptabilité et en finances à la London School of Economics. Il réussit à se faire engager par la Bank of America pour laquelle il travaille à Londres, Miami, Los Angeles et Francfort. En 1988, il rejoint Goldman Sachs en tant que Financial Controller pour l'Europe et, en 1990, la Financial Guaranty Insurance Company (FGIC), filiale à part entière de GE Capital. Il est nommé au Conseil d'administration de FGIC en 1993. L'année suivante, il rejoint Barclays/BZW pour assumer la fonction de Head of International Banking & Structured Finance et, en septembre 1996, devient Chief Operating Officer de la BZW. En 1997, il entre en fonction en tant que Chief Executive à Eagle Star Insurance Company et est nommé Chief Executive Officer General Insurance de Zurich au Royaume-Uni l'année suivante. En décembre 2002, il devient Group Finance Director de Zurich Financial Services et membre du GEC. En mars 2007, il est nommé à sa fonction actuelle de vice-président du Comité exécutif élargi du groupe et Chief Growth Officer. Il est en outre responsable des International and Centrally Managed Businesses du groupe ainsi que du secteur bancaire.

Geoff Riddell détient un master (MA) en sciences naturelles (chimie) de la Oxford University (The Queen's College) et, plus tard, il obtient le diplôme d'expert-comptable. Il débute sa carrière chez Price Waterhouse en 1978 et, quatre ans plus tard, rejoint AIG, où il assume diverses fonctions, dont celle de manager national pour Hong Kong, la Belgique et la France. Il rejoint Zurich en 2000, dans un premier temps comme directeur commercial de Zurich Commercial au Royaume-Uni, puis en tant que directeur commercial des activités Corporate et Government du Royaume-Uni. En novembre 2002, il devient CEO de la division General Insurance au Royaume-Uni, en Irlande et en Afrique du Sud. En 2004, il devient CEO Global Corporate et est nommé au Comité exécutif du groupe. M. Riddell est un ancien membre du General Insurance Council de l'Association of British Insurers, et a été président de son Liability Committee pendant trois ans. De 1990 à 1995, il a été membre de la Hong Kong Federation of Insurers Council. En février 2005, il devient membre du Conseil d'administration de Pool Re et du Forum for Global Health Protection en 2007. Il est aussi membre du Conseil de fondation de l'IMD à Lausanne. Il est également membre de la Confederation of the British Industry International Advisory Board, membre du City EU Advisory Committee et du Lord Mayor of London's Advisory Committee.

Martin Senn a obtenu un diplôme commercial et bancaire à l'École commerciale de Bâle, en Suisse, et a suivi le International Executive Program d'INSEAD à Fontainebleau, puis le Advanced Management Program à la Harvard Business School. Il a suivi une formation de banquier et a travaillé à l'ancienne Société de Banque Suisse de 1976 à 1994, sa carrière internationale incluant des fonctions de trésorier à Hong Kong et de trésorier général pour l'Asie et la région pacifique à Singapour, avant de gérer finalement le bureau de Tokyo de la société. En 1994, il rejoint le Credit Suisse, où ses fonctions exécutives incluent celle de trésorier pour le siège central et l'Europe ainsi que de président et turnaround manager du Credit Suisse Group au Japon, chargé de restructurer et de repositionner toutes les entités juridiques du groupe au Japon. En 2001, il devient membre du Comité exécutif du Credit Suisse et est nommé responsable de la division Trading and Investment Services. De 2003 à 2006, il est membre du Comité exécutif et Chief Investment Officer du groupe Swiss Life. M. Senn rejoint Zurich le 1er avril 2006 en tant que Chief Investment Officer et devient membre du Comité exécutif du groupe à la même date. Il est membre de la fondation Technopark Zurich. Depuis janvier 2007, il est également membre du Conseil d'administration d'Avenir Suisse et, depuis avril 2007, trésorier de la Zurich Association of Economics. Il est en outre consul honoraire de la République de Corée à Zurich. Il a été membre du Conseil d'administration de différentes banques et institutions de services financiers.

Paul van de Geijn a obtenu un diplôme en droit commercial à l'Université de Leiden aux Pays-Bas, en 1971, et rejoint l'un des prédécesseurs d'AEGON. Il débute sa carrière en tant que conseiller juridique, puis travaille dans le secteur de l'assurance dommages avant d'accepter une fonction de cadre supérieur en 1978. Après la fusion qui donna naissance à AEGON en 1983, il est nommé membre du Comité de direction de AEGON the Netherlands, en devenant le président en 1991. L'année suivante, il rejoint le Comité exécutif de AEGON N.V., étant responsable des opérations hollandaises et, plus tard, espagnoles et hongroises. En 2002, il cède la res-

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ponsabilité des activités hollandaises et assume des responsabilités pour AEGON USA et le programme de responsabilité d'entreprise AEGON. De 2000 à 2002, il est président de la Dutch Association of Insurers. En novembre 2003, il rejoint Zurich en tant que CEO Global Life et devient membre du GEC. En outre, il a occupé des fonctions dans le cadre d'un partenariat public/privé dans la communauté commerciale et au Comité exécutif de la Dutch Employers' Association.

Dieter Wemmer est titulaire d'un doctorat et d'un master en mathématiques de l'Université de Cologne. De 1983 à 1986, il travaille dans les mathématiques pures aux Universités de Cologne et Oxford. En 1986, il rejoint Zurich Re (Cologne), à l'époque une filiale de réassurance de l'activité allemande de Zurich, Agrippina, en tant qu'actuaire de tarification pour la réassurance vie. Il devient responsable de la réassurance vie et premier actuaire cinq ans plus tard. De 1992 à 1996, M. Wemmer occupe diverses fonctions à Agrippina, rejoignant la Direction en 1995 en tant que responsable du controlling/planning, de la communication et de la gestion immobilière. Il est muté en 1996 au Corporate Center de Zurich en tant que chef de projet pour la mise en œuvre des International Accounting Standards (IAS) et des US Generally Accepted Accounting Principles (US GAAP). Un an plus tard, il devient responsable du Financial Controlling. De 1999 à mai 2003, il est responsable des fusions et acquisitions, assumant également, à partir de 2002, la responsabilité de la gestion des capitaux et de l'actuariat Dommages et Vie. Il devient Chief Operating Officer de la division d'affaires Europe General Insurance en mai 2003. En novembre 2004, il est nommé CEO Europe General Insurance et devient membre du Comité exécutif du groupe. Il assume sa fonction actuelle de Chief Financial Officer du groupe Zurich Financial Services depuis mars 2007. M. Wemmer est membre du conseil d'«economiesuisse».

Changements au sein du GEC après le 1er janvier 2008

Au 1er janvier 2008, Axel Lehmann prend en charge la fonction de Chief Risk Officer, fonction qui a été intégrée au statut de Comité exécutif du groupe, reflétant l'importance de la gestion des risques au sein du groupe. Il est également responsable de l'IT du groupe. Dans sa nouvelle fonction de Chief Risk Officer, M. Lehmann est resté membre du GEC. À partir de la même date, Mike Foley devient CEO de la division d'affaires North America Commercial de Zurich et membre du GEC.

Mike Foley, 45 ans, américain, a obtenu un diplôme en mathématiques et en économie à la Fairfield University, Connecticut. Il rejoint le programme de formation à la gestion financière de la Armtek Corporation, Connecticut, en 1984 et obtient plus tard un MBA en marketing/finance de la JL Kellogg Graduate School of Management à la Northwestern University à Evanston, Illinois. En 1989, il rejoint la société d'investment banking Deepath Group à Lake Forest, Illinois, en tant que collaborateur et devient vice-président responsable de la gestion du portefeuille d'investissements dans différentes sociétés acquises. En 1993, il rejoint Electrocal, Inc dans le Connecticut en tant que président et, trois ans plus tard, entre en fonction chez McKinsey & Company à Chicago en tant que directeur, devenant responsable de ses activités d'assurance dommages et responsabilité civile en Amérique du Nord. Il rejoint Zurich en 2006 en tant que Chief Operating Officer de la division d'affaires North America Commercial et, en janvier 2008, est nommé CEO de cette division et membre du Comité exécutif du groupe.

Les membres du GEC font également partie du Group Management Board (GMB), qui comprend les responsables de certains centres d'activités et fonctions du groupe. Le GMB se concentre essentiellement sur la communication, l'amélioration des compétences et le développement du groupe; il représente les activités et les fonctions et garantit la collaboration horizontale dans tout le groupe.

Membres supplémentaires du GMB au 31 décembre 2007

Nom	Nationalité	Âge	Fonction
Thomas Buess	Suisse	50	Chief Operating Officer, Global Life
Peter Goerke	Suisse	45	Group Head Human Resources
Richard Kearns	Américain	57	Chief Administrative Officer
Michael Paravicini	Suisse	46	Chief Information Technology Officer
Reto Schiltknecht	Suisse	47	Group General Counsel
Franz Wipfli	Suisse	56	Head of Organizational Transformation Management

John Lynch, Head of US Small Business, a démissionné du groupe et du GMB le 30 juin 2007.

Au 1er janvier 2008, Inga Beale a rejoint le groupe en tant que Head of Mergers & Acquisitions and Organizational Transformation Management. Dans sa nouvelle fonction, Mme Beale est devenue à la même date membre du GMB. M. Wipfli prendra sa retraite en mai 2008.

Contrats de gestion

Zurich Financial Services n'a pas transféré par contrat des parties substantielles de la gestion à d'autres sociétés (ou individus) n'appartenant pas au groupe (ou n'étant pas employés par ce dernier).

Droits de participation des actionnaires

Limitations et représentation des droits de vote

Chaque action inscrite au registre des actions donne droit à une voix. Il n'y a pas de limitation des droits de vote.

Un actionnaire ayant le droit de vote peut participer en personne aux Assemblées générales de Zurich Financial Services. Il ou elle peut autoriser par écrit tout autre actionnaire ayant le droit de vote ou toute personne autorisée aux termes des statuts et d'une directive plus détaillée du Conseil d'administration à le ou la représenter à l'Assemblée générale. Aux termes des statuts, les mineurs ou pupilles peuvent se faire représenter par leur représentant légal, les personnes mariées par leur conjoint et une personne morale peut être représentée par une personne autorisée à l'engager par sa signature, même si de telles personnes ne sont pas actionnaires. Par ailleurs, des droits de représentation peuvent être accordés au représentant indépendant des actionnaires, à un représentant légal ou aux représentants de dépositaires, qui ne doivent pas nécessairement être actionnaires eux-mêmes. Zurich Financial Services peut, dans certaines circonstances, autoriser les ayants droit économiques des actions qui sont détenues par des professionnels, tels que des nominees (tels qu'une société de trust, une banque, un gestionnaire de fortune professionnel, une organisation de clearing, un fonds de placement ou toute autre entité reconnue par Zurich Financial Services), à assister aux Assemblées générales et à exercer des droits de vote pour le compte du nominee en question. Pour plus de détails, voir page 34.

Zurich Financial Services a eu recours au vote électronique pour toutes les résolutions prises à l'Assemblée générale de l'année dernière. Conformément aux usages suisses, Zurich Financial Services informe tous les actionnaires au début de l'Assemblée générale du nombre total de votes par procuration qu'elle a reçus.

Quorums statutaires

Conformément aux statuts, l'Assemblée générale constitue un quorum, indépendamment du nombre d'actionnaires présents et du nombre d'actions représentées. Les résolutions et les élections requièrent généralement l'approbation d'une majorité simple des voix attribuées, à l'exclusion des abstentions, votes blancs et votes non valides, à moins que des dispositions statutaires correspondantes (ce qui n'est pas le cas) ou des dispositions légales impératives ne stipulent autre chose. L'article 704 du Code suisse des obligations prévoit une majorité des deux tiers des voix attribuées aux actions représentées et la majorité absolue des valeurs nominales représentées pour certaines questions importantes telles qu'une modification du but social ou du siège social de la société, la dissolution de la société et toute question relative aux augmentations de capital. En cas d'égalité des voix, la voix du président est déterminante.

Convocation de l'Assemblée générale des actionnaires

Les Assemblées générales des actionnaires sont convoquées par le Conseil d'administration ou, si nécessaire, par les auditeurs ou d'autres organes conformément aux articles 699 et 700 du Code suisse des obligations. Les actionnaires avec droits de vote qui représentent au moins 10 pour cent du capital-actions peuvent convoquer une Assemblée générale en indiquant les points à l'ordre du jour et les propositions correspondantes. Le délai de convocation est d'au moins 20 jours civils, Zurich Financial Services envoyant généralement la convocation aux actionnaires au moins 20 jours ouvrables avant l'Assemblée avec publication dans la Feuille officielle suisse du commerce et dans divers journaux.

Ordre du jour

Le Conseil d'administration est chargé de déterminer les points devant figurer à l'ordre du jour et d'en envoyer la liste aux actionnaires. Les actionnaires avec droits de vote qui représentent ensemble des actions d'une valeur nominale d'au moins 10.000 francs suisses peuvent demander par écrit, 45 jours au plus tard avant la date de l'Assemblée, que des propositions spécifiques soient inscrites à l'ordre du jour.

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Inscriptions au registre des actions

Dans le but d'assurer une procédure méthodique, le Conseil d'administration fixe peu avant l'Assemblée générale la date à laquelle un actionnaire doit être inscrit au registre des actions afin d'exercer ses droits de participation à l'Assemblée générale. Cette date d'inscription est publiée, avec la convocation à l'Assemblée générale, dans la Feuille officielle suisse du commerce et dans plusieurs journaux.

Prises de contrôle et mesures de défense

Obligation de présenter une offre

Les statuts de Zurich Financial Services ne prévoient pas d'opting out ou d'opting up au sens des articles 22 et 32 de la Loi fédérale sur les bourses et le commerce des valeurs mobilières. En conséquence, des offres fermes doivent être soumises, lorsqu'un actionnaire ou un groupe d'actionnaires agissant conjointement dépasse 33 1/3 pour cent du capital-actions émis et en circulation.

Clauses relatives aux prises de contrôle

Des contrats de travail ont été conclus avec les membres du GEC afin de fixer les termes et conditions de leur emploi. Pour ce qui est des indemnités de départ, la plus longue période d'indemnisation pour les membres du GEC est de deux ans, délai de préavis inclus, et aucune indemnité complémentaire n'est attribuée en cas de prise de contrôle.

Pour le CEO, les indemnités de départ sont liées au terme du contrat de travail, qui arrivera à expiration le 31 décembre 2009. Au 31 décembre 2007, la période d'indemnisation pour le CEO était donc de deux ans (délai de préavis inclus). La période d'indemnisation se réduit de façon linéaire au fil du temps. Si l'emploi prend fin à la suite d'une prise de contrôle, un paiement supplémentaire pouvant aller jusqu'au double du salaire de base annuel et du bonus annuel payable en espèces, selon la durée résiduelle de l'emploi, sera payé. Par ailleurs, le CEO aura droit à un paiement forfaitaire supplémentaire si les indemnités de départ totales payées à la suite d'une prise de contrôle sont soumises à l'Excise Tax américaine.

Les programmes de rémunération en actions du groupe incluent des règlements concernant l'impact des prises de contrôle. Ces règlements prévoient qu'en cas de prise de contrôles, l'administrateur du plan a le droit de faire convertir les obligations d'actions sortantes en nouveaux droits d'actions ou de prendre en considération les obligations qui ne sont pas converties. Des participants qui perdent leur emploi par suite d'une prise de contrôle ont automatiquement droit transfert (vesting) d'actions. Aucune autre indemnité n'est attribuée aux cadres supérieurs du groupe en cas de prise de contrôle.

Aucune indemnité n'est prévue pour les membres du Conseil d'administration en cas de prise de contrôle.

Auditeurs externes

Durée du mandat de révision et durée de la fonction de l'auditeur responsable

PricewaterhouseCoopers AG, Birchstrasse 160, à 8050 Zurich (PwC), est l'organe de révision externe de Zurich Financial Services et l'auditeur du groupe pour les comptes consolidés. PwC assume toutes les fonctions d'audit requises par la loi et par les statuts de Zurich Financial Services. Les auditeurs sont élus pour une année par les actionnaires de Zurich Financial Services. Lors de l'Assemblée générale des actionnaires du 3 avril 2007, PwC a été réélu par les actionnaires de Zurich Financial Services. Le Conseil d'administration propose que PwC soit réélu lors de la prochaine Assemblée générale en tant qu'organe de révision et auditeur du groupe pour l'exercice 2008. PwC répond à toutes les exigences de la nouvelle Loi fédérale sur l'agrément et la surveillance des réviseurs et a été autorisé en tant que société d'audit enregistrée par l'Autorité fédérale de surveillance en matière de révision en vertu de cette loi.

PwC et ses prédécesseurs, Coopers&Lybrand et Société Fiduciaire Suisse SA, sont les auditeurs externes de Zurich Financial Services et de ses prédécesseurs depuis le 11 mai 1983. Comme en 2000, le groupe a de nouveau procédé en 2007 à un appel d'offres invitant toutes les grandes sociétés d'audit à soumettre leurs programmes de travail et des offres pour 2008 et pour les années suivantes. Après un examen approfondi, le groupe est parvenu à la conclusion que le programme de travail de PwC et son offre emportaient la meilleure note et, en conséquence, le Conseil d'administration propose PwC pour réélection pour le prochain exercice.

M. Roger Marshall de PricewaterhouseCoopers AG est l'auditeur responsable depuis le 1er janvier 2003 et jusqu'à la fin de l'exercice 2007. Le groupe exige une rotation tous les cinq ans pour l'auditeur responsable. En conséquence, M. Patrick Shouvlin de PricewaterhouseCoopers AG sera le nouvel auditeur responsable pour l'exercice débutant au 1er janvier 2008.

OBT AG a été élu auditeur spécial chargé d'effectuer les audits spéciaux requis pour les augmentations du capital-actions aux termes des articles 652f, 653f et 653i du Code suisse des obligations. Lors de l'Assemblée générale du 19 avril 2005, OBT a été réélu par les actionnaires pour une période de trois ans. OBT AG a commencé son mandat en octobre 2000. Le Conseil proposera à l'Assemblée générale du 3 avril 2008 qu'OBT soit réélu en tant qu'auditeur spécial pour un nouveau mandat de trois ans.

Honoraires facturés par les auditeurs

Les honoraires (y compris frais et TVA) facturés par les auditeurs du groupe en 2007 se sont élevés au total à 45,1 millions de dollars (42,9 millions de dollars en 2006).

Honoraires additionnels

Les honoraires (y compris frais et TVA) facturés en 2007 pour les services additionnels (p.ex. services fiscaux ou audits spéciaux requis par la législation locale ou des instances de régulation), fournis par les auditeurs du groupe et parties associées pour Zurich Financial Services ou pour l'une des sociétés du groupe, se sont élevés au total à 3,7 millions de dollars (3,5 millions de dollars en 2006).

Supervision et contrôle du processus d'audit externe

Le comité d'audit rencontre régulièrement les auditeurs externes, mais au moins quatre fois par an. Durant 2007, le comité d'audit a rencontré six fois les auditeurs externes. Les auditeurs externes ont des sessions privées régulières avec le comité d'audit, sans la présence de la Direction générale. Sur la base de rapports écrits, le comité d'audit discute avec les auditeurs externes de la qualité du fonctionnement des finances et de la comptabilité du groupe et de toutes les recommandations que les auditeurs externes pourraient soumettre. Les sujets traités au cours de ces discussions incluent le renforcement des contrôles financiers internes, les normes comptables applicables et les systèmes d'établissement de rapports à l'attention de la Direction générale. Dans le cadre de l'audit, le comité d'audit obtient des auditeurs externes un rapport ponctuel relatif aux états financiers audités de Zurich Financial Services et du groupe.

Le comité d'audit supervise le travail de l'auditeur externe. Il vérifie, au moins une fois par an, la qualification, la performance et l'indépendance des auditeurs externes et examine tous les aspects pouvant altérer leur objectivité et leur indépendance sur la base d'un rapport écrit des auditeurs externes qui décrit les procédures de contrôle de la qualité interne de la société, tous les problèmes importants rencontrés et toutes les relations entre les auditeurs externes et le groupe et/ou ses collaborateurs pouvant être considérées comme ayant une influence sur l'indépendance des auditeurs externes. Le comité d'audit évalue la collaboration avec les auditeurs externes durant leur examen d'audit. Il obtient les commentaires de la Direction générale concernant la performance et la capacité des auditeurs externes de répondre aux besoins de Zurich Financial Services et du groupe. Le comité d'audit examine, avant le début de l'audit annuel, l'ampleur et l'étendue générale des activités des auditeurs externes et suggère les domaines devant faire l'objet d'une attention particulière.

Le comité d'audit propose les auditeurs externes au Conseil d'administration pour élection par les actionnaires et est responsable de l'approbation des honoraires d'audit. Une proposition relative aux honoraires pour les services d'audit est soumise par PwC et validée par la Direction générale au début de chaque année avant d'être soumise au comité d'audit pour approbation. Une telle proposition est basée principalement sur une analyse des unités de reporting existantes et des changements attendus dans la structure juridique et opérationnelle durant l'année.

Rapport sur la gouvernance d'entreprise

Le comité d'audit a approuvé un règlement écrit sur l'utilisation d'auditeurs externes pour des services qui ne relèvent pas de l'audit et qui précise les règles relatives à la prestation de tels services et les questions y afférentes. Les services admissibles qui ne relèvent pas de l'audit peuvent inclure le conseil et les services fiscaux, des lettres d'accord (comfort letter) et des lettres de consentement (consent letter), des certifications et attestations, la due diligence et un support d'audit dans certaines transactions, dans la mesure où de telles activités répondent aux exigences légales et réglementaires applicables et ne compromettent pas l'indépendance ou l'objectivité en tant qu'auditeur externe. Tous les services admissibles qui ne relèvent pas de l'audit doivent être approuvés au préalable par le comité d'audit (président), le Group Chief Financial Officer ou le CFO local, selon le niveau d'honoraires prévisibles. Ils requièrent également, entre autres, une lettre d'engagement spécifiant les services devant être fournis et faisant référence à l'obligation qu'a l'auditeur externe de se conformer à ce règlement.

Audit du groupe

La fonction d'audit interne du groupe («audit du groupe») a pour but de fournir au Conseil d'administration, au comité d'audit, au CEO et à la Direction générale l'assurance de l'indépendance et de l'objectivité. Elle le fait en développant un plan d'audit annuel et en utilisant une méthodologie basée sur le risque, qui est actualisée chaque trimestre de manière à refléter les changements en matière de risques et de priorités. Le plan est basé sur le spectre complet des risques opérationnels. L'audit du groupe exécute le plan en se servant d'une approche systématique et disciplinée permettant d'évaluer, de commenter et d'améliorer les processus de gestion des risques, de contrôle et de gouvernance. Il évalue l'opportunité, la fiabilité et le fonctionnement de l'organisation opérationnelle sous les aspects techniques et humains et examine l'efficience et l'efficacité du système de contrôle du groupe. En outre, la fonction d'audit interne permet également d'examiner les processus et les règlements de reporting financier et de vérifier la conformité avec les exigences commerciales du groupe ainsi qu'avec les dispositions statutaires et réglementaires. Les questions essentielles décelées par l'audit du groupe sont communiquées à la fonction de conduite responsable, au CEO et au comité d'audit à l'aide d'une série d'outils de reporting.

Le comité d'audit et le CEO sont informés régulièrement des constatations importantes, y compris des opinions défavorables, des actions correctrices engagées et de l'attention accordée par la Direction générale. L'audit du groupe a un accès illimité à tous les comptes, enregistrements et documents et doit recevoir toutes les données et informations requises pour l'accomplissement de ses obligations. L'audit du groupe travaille en étroite collaboration avec l'audit externe, en partageant l'évaluation des risques, les plans de travail, les rapports d'audit et les mises à jour des actions d'audit. L'audit du groupe et l'audit externe se rencontrent régulièrement à tous les niveaux de l'organisation pour optimiser l'assurance ainsi que l'efficience.

Le comité d'audit évalue l'indépendance de l'audit du groupe et examine ses activités, ses plans, son organisation et la qualité de son travail ainsi que la coopération mutuelle avec les auditeurs externes. En 2007, le groupe a confié à une partie indépendante le soin d'examiner l'efficacité de l'audit du groupe. Les résultats ont confirmé que les pratiques d'audit du groupe satisfont voire dépassent les exigences professionnelles de l'Institute of Internal Audit (IIA) et que, dans de nombreux cas, elles sont conformes aux méthodes globales d'audit interne de premier plan. Malgré ce résultat positif, l'audit du groupe continuera de développer son activité afin d'améliorer encore son efficacité, son efficience et son offre de valeur ajoutée.

Le comité d'audit approuve annuellement le plan d'audit du groupe et examine tous les trimestres les rapports de la fonction sur ses activités ainsi que les problèmes significatifs en matière de risques, de contrôle et de gouvernance. Le responsable de l'audit du groupe établit ses rapports à l'attention du président du comité d'audit et du CEO.

Compliance

Les valeurs centrales du groupe sont fondées sur le principe du respect de la loi et sur le souci de faire ce qui est juste, dans la conviction que, sans une compliance saine dans toutes les activités du groupe, la réputation de Zurich et la réalisation des objectifs ambitieux du groupe seraient compromises. Des équipes de compliance soutiennent la Direction générale dans la sensibilisation aux risques de compliance et dans leur compréhension et offrent des programmes de formation. La politique du groupe est de mettre en place des processus spécifiques permettant aux collaborateurs d'exprimer leurs préoccupations ou de faire part de violations, au niveau des rapports financiers, des règles internes de compliance, des obligations juridiques ou d'autres obligations.

La fonction de compliance examine les lois, les règlements et les autres exigences à tous les niveaux de l'organisation et vérifie que le groupe gère ses risques de compliance de manière appropriée. Elle promulgue des règlements assurant la conformité avec des exigences, soutient et conseille les activités sur la manière dont ils s'appliquent à Zurich et surveille le respect de ces règlements par Zurich.

Les problèmes clés soulevés par la fonction de compliance à travers l'organisation et les actions correctrices convenues sont communiquées à la fonction de gestion responsable ainsi qu'aux comités de surveillance correspondants.

Système de contrôle interne

Le Conseil d'administration supervise le système de gestion des risques et de contrôle interne du groupe que la Direction générale a mis en place et qui est davantage conçu pour gérer que pour éliminer les risques de non-réalisation des objectifs commerciaux et peut uniquement fournir une assurance raisonnable, mais pas absolue, contre des erreurs ou des pertes. Il existe deux comités au niveau du Conseil d'administration, qui assument des responsabilités primaires de supervision des risques et du contrôle:

- le comité des risques – qui supervise les questions relatives aux risques et
- le comité d'audit – qui supervise les questions relatives au contrôle.

Au niveau de la Direction générale, des comités de gestion sont en place pour examiner continuellement les questions afférentes aux risques et au contrôle. Les comités de gestion sont constitués de membres des différentes activités et fonctions de manière à garantir l'indépendance par rapport à l'activité examinée. Les résultats des examens réalisés par ces comités de gestion sont communiqués aux comités concernés du Conseil d'administration.

Le groupe a adopté une approche coordonnée et formalisée de la gestion des risques et du contrôle interne. Les principaux systèmes et règlements de risques et de contrôle du groupe sont généralement établis au niveau du groupe, avec une mise en œuvre ultérieure à l'échelon de tout le groupe. Cette approche se focalise principalement sur les risques majeurs susceptibles d'avoir un impact sur la réalisation des objectifs commerciaux du groupe ainsi que sur les activités permettant de contrôler et de surveiller ces risques et de contribuer à l'efficacité du contrôle. Un environnement conscient des risques et du contrôle nécessaire est ainsi instauré au sein du groupe et est renforcé par la communication et par la formation.

La Direction générale est responsable de l'identification, de l'évaluation et du contrôle des risques importants. Le groupe gère les risques à travers l'organisation, sous la direction des cadres supérieurs. Zurich a des règlements de gestion des risques à l'échelon du groupe ainsi que des méthodes et des outils d'évaluation et de modélisation des risques communs. Les processus d'évaluation des risques du groupe sont alignés sur le processus de planification du groupe et sont examinés par le Comité exécutif du groupe et le comité des risques du Conseil d'administration. Les risques significatifs, les résultats des processus d'évaluation et de modélisation ainsi que les actions importantes en résultant sont rapportés régulièrement au comité des risques du Conseil d'administration. Des évaluations locales périodiques des risques sont réalisées à l'aide de l'outil Total Risk Profiling® de Zurich et les unités d'affaires sont invitées, au moins une fois par trimestre, à établir un rapport sur leurs principaux risques et à mettre en œuvre des plans d'actions visant à une réduction de ces risques.

Le système de contrôle interne se focalise sur les principaux contrôles financiers, opérationnels et de compliance. Le système englobe les règlements, processus et activités qui contribuent à la fiabilité des rapports financiers, à l'efficacité et à l'efficience des opérations et de la conformité aux lois et aux règlements. En 2007, des progrès continus ont été faits pour développer et améliorer le cadre de contrôle du groupe tout en maintenant l'attention sur l'efficacité de l'environnement de contrôle global.

Rapport sur la gouvernance d'entreprise

Le business plan annuel du groupe inclut des considérations relatives à la gestion des risques ainsi que la direction stratégique et commerciale, des données financières et des indicateurs clés. Durant l'année, le Conseil d'administration et la Direction générale du groupe reçoivent des rapports réguliers résumant les conditions financières, la performance financière et opérationnelle comparée au plan et les principales expositions aux risques.

Les processus et contrôles au sein de l'organisation sont soumis à des examens basés sur les risques par la Direction générale, la fonction d'audit interne du groupe («audit du groupe») et la gestion des risques du groupe. Les examens de la Direction générale portent sur la mise en place effective de règlements et de procédures relatifs aux sinistres, à la souscription, à l'actuariat, à la comptabilité et aux règlements et procédures de reporting, et incluent des activités de contrôle pour les sites importants et les systèmes de technologie d'information du groupe. Par le biais des comités d'audit et des risques, le Conseil d'administration reçoit des rapports réguliers et, si nécessaire, des rapports spéciaux du Chief Risk Officer du groupe, du responsable de l'audit du groupe et des cadres supérieurs des divisions financières et commerciales sur l'adéquation de la structure de contrôle mise en place. Par ailleurs, les auditeurs externes font régulièrement part de leurs conclusions, de leurs observations et de leurs recommandations résultant de leur procédure d'audit indépendante. Les rapports portent sur des sujets tels que: a) les changements significatifs au niveau des risques, de l'environnement économique et de l'environnement externe; b) les systèmes de surveillance et de contrôle de la Direction générale; c) les problèmes majeurs du contrôle, s'il en existe et d) l'efficacité du processus de reporting externe du groupe.

Le comité des risques a examiné la capacité du groupe à assumer des risques et supervisé le cadre de gouvernance de risques dans tout le groupe, et le comité d'audit a examiné l'efficacité du système de contrôle interne pratiqué par le groupe pour l'année civile 2007 jusqu'à la date du Rapport de gestion et a présenté au Conseil d'administration un compte rendu correspondant. Le Conseil d'administration a constaté avec satisfaction que l'examen avait été réalisé conformément à la Turnbull Guidance britannique (telle que révisée en octobre 2005). L'évaluation a intégré l'étude de l'efficacité du processus du groupe pour l'identification, l'évaluation, le contrôle et la gestion des risques des activités commerciales, y compris l'étendue et la fréquence des rapports sur les risques et le contrôle reçus et examinés durant l'année par les comités des risques et d'audit et par le Conseil d'administration, les questions importantes de contrôle interne discutées ainsi que les actions correspondantes prises par la Direction générale. Les problèmes identifiés par ce processus ont été communiqués au Conseil d'administration et seront traités par le groupe.

Poursuite de l'activité de la société

Après avoir examiné la performance du groupe et les prévisions pour l'année à venir, les membres du Conseil d'administration sont convaincus que le groupe dispose des ressources adéquates lui permettant de poursuivre ses activités dans un futur proche. Pour cette raison, les administrateurs ont adopté le principe de la continuité de l'exploitation pour la préparation des états financiers.

Collaborateurs

Le groupe s'engage à offrir des chances égales lors du processus de recrutement et de promotion, les compétences, l'expérience, la qualification, les connaissances et la diversité en étant les principes directeurs. Le groupe encourage activement l'implication des collaborateurs dans les activités du groupe par le biais de publications imprimées et en ligne, de réunions d'équipe et de réunions périodiques avec les représentants des collaborateurs.

Le groupe a conclu un contrat optionnel dans le cadre de la Directive sur les comités d'entreprise européens. Dans certains pays, le groupe a établi des systèmes de rémunération en actions et des plans d'incitation pour les collaborateurs à large échelle afin de les encourager à devenir actionnaires du groupe.

Politique d'information

Zurich Financial Services compte environ 108.000 actionnaires inscrits au registre des actions, des particuliers aux grands investisseurs institutionnels. Chaque actionnaire inscrit reçoit une convocation à l'Assemblée générale ordinaire avec la Lettre aux actionnaires qui fournit un aperçu des activités du groupe durant l'exercice et souligne la performance financière. Le Rapport de gestion plus complet, comprenant le Rapport financier et le Rapport de gestion, est disponible sur le site Internet de Zurich (http://zdownload.zurich.com/main/reports/business_review_2007_fr.pdf). Des rapports similaires concernant les résultats semestriels et trimestriels sont également à la disposition de tous les actionnaires sur le site Internet de Zurich. Les actionnaires peuvent choisir de recevoir des versions imprimées de l'un ou de tous les rapports susmentionnés.

Zurich Financial Services entretient un dialogue régulier avec les investisseurs par le biais de son département Investor Relations et répond aux questions et requêtes soulevées par les actionnaires institutionnels et privés. Zurich Financial Services organise par ailleurs des journées pour des investisseurs institutionnels ayant pour but de fournir des informations exhaustives sur ses activités et la direction stratégique. Ces présentations peuvent être suivies par webcast ou par conférence téléphonique. Les trois journées des investisseurs organisées en 2007 se sont concentrées sur la Gestion des capitaux (28 mars 2007), les Informations sur la stratégie (23 mai 2007) et la Gestion des placements (6 décembre 2007). D'autres journées des investisseurs sont prévues pour 2008 afin de traiter des sujets présentant un intérêt pour la communauté financière. Toute une série d'informations relatives au groupe et à ses activités, incluant aussi les rapports susmentionnés et une documentation complète distribuée lors des journées des investisseurs, sont également disponibles dans la section Investor Relations sur le site Internet de Zurich Financial Services www.zurich.com (http://www.zurich.com/main/investorrelations/investorrelations.htm).

L'Assemblée générale de Zurich Financial Services se tiendra le 3 avril 2008. Le président, le CEO et le Chief Financial Officer y présenteront un bilan des activités du groupe pour l'exercice 2007. L'assemblée aura lieu au Hallenstadion à Zurich-Oerlikon. Une convocation indiquant les points à l'ordre du jour et présentant une explication des résolutions proposées sera envoyée aux actionnaires par Zurich Financial Services au moins 20 jours avant la réunion.

Pour les adresses et les dates importantes à venir, veuillez vous référer au calendrier financier à la page 262.

Rapport sur les rémunérations

Ce Rapport sur les rémunérations fournit toutes les informations qui sont exposées au chapitre cinq de la Directive concernant les informations relatives à la Corporate Governance de la SWX Swiss Exchange et du Code suisse de bonne pratique tels que modifiés respectivement avec effet au 1er janvier 2007 et au 15 octobre 2007. Les informations requises par les articles 663b^{bis} et 663c alinéa 3 du Code suisse des obligations qui sont applicables pour la première fois à l'exercice 2007 sont également incluses. La structure de ce Rapport sur les rémunérations a été modifiée afin d'améliorer l'alignement avec les nouvelles exigences du Code suisse des obligations et les changements effectués dans la Directive susmentionnée de la SWX ainsi que dans le Code suisse de bonne pratique. La première partie du rapport décrit les principes généraux et le cadre de gouvernance et la seconde fournit des détails sur chacun des éléments de rémunération.

Étant donné que tous les membres du Conseil d'administration de Zurich Financial Services sont sans pouvoir exécutif, l'information est présentée avec les détails complets de la rémunération du Conseil d'administration contenus dans une section et ceux du Comité exécutif du groupe dans une section distincte.

Toutes les informations requises par les articles 663b^{bis} et 663c alinéa 3 du Code suisse des obligations sont également intégrées dans les notes aux états financiers de Zurich Financial Services Holding Company.

Le reste des informations à publier selon la Directive de la SWX Swiss Exchange figure dans le Rapport sur la gouvernance d'entreprise précédant ce Rapport sur les rémunérations.

Principes de rémunération

Membres du Conseil d'administration

Le niveau des honoraires des membres du Conseil d'administration a été déterminé de manière à garantir que le groupe puisse attirer et retenir des personnes hautement qualifiées, étant donné que Zurich Financial Services est une organisation de services financiers basée sur l'assurance présente dans le monde entier.

Depuis le 1er janvier 2007, les honoraires payés aux membres du Conseil d'administration de Zurich Financial Services comprennent les honoraires qui étaient payés auparavant pour l'appartenance complémentaire au Conseil d'administration de «Zurich» Compagnie d'Assurances. Ainsi, tous les membres du Conseil d'administration ont reçu en 2007 un seul honoraire global pour leur appartenance aux Conseils d'administration de Zurich Financial Services et de «Zurich» Compagnie d'Assurances. En outre, avec effet au 1er janvier 2007, une partie fixe des honoraires globaux a été payée en actions de Zurich Financial Services afin d'accroître l'alignement avec les intérêts des actionnaires. La vente des actions est restreinte pendant trois ans.

Les honoraires payés aux membres du Conseil d'administration (y compris la partie allouée en actions) ne sont pas sujets à l'atteinte de conditions spécifiques de performance.

Comité exécutif du groupe et tous les autres collaborateurs

En ce qui concerne les membres du Comité exécutif du groupe (GEC) et tous les autres collaborateurs à travers le groupe, une philosophie de rémunération a été mise en œuvre dans le cadre des initiatives du Zurich Way.

Les principaux éléments de cette philosophie de rémunération sont décrits ci-dessous.

Zurich s'engage à fournir des opportunités concurrentielles de rémunération totale qui attirent, retiennent, motivent et récompensent les collaborateurs pour dégager une excellente performance aux yeux des clients et des actionnaires. La philosophie de rémunération fait partie intégrante de l'offre globale faite aux collaborateurs. Zurich a clairement défini le processus de gestion de la performance qui soutient la réalisation de la stratégie commerciale générale et les plans opérationnels et qui fait le lien entre le salaire individuel et la performance commerciale et personnelle. Celle-ci est fournie par le cadre de rémunération supervisé par le Comité exécutif du groupe, le comité des rémunérations du Conseil d'administration et par le Conseil d'administration lui-même.

Principes de conduite

Les principes de conduite sont les suivants:

- Promouvoir une culture de haute performance en différenciant la rémunération totale en fonction de la performance relative des activités et des individus.
- Lier les récompenses variables de rémunération aux facteurs de performance adéquats comme la performance du groupe Zurich, des domaines d'activités, par exemple des segments, des divisions, des fonctions, des unités et des résultats individuels.
- Définir clairement la performance escomptée au travers d'un système structuré de gestion de la performance et l'utiliser comme critère pour des décisions de rémunération.
- Fournir aux collaborateurs des avantages conformes aux pratiques locales du marché.

Rémunération totale

La rémunération totale est influencée par une série de facteurs tels que la performance d'exploitation et la capacité financière, la performance individuelle, l'équité interne et les exigences légales. Les opportunités des objectifs sont comparées aux niveaux moyens dans des marchés clairement définis et prennent en compte des considérations d'équité interne. Le mélange de rémunération entre le salaire de base et la partie variable est ainsi aligné en fonction des pratiques locales du marché et des circonstances internes. Zurich est ouvert quant à la communication sur la manière dont la structure de récompense est définie et aux processus utilisés pour la prise de décisions. La rémunération totale comprend les éléments suivants:

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Salaire de base

Le salaire de base est la partie fixe pour la fonction occupée déterminé par l'étendue et la complexité de la fonction et il est révisé chaque année. Les structures générales du salaire de base sont positionnées afin de gérer les salaires au niveau des moyennes pertinentes sur le marché. Au niveau individuel, le salaire de base est généralement payé dans une fourchette de 80 à 120 pour cent de la moyenne appropriée du marché. Les facteurs clés sont l'expérience et la performance individuelle globales.

Rémunération variable

Des plans d'incitation sont conçus pour fournir une échelle d'opportunités de récompense liées aux niveaux de performance. La performance d'exploitation et individuelle peut résulter en des récompenses supérieures, en cas de performance supérieure au-delà de l'objectif, et en des récompenses réduites ou supprimées en cas de performance en deçà des attentes. Les opportunités de rémunération variable sont offertes sur les marchés où il est usuel de motiver les collaborateurs à atteindre des objectifs clés à court et à long terme afin d'accroître la valeur en faveur des actionnaires. Des opportunités de rémunération variable peuvent inclure des incitations à court et à long terme.

- Les incitations à court terme dépendent de la performance en fonction de facteurs pertinents qui incluent la performance du groupe Zurich et des domaines d'activités ainsi que la performance individuelle. Les principales mesures de performance sont déterminées sur une base annuelle et se focalisent essentiellement sur les priorités commerciales. Elles comprennent habituellement des mesures de rentabilité, telles que le bénéfice net après impôts (Net Income After Tax, NIAT) et le bénéfice d'exploitation (Business Operating Profit, BOP) du groupe.
- Les incitations à long terme sont destinées à un groupe déterminé de cadres supérieurs et de directeurs dont les fonctions spécifiques se concentrent sur les facteurs de performance de la valeur à long terme en faveur des actionnaires. Les instruments utilisés sont essentiellement des actions et des options sur actions liées à la performance. Les actions selon la performance et options sur actions selon la performance attribuées ne sont transférées (vested) que si certaines conditions de performance sont satisfaites. Un tiers des attributions selon les objectifs est évalué en vue d'un transfert (vesting) au cours de chacune des trois années consécutives à la date de l'attribution sur la base de l'atteinte de la performance du groupe en termes de rendement des fonds propres attribuables aux actionnaires ordinaires (Return on Common Shareholders Equity, ROE) et selon la position du rendement total attribuable aux actionnaires de Zurich (Total Shareholders Return, TSR) en comparaison avec un groupe de pairs internationaux de 28 compagnies d'assurance intégrées dans l'indice Dow Jones Titan Insurance. Sur la base de l'atteinte réelle du ROE et du TSR, le pourcentage de transfert (vesting) peut varier entre 0 pour cent et 200 pour cent des attributions visées. En ce qui concerne les attributions effectuées en 2007, celles-ci sont évaluées en vue du transfert (vesting) sur la base de considération de trois années de performance en termes de TSR et de ROE et les anciennes attributions sont évaluées sur la base de la performance de l'année civile précédant le transfert (vesting). Des détails complémentaires sur les plans sont indiqués dans la section couvrant la rémunération réelle des membres du GEC.

Les plans de rémunération variable de Zurich sont révisés chaque année, à la fois en termes de contenus et de participants. Les plans peuvent être résiliés, modifiés, changés ou révisés à tout moment.

Avantages aux collaborateurs

Zurich offre aux collaborateurs des avantages qui sont conçus par référence aux pratiques des marchés locaux. Les collaborateurs sont en principe tenus de participer au coût de ces avantages et l'offre globale en avantages repose sur la moyenne pertinente du marché.

Gouvernance en matière de rémunération

Le Conseil d'administration définit les principes de rémunération sur la base de propositions du comité des rémunérations. Sur la base de ces principes de rémunération, le comité des rémunérations est chargé de proposer au Conseil d'administration sur une base annuelle la rémunération payable aux membres du Conseil d'administration, au Chief Executive Officer (CEO) et aux autres membres du GEC. Pour les autres membres du GEC, ces recommandations sont basées sur les propositions faites par le CEO. La rémunération est approuvée par le Conseil d'administration. Le comité des rémunérations ne comprend pas de membres dotés de mandats avec des sociétés liées. Pour tous détails complémentaires sur ses compétences, voir la page [40] du Rapport sur la gouvernance d'entreprise.

Pour aider à la prise de décisions à la fois de la rémunération du Conseil d'administration et du GEC, des études comparatives sont effectuées régulièrement. Pour évaluer les pratiques du marché et les niveaux de compensation du marché, les sociétés figurant dans le Dow Jones Titan Insurance Index sont analysées. Cet indice comprend les plus grandes compagnies d'assurance basées à la fois en Europe et aux États-Unis. Cette analyse est complétée par des études comparatives en fonction de ce qui est approprié, notamment au regard des pratiques au sein de grandes sociétés du Swiss Market Index (SMI) en Suisse ou dans des sociétés de taille comparable dans les autres pays.

Les résultats des études comparatives sont pris en compte dans la fixation des niveaux d'honoraires pour les membres du Conseil d'administration et dans les structures de compensation pour les membres du GEC. Lors de l'analyse des résultats, les facteurs considérés sont les pratiques du marché dans les différents pays et les relations internes entre les positions. Le positionnement général des structures de compensation se situe vers des niveaux moyens.

Lors de la révision régulière des structures et des pratiques de rémunération, le comité des rémunérations a nommé son propre conseiller indépendant, Hewitt Associates, et le CEO est soutenu par Mercer HR Consulting. Étant donné que les deux sociétés travaillent dans le domaine de la rémunération et des avantages internationaux, elles ont d'autres mandats avec Zurich.

Lors des réunions du comité des rémunérations et du Conseil d'administration en vue des prises de décisions concernant la rémunération du président, le président n'est pas présent. Lors de la prise de décisions sur la rémunération du CEO, le CEO n'est pas présent. Lorsque des décisions sont prises sur la rémunération des autres membres du GEC, ces membres ne sont pas présents non plus aux réunions.

Rémunération et détention d'actions des membres du Conseil d'administration et du Comité exécutif du groupe

Au 31 décembre 2007, aucun des membres du Conseil d'administration de Zurich Financial Services n'assumait de fonction exécutive et tous étaient indépendants de la Direction générale. La rémunération des membres du Conseil d'administration et celle des membres du Comité exécutif du groupe (cadres dirigeants) de même que leur détention d'actions sont donc présentées séparément.

Membres du Conseil d'administration

Honoraires des membres du Conseil d'administration

Pour simplifier la structure des honoraires et pour accroître l'alignement avec les intérêts des actionnaires, la structure des honoraires pour les membres du Conseil d'administration de Zurich Financial Services et des membres du Conseil d'administration de «Zurich» Compagnie d'Assurances a été modifiée en janvier 2007.

Tous les membres du Conseil d'administration perçoivent désormais des honoraires globaux qui sont payés en partie en espèces sont alloués en partie sous forme d'actions de Zurich dont la vente est interdite pendant trois ans pour leurs appartenances aux Conseils d'administration de Zurich Financial Services et de «Zurich» Compagnie d'Assurances. Les actions sont fournies au titre d'honoraires généraux qui ne sont pas liés à l'atteinte d'objectifs de performance définis. En dehors de ces changements, il n'y a pas eu d'autres changements dans la structure ou dans les montants de 2007 en comparaison avec 2006.

Á l'exception du président et du vice-président, les membres du Conseil d'administration sont rémunérés sur une base d'honoraires annuels de 205.000 dollars. Un tiers de ces honoraires annuels de base, c'est-à-dire 68.500 dollars, sont alloués sous forme d'actions de Zurich Financial Services dont la vente est restreinte. Les membres du comité perçoivent des honoraires supplémentaires de 40.000 dollars pour tous les comités dans lesquels ils fonctionnent, indépendamment de leur nombre. En complément, les présidents de chaque comité perçoivent des honoraires annuels de 20.000 dollars et le président du comité d'audit perçoit 10.000 dollars supplémentaires. Les membres du Conseil d'administration qui résident aux États-Unis perçoivent des honoraires supplémentaires de 10.000 dollars par année. Les comités dans lesquels les membres fonctionnent sont présentés dans le Rapport sur la gouvernance d'entreprise à la page 35.

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Les honoraires actuels du vice-président sont de 330.000 dollars dont un montant de 68.500 est alloué sous forme d'actions de Zurich Financial Services dont la vente est restreinte. Les honoraires annuels du président du Conseil d'administration de Zurich Financial Services et de «Zurich» Compagnie d'Assurances en 2007 sont de 580.000 dollars et un tiers du montant total, soit 193.500 dollars, est alloué sous forme d'actions de Zurich Financial Services dont la vente est restreinte. Par suite d'une révision des niveaux des honoraires, les honoraires annuels du président ont été augmentés à 700.000 dollars à partir du 1er janvier 2008.

Ni le président ni le vice-président ne perçoivent des honoraires supplémentaires pour leurs travaux dans les comités.

Sur la base de cette structure, les honoraires totaux cumulés des membres du Conseil d'administration de Zurich Financial Services et de «Zurich» Compagnie d'Assurances pour les exercices arrêtés au 31 décembre 2007 se sont montés à 3.089.167 dollars. 2.279.167 dollars ont été payés en espèces et une valeur à la date d'attribution de 810.000 dollars a été versée sous forme d'actions dont la vente est interdite pendant trois ans. Le cours de l'action à la date de l'attribution était de 389,50 francs suisses.

Les honoraires des membres du Conseil d'administration ne sont pas assurés en termes de retraite.

Le tableau suivant indique les honoraires payés aux membres du Conseil d'administration en 2007:

Honoraires des administrateurs

en USD	2007 [1]						
	Honoraires de base	Honoraire de comité [2]	Honoraires de présidence [3]	Honoraires de résidence américaine [4]	Honoraires totaux	Dont payés en espèces [5]	Dont alloués en actions [6,7]
M.Gentz, chairman [8]	580.000	–	–	–	580.000	386.500	193.500
Ph. Pidoux, vice-président [8]	330.000	–	–	–	330.000	261.500	68.500
Th. Escher, membre	205.000	40.000	–	–	245.000	176.500	68.500
R.E.J. Gilmore, membre [9, 10]	52.959	10.333	–	–	63.292	63.292	–
F. Kindle, membre	205.000	40.000	–	–	245.000	176.500	68.500
D.G. Mead, membre [9]	52.959	10.333	5.167	2.583	71.042	71.042	–
A. Meyer, membre	205.000	40.000	–	–	245.000	176.500	68.500
D. Nicolaisen, membre	205.000	40.000	20.000	10.000	275.000	206.500	68.500
V.L. Sankey, membre [11]	205.000	40.000	14.833	–	259.833	191.333	68.500
G. Schulmeyer, membre	205.000	40.000	30.000	10.000	285.000	216.500	68.500
T. de Swaan, membre	205.000	40.000	–	–	245.000	176.500	68.500
R. Watter, membre [3]	205.000	40.000	–	–	245.000	176.500	68.500
Total en USD [12]	**2.655.918**	**340.666**	**70.000**	**22.583**	**3.089.167**	**2.279.167**	**810.000**

1 La rémunération présentée dans le tableau ne comprend pas les dépenses commerciales quelconques intégrées dans la performance des services aux membres.
2 Les membres de comités perçoivent des honoraires en spèces de 40.000 dollars pour tous les comités dans lesquels ils sont en fonction, indépendamment du nombre. Les comités dans lesquels les membres sont actifs sont indiqués dans le Rapport sur la gouvernance d'entreprise à la page 35.
3 Les présidents de comités perçoivent des honoraires annuels de 20.000 dollars et le président de l'Audit Committee perçoit 10.000 dollars supplémentaires. Les comités dans lesquels les membres sont actifs et les présidences sont indiqués dans le Rapport sur la gouvernance d'entreprise à la page 35.
4 Les administrateurs qui résident aux États-Unis perçoivent des honoraires de 10.000 de dollars par année.
5 Les honoraires en espèces sont définis en dollars, mais ils sont payés dans la devise réelle où les membres résident sur la base du taux de change adéquat aux dates du paiement
6 M. Gentz s'est vu allouer 617 actions et les autres membres 218 actions au 30 juin 2007. Le prix par action (CHF 389,50) et le taux de change (USD/CHF 1,2422) au 15 juin 2007 ont été adoptés pour calculer le nombre d'actions basé sur la partie fixe des honoraires alloués en actions pour les membres respectifs. Lorsque la valeur des actions allouées n'était pas égale à la valeur de la patrie des honoraires versés en actions, la différence a été payée en espèces. Le montant présenté dans le tableau ci-dessus reflète le montant fixe en dollars de la part des honoraires allouée en actions.
7 Les actions allouées aux administrateurs sont restreintes à la vente pendant trois ans.
8 Ni le président ni le vice-président n'ont reçu des honoraires supplémentaires pour leurs activités dans les comités.
9 Mme Gilmore et M. Mead se sont retirés du Conseil d'administration le 3 avril 2007 et ils ont perçu des honoraires au pro rata pour leur activité au Conseil d'administration jusqu'à cette date.
10 En complément à la rémunération portée dans le tableau, la société a payé des contributions pour Mme Gilmore dans un plan d'assurance maladie du groupe au Royaume-Uni jusqu'à sa retraite en avril 2007 pour un prix de 631 dollars.
11 M. Sankey est devenu président du comité des rémunérations le 3 avril 2007 après le retrait de M. Mead. Il a reçu des honoraires au pro rata pour sa présidence.
12 Conformément aux lois en vigueur lorsque les cadres sont salariés, Zurich a payé la part de la société aux contributions aux systèmes de sécurité sociale qui se sont montés à 68.439 en 2007. Toute contribution personnelle des administrateurs aux systèmes de sécurité sociale sont compris dans les montants présentés dans le tableau ci-dessus.

Indemnités de départ pour les membres du Conseil d'administration ayant quitté leurs fonctions durant l'exercice

Lors de l'Assemblée générale de 2007, R.E.J. Gilmore et D.G. Mead ont donné leur démission et ils se sont retirés des Conseils d'administration. Aucune indemnité de départ ne leur a été payée au cours de l'année.

Rémunération d'anciens membres du Conseil d'administration

Aucun avantage (ou renonciation à une créance) n'a été accordé à d'anciens membres du Conseil d'administration en 2007.

Plans d'attribution d'actions pour les membres du Conseil d'administration

Les membres du Conseil d'administration de Zurich Financial Services et de «Zurich» Compagnie d'Assurances ne participent à aucun plan d'incitation sous forme d'attribution d'actions tel que conçu pour la Direction générale. Toutefois, comme mentionné ci-dessus, une partie des honoraires des membres du Conseil d'administration de Zurich Financial Services est allouée sous forme d'actions dont la vente est interdite pendant trois ans avec effet à partir du 1er janvier 2007. Comme mentionné ci-dessus, les actions sont remises aux membres du Conseil d'administration au titre d'honoraires généraux et elles ne sont soumises à aucun objectif de performance défini.

Détention d'actions par les membres du Conseil d'administration

Les actions de Zurich Financial Services détenues par les membres du Conseil d'administration en charge d'un mandat à la fin de l'année sont indiquées ci-dessous. Toutes les participations présentées vont au bénéficiaire, y compris les actions à vente restreinte allouées aux membres au titre d'honoraires et les actions détenues par des parties liées aux membres du Conseil d'administration.

Détention d'actions par les membres du Conseil d'administration

Nombre d'actions de Zurich Financial Services au 31 décembre 2007	Propriété des actions [1]
M. Gentz, chairman	2.117
Ph. Pidoux, vice-président	2.218
Th. Escher, membre	4.218
F. Kindle, membre	2.218
A. Meyer, membre	1.542
D. Nicolaisen, membre	218
V.L. Sankey, membre	1.388
G. Schulmeyer, membre	2.218
T. de Swaan, membre	218
R. Watter, membre	3.186
Total	**19.541**

[1] Aucun des administrateurs ensemble avec des tiers qui leur sont liés ne détenait plus de 0,5% des droits de vote au 31 décembre 2007.

Options sur actions détenues par les membres du Conseil d'administration

Les membres du Conseil d'administration de Zurich Financial Services et de «Zurich» Compagnie d'Assurances ne participent à aucun plan d'options sur actions tel que conçu pour la Direction générale. Ainsi, aucune option sur actions n'a été allouée au cours de l'année considérée ou des années antérieures. Aucun des membres du Conseil d'administration ni aucune des parties qui leur est liée ne détient d'options sur actions ou de droits de conversion sur des actions de Zurich Financial Services au 31 décembre 2007.

Honoraires et rémunérations additionnels des membres du Conseil d'administration

Aucun des membres du Conseil d'administration n'a reçu d'autres rémunérations ou d'avantages en nature que celles mentionnées ci-dessus de la part du groupe ou de l'une des sociétés du groupe.

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Prêts personnels aux membres du Conseil d'administration

Au 31 décembre 2007, aucun des membres du Conseil d'administration ne bénéficiait de prêt, d'avance ou de crédit en cours.

Prêts personnels aux anciens membres du Conseil d'administration

Au 31 décembre 2007, aucun ancien administrateur ne bénéficiait de prêt, d'avance ou de crédit en cours.

Parties liées aux membres du Conseil d'administration ou à d'anciens membres du Conseil d'administration

Aucun avantage (ou droit à indemnité) n'a été versé à des parties liées à des membres du Conseil d'administration ou à d'anciens membres du Conseil d'administration au cours de l'année 2007. Aucune partie liée à des membres du Conseil d'administration ou à d'anciens membres du Conseil d'administration ne bénéficiait de prêt, d'avance ou de crédit en cours au 31 décembre 2007.

Comité exécutif du groupe

Rémunération du Comité exécutif du groupe

En 2007, la rémunération totale des membres du GEC comprenait le montant de la rémunération en espèces, des prestations de retraites, d'autres rémunérations et les attributions d'actions effectuées conformément au plan d'incitation à long terme du groupe en 2007.

La structure de rémunération et le mélange des éléments individuels de rémunération pour les membres du GEC sont déterminés en prenant en compte les pratiques du marché et les circonstances internes. Ces éléments sont décrits ci-dessous (les montants du cadre le mieux payé y figurent également):

Valeur de la rémunération totale

La valeur totale des différents éléments de rémunération versés aux membres du GEC en 2007 atteint 57,6 millions de dollars. Cela est à comparer à un montant équivalent de 48,2 millions de dollars versé en 2006 calculé sur la même base. L'augmentation de la rémunération globale peut être expliquée par deux raisons principales. D'abord, par une augmentation de la performance liée aux paiements du plan d'incitation à court terme aux membres étant donné les résultats record de 2007 et ensuite, par une augmentation de la valeur des attributions du plan d'incitation à long terme en 2007.

La valeur totale pour 2007 comprend les éléments suivants:

Salaire de base et primes d'incitation annuelles en espèces payés pour 2007

Le montant total du salaire de base et des incitations annuelles en espèces attribuées selon le plan d'incitation à court terme pour 2007 a atteint 31,4 millions de dollars. Ce montant comprend 11,3 millions de dollars en salaires de base et 20,1 millions de dollars en octroi annuel d'incitations en espèces qui correspondent aux montants à payer en 2008 pour la performance de 2007. Les octrois annuels d'incitation en espèces sont déterminés individuellement et reposent sur la performance. Le financement général des incitations est basé sur la performance générale bénéficiaire en 2007 et les fonds sont alloués aux individus sur la base d'une combinaison de facteurs y compris les résultats des activités dont les membres du GEC sont responsables, l'accomplissement d'initiatives de croissance et leur contribution individuelle à l'atteinte des objectifs stratégiques au cours de l'année. Pour les membres du GEC, les niveaux d'objectifs selon le plan d'incitation à court terme pour 2007 ont été fixés à 100 pour cent du salaire de base.

Montant des prestations de retraite cumulées en 2007

Les membres du GEC participent aux plans de retraite des centres d'activités dans lesquels ils sont employés. La philosophie du groupe est de fournir des prestations de retraite au travers d'un solde en espèces (cash balance) et/ou de plans de contribution définis où les fonds sont accumulés pendant toute la carrière afin de fournir des prestations de retraite. La majorité des membres du GEC participent à de tels plans et, au fur et à mesure du temps, tous les futurs membres du GEC y participeront. Les autres membres du GEC continuent à participer aux plans de retraite définis qui leur procurent des prestations de retraite en fonction des revenus finaux assurés et du nombre d'années de service. Les âges normaux de retraite varient entre 60 et 65 ans. La valeur totale des prestations de retraite cumulée pour les membres du GEC au cours de 2007, calculée sur la base des coûts de service pour la société tels qu'estimés selon les principes de comptabilisation d'IAS 19, était de 3,9 millions de dollars. Les coûts de service évaluent le montant des prestations de retraite cumulées au cours de l'année et, pour des plans de contribution définis, il tient compte du montant de la contribution de la société acquitté au cours de l'année.

Montant des autres rémunérations payées en 2007

Les membres du GEC ont reçu d'autres rémunérations en 2007 en relation avec les avantages des collaborateurs, allocations d'expatriés, prestations, avantages en nature et autres paiements dus selon d'autres éléments du contrat de travail de chaque membre. Le montant total des autres éléments de rémunération en 2007 a atteint 3,6 millions de dollars. Les avantages en nature ont été évalués en utilisant les taux du marché.

Attributions d'actions au GEC en 2007 conformément au plan d'incitation à long terme

Les éléments de rémunération pour les membres du GEC selon le plan d'incitation à long terme comprennent une attribution annuelle d'actions et d'options selon la performance. Dans des circonstances extraordinaires, des attributions d'actions restreintes peuvent être effectuées. Pour les membres du GEC, la valeur totale des attributions annuelles visées en 2007 allait de 100 pour cent à 125 pour cent du salaire de base. Pour le Chief Executive Officer, la valeur globale a été fixée à 300 pour cent du salaire de base.

Les actions et options sur actions attribuées selon la performance ne sont transférées (vested) que si certaines conditions de performance sont satisfaites. Un tiers des attributions selon les objectifs est évalué en vue d'un transfert (vesting) au cours de chacune des trois années 2008, 2009 et 2010 sur la base de l'atteinte de la performance du groupe en termes de rendement des fonds propres attribuables aux actionnaires ordinaires (ROE) et selon la position du rendement total attribuable aux actionnaires de Zurich (TSR) en comparaison avec un groupe de pairs internationaux de 28 compagnies d'assurance intégrées dans l'indice Dow Jones Titan Insurance. Sur la base de l'atteinte réelle du ROE et du TSR, le pourcentage de transfert (vesting) peut varier entre 0 pour cent et 200 pour cent des attributions selon les objectifs. En ce qui concerne les attributions effectuées en 2007, celles-ci sont évaluées en vue du transfert (vesting) sur la base de considération de trois années de performance en termes de TSR et de ROE et les anciennes attributions sont évaluées sur la base de la performance de l'année civile précédant le transfert (vesting).

Les attributions suivantes ont été effectuées en 2007:

Attributions d'actions liées à la performance

Le nombre total d'actions liées à la performance visée attribuées aux membres du GEC en 2007 a été de 29.845. Ceci est à comparer avec un nombre équivalent de 27.409 en 2006. La valeur des actions liées à la performance visée attribuées aux membres du GEC en 2007 atteint 8,7 millions de dollars à la date de l'attribution en partant de l'hypothèse d'un transfert (vesting) à 100 pour cent et d'un cours de l'action de 355,75 francs suisses le jour antérieur à l'attribution.

Le nombre d'actions qui ont été transférées (vested) aux membres du GEC en 2007 en relation avec des attributions d'actions en fonction de la performance obtenue en 2004, 2005 et 2006 se montait à 44.774. Cela représente un niveau de transfert (vesting) de base de 150 pour cent au vu des performances réalisées en termes de ROE et de TSR. La moitié des actions qui ont été transférées (vested) conformément au plan est restreinte à la vente pendant trois années à partir de la date de transfert (vesting).

Attributions d'actions restreintes

Des attributions d'actions restreintes complètent les attributions régulières conformément au plan d'incitation à long terme et elles sont utilisées dans des circonstances extraordinaires telles que de nouvelles embauches afin de compenser leur perte de droits en actions auprès de leur ancien employeur.

Le nombre total des actions restreintes attribuées aux membres du GEC au cours de 2007 a atteint 7.280. Ces attributions d'actions restreintes seront transférées (vested) au cours des trois prochaines années et elles deviendront caduques si leurs détenteurs quittent volontairement la société avant la date de transfert (vesting) et que les rapports de travail prennent fin.

La valeur des actions restreintes attribuées en 2007 a atteint 2,0 millions de dollars à la date de l'attribution sur la base d'une estimation de transfert (vesting) de 100 pour cent.

Rapport sur les rémunérations

Attributions d'options sur actions

Le nombre total d'options sur actions liées à la performance visée attribuées aux membres du GEC en 2007 atteint 142.690. Ceci est à comparer avec le nombre équivalent de 125.584 en 2006.

La valeur des options attribuées en 2007 se montait à 8,0 millions de dollars à la date de l'attribution sur la base d'une estimation de transfert (vesting) de 100 pour cent et de l'évaluation des options selon la méthode Black Scholes à la date d'attribution.

Le nombre d'options sur actions qui ont été transférées (vested) aux membres du GEC en 2007 en relation avec des attributions d'options sur actions en 2004, 2005 et 2006 se montait à 191.642. Cela représente un niveau de transfert (vesting) de base de 150 pour cent au vu des performances réalisées en termes de ROE et de TSR.

Résumé de la rémunération totale du GEC

En référence aux chiffres ci-dessus, la rémunération totale des membres du GEC, y compris la rémunération en espèces, les prestations de retraites, le montant des autres rémunérations et la valeur des actions attribuées liées à la performance visée pour 2007, a atteint 57,6 millions de dollars et se présente comme suit:

Tous les membres [1] du GEC (y comp. le mieux payé)

en millions de dollars	2007 [2]
Rémunération de base	11.3
Incitation en espèces perçue en 2007	20.1
Coûts de service des avantages de retraite [3]	3.9
Valeur des autres rémunérations [4]	3.6
Valeur des attributions d'options selon la performance de l'objectif et des affectations restreintes d'actions [5]	10.7
Valeur des attributions d'options selon la performance de l'objectif [5]	8.0
Total	**57.6** [6]

1 Sur la base de 12 membres du GEC dont dix ont été actifs tout au long de 2007.
2 La rémunération présentée dans le tableau ne comprend pas les dépenses commerciales quelconques intégrées dans la performance des services aux membres.
3 Ce montant reflète la valeur totale des avantages de retraite cumulés des membres du GEC calculée sur la base des coûts de service tels qu'évalués selon les principes de comptabilité IAS 19. Les coûts de service évaluent le montant des avantages de retraite cumulés au cours de l'année et, pour des plans de contributions définis, prend le montant de la contribution de la société payé au cours de l'année. Les coûts de service ne comprennent pas les coûts d'intérêt sur les avantages cumulés, les ajustements pour les plus-values et les moins-values actuarielles ni les rendements ecomptés sur des actifs quelconques détenus.
4 Comprend des avantages aux employés, des allocations d'expatriés, des avantages en nature et tous les autres paiements dus selon le contrat de travail. Les avantages en nature ont été évalués en utilisant les taux du marché.
5 Les attributions d'actions et d'options sur actions seront allouées dans l'avenir conformément à l'atteinte de conditions définies de performance. La valeur des actions et des options sur actions présuppose que l'attribution sera accordée à l'avenir à 100% du niveau de l'objectif avec l'évaluation des options selon la méthodologie Black Scholes telle que fixée dans la note 23 aux états financiers consolidés, l'évaluation des octrois d'actions selon la performance de l'objectif étant basée sur le prix de l'action la veille des allocations (CHF 355,75) et l'évaluation des attributions d'actions restreintes étant basée sur le prix à la date de l'affectation.
6 Conformément aux lois en vigueur lorsque les cadres sont salariés, Zurich a payé la part de la société aux contributions aux systèmes de sécurité sociale qui se sont montés à 2,6 millions de dollars en 2007. Puisque les contributions dépendent des revenus intégraux même si les avantages sont incorporés, il n'existe pas de corrélation directe entre les coûts payés au système de sécurité sociale et les avantages perçus par les cadres.

La valeur de la rémunération totale pour tous les membres comprend 33 pour cent en éléments fixes de rémunération (comprenant la rémunération de base, les coûts de service pour les prestations de retraite et autres rémunérations) et 67 pour cent en éléments liés à la performance (comprenant des attributions d'incitation en espèces selon le plan d'incitation à court terme avec la valeur des attributions d'actions liées à la performance visée, des attributions d'actions restreintes et des attributions d'options sur actions).

Plus forte rémunération totale des membres du GEC

La plus forte rémunération des membres du GEC atteint 10,3 millions de dollars versés à M. James J. Schiro, le Chief Executive Officer du groupe. Ce montant reflète son salaire de base pour 2007, les incitations en espèces versées en 2007, la valeur des prestations de retraite, les autres rémunérations et la valeur des actions et options sur actions liées à la performance visée attribuées en 2007.

Le tableau suivant détaille la rémunération totale payée au membre le mieux payé du GEC.

Cadre le mieux payé James J. Schiro (Chief Executive Officer)

en millions de dollars	**2007** [1]
Rémunération de base	1.50
Incitation en espèces perçue en 2007	3.00
Coûts de service des avantages de retraite [2]	0.90
Valeur des autres rémunérations [3]	0.40
Valeur des attributions d'options selon la performance de l'objectif et des affectations restreintes d'actions [4]	2.25
Valeur des attributions d'options selon la performance de l'objectif [4]	2.25
Total	**10.30**

[1] La rémunération présentée dans le tableau ne comprend pas les dépenses commerciales quelconques intégrées dans la performance des services aux membres.
[2] Le montant reflète la valeur totale des avantages de retraite calculée sur la base des coûts de service tels qu'évalués selon les principes de comptabilité IAS 19. Les coûts de service évaluent le montant des avantages de retraite cumulés au cours de l'année et, pour des plans de contributions définis, prend le montant de la contribution de la société payé au cours de l'année. Les coûts de service ne comprennent pas les coûts d'intérêt sur les avantages cumulés, les ajustements pour les plus-values et les moins-values actuarielles ni les rendements ecomptés sur des actifs quelconques détenus.
[3] Comprend des avantages aux employés, des allocations d'expatriés, des avantages en nature et tous les autres paiements dus selon le contrat de travail. Les avantages en nature ont été évalués en utilisant les taux du marché.
[4] Les attributions d'actions et d'options sur actions seront allouées dans l'avenir conformément à l'atteinte de conditions définies de performance. La valeur des actions et des options sur actions présuppose que l'attribution sera accordée à l'avenir à 100% du niveau de l'objectif avec l'évaluation des options selon la méthodologie Black Scholes telle que fixée dans la note 23 aux états financiers consolidés, l'évaluation des octrois d'actions selon la performance de l'objectif étant basée sur le prix de l'action la veille des allocations (CHF 355,75) et l'évaluation des attributions d'actions restreintes étant basée sur le prix à la date de l'affectation.

Indemnités de départ pour les membres du GEC ayant quitté leurs fonctions durant l'exercice

En 2007, aucun des membres du GEC n'a quitté sa fonction. Aucune indemnité de départ n'a été versée au cours de l'année.

Rémunération des anciens cadres dirigeants

Aucun avantage (ou renonciation de créance) n'a été accordé à d'anciens membres du GEC en 2007.

Résumé des engagements actuels totaux en actions en faveur de membres du GEC conformément aux plans d'incitation à long terme du groupe

Attributions d'actions

Attributions d'actions liées à la performance

Le nombre total d'actions liées à la performance visée attribuées en suspens au 31 décembre 2007 conformément au plan d'incitation à long terme du groupe s'élevait à 56.399 (55.937 au 31 décembre 2006). Un résumé des attributions en suspens est présenté dans le tableau ci-dessous:

Résumé des options d'actions en suspens

Période de performance	Objectif d'attributions d'actions liées à la performance	Prix d'attribution	Futures années de dotation
2005–2007	9.887	206.40	2008
2006–2008	16.667	308.00	2008–2009
2007–2009	29.845	355.75	2008–2010

Rapport sur les rémunérations

Dans le contexte du plan d'incitation à long terme du groupe, ces actions attribuées liées à la performance sont amenées à être transférées (vested) par acomptes d'un tiers au cours des trois ans qui suivent leur attribution. Le niveau actuel de transfert (vesting) est déterminé conformément aux principes de rémunération tels que fixés ci-dessus aux pages 55 et suivantes.

Attributions restreintes d'actions

En complément aux actions attribuées liées à la performance évoquées ci-dessus, il y avait 13.543 actions restreintes en suspens pour les membres du GEC au 31 décembre 2007. Ce total correspond aux attributions de 7.280 actions restreintes en 2007 et au transfert (vesting) de 8.311 actions restreintes au cours de 2007. Il y avait 14.574 actions restreintes en suspens à la fin 2006. Ces actions restreintes seront transférées (vested) au cours des trois prochaines années et elles deviendront caduques si leurs détenteurs quittent volontairement la société avant la date de transfert (vesting) et que les rapports de travail prennent fin.

Attribution d'options sur actions

Aux termes du programme d'options sur actions destiné aux cadres supérieurs, le groupe peut émettre des options sur actions en faveur de certaines personnes dans le cadre de règles définies. Les premières options sur actions ont été attribuées en 1999 et des attributions annuelles ont régulièrement eu lieu depuis cette date. Avant 2003, les attributions d'options étaient normalement effectuées sur la base d'une échéance d'exercice de l'option de sept ans, d'une période de transfert (vesting) de trois ans et d'un prix d'exercice fixé à 10 pour cent au-dessous du taux du marché durant le mois précédant la date d'attribution. Selon les règles du plan, d'autres paramètres sont autorisés pour l'attribution d'options aux termes du programme d'options sur actions. En relation avec la refonte du programme d'incitation à long terme opérée en 2003, le prix d'exercice pour les options attribuées depuis lors, qui inclut des critères de transfert (vesting) basés sur la performance, a été fixé au cours du marché le jour précédant la date d'attribution. Les options attribuées liées à la performance sont amenées à être transférées (vested) sous forme d'acomptes d'un tiers pendant les trois années après l'attribution. Le niveau actuel de transfert (vesting) est déterminé selon la performance conformément aux principes de rémunération tels que fixés ci-dessus aux pages 55 et suivantes. Â l'heure actuelle, les attributions d'options sont effectuées chaque année le troisième jour ouvrable d'avril.

Dans le cadre du plan d'options sur actions, le nombre total d'actions sous options pour les membres du GEC au 31 décembre 2007 figure dans le tableau ci-dessous:

Résumé des options en suspens

Année d'attribution	Nombre d'options en dotation	Nombre d'options sans dotation	Nombre total d'actions sous options	Prix d'exercice par action CHF	Année d'expiration
2007	–	142.690	142.690	355.75	2014
2006	64.543	76.359	140.902	308.00	2013
2005	149.084	46.269	195.353	206.40	2012
2004	82.896	–	82.896	213.25	2011
2003	83.361	–	83.361	120.50	2010
2002	39.129	–	39.129	331.10	2009
2001 (b)	9.142	–	9.142	322.30	2012
2001 (a)	10.586	–	10.586	492.55	2008
Total	**438.741**	**265.318**	**704.059**		

Chacune des options susmentionnées permet au détenteur de souscrire une action de Zurich Financial Services au prix d'exercice indiqué.

Détentions d'actions et d'options sur actions par le GEC

Le tableau suivant donne des indications sur les détentions réelles d'actions et d'options sur actions des membres du GEC au 31 décembre 2007. En complément aux actions acquises sur le marché, les chiffres comprennent les actions, qu'elles soient restreintes à la vente ou non, et les options sur actions transférées (vested) reçues au titre du plan d'incitation à long terme du groupe. Toutefois, le tableau ne comprend pas les participations en actions des membres du GEC au travers de leur participation dans les actions liées à la performance actuellement non transférées (unvested), dans les actions restreintes non transférées (unvested) ou dans les options sur actions liées à la performance non transférées (unvested).

Toutes les participations sont destinées à des bénéficiaires et comprennent les actions ou les options sur actions détenues par des parties liées aux membres du GEC. Une option transférée (vested) donne le droit à une action avec droits de vote et de dividende normaux.

Détention d'actions et d'options sur actions des membres du GEC

Nombre d'actions attribuées et d'options sur actions attribuées au 31 décembre 2007 [1]	**Propriété des actions**	**Propriété des options affectées sous forme d'actions** [2]
J.J. Schiro, Chief Executive Officer [3]	64.790	173.516
J. Amore, Chief Executive Officer General Insurance	17.220	73.880
A. Court, Chief Executive Officer Europe General Insurance [4]	–	–
M. Greco, Designated Chief Executive Officer Global Life [5]	–	–
P. Hopkins, Chief Executive Officer Farmers Group, Inc	4.765	26.290
A. Lehmann, Chief Executive Officer North America Commercial	10.813	39.421
P. O'Sullivan, Vice Chairman et Chief Growth Officer	19.739	49.031
G. Riddell, Chief Executive Officer Global Corporate	8.752	28.446
M. Senn, Chief Investment Officer	2.553	3.719
P. van de Geijn, Chief Executive Officer Global Life	6.993	24.889
D. Wemmer, Chief Financial Officer	5.565	19.549
Total	**141.190**	**438.741**

[1] Aucun des membres du GEC ensemble avec des tiers qui leur sont liés ne détenait plus de 0,5% des droits de vote au 31 décembre 2007, que ce soit.
[2] La distribution des options allouées conformément aux affectations identifiées dans le tableau «Résumé des options en suspens» est présentée dans le tableau ci-dessous.
[3] Comprend un montant de 2 000 actions pour M. Schiro qui sont détenues par des fondations caritatives gérées par la famille.
[4] A rejoint le groupe le 15 janvier 2007.
[5] A rejoint le groupe le 1er octobre 2007.

Le tableau ci-dessous présente la manière dont le total des options sur actions transférées (vested) détenues par les membres du GEC est réparti conformément aux attributions identifiées dans le tableau «Résumé des options en suspens».

Distribution d'options sur actions attribuées

Nombre d'options sur actions affectées au 31 décembre 2007	2006	2005	2004	2003	2002	2001	**Total**
J.J. Schiro	29.108	71.994	24.198	32.589	15.627	–	173.516
J. Amore [1]	5.822	16.456	15.913	11.595	12.502	11.592	73.880
A. Court	–	–	–	–	–	–	–
M. Greco	–	–	–	–	–	–	–
P. Hopkins	4.367	10.284	3.779	4.746	1.718	1.396	26.290
A. Lehmann	4.367	9.874	8.632	10.363	3.961	2.224	39.421
P. O'Sullivan	5.064	12.342	11.647	15.084	2.587	2.307	49.031
G. Riddell	3.968	9.670	6.373	5.694	1.503	1.238	28.446
M. Senn	3.719	–	–	–	–	–	3.719
P. van de Geijn	4.409	10.754	9.726	–	–	–	24.889
D. Wemmer	3.719	7.710	2.628	3.290	1.231	971	19.549
Total	**64.543**	**149.084**	**82.896**	**83.361**	**39.129**	**19.728**	**438.741**

[1] La distribution des options de M. Amore en 2001 comprend 9.142 selon l'attribution b et 2.450 selon l'attribution a.

Rapport sur les rémunérations

Plans de négoce

Afin de faciliter la vente des actions et l'exercice des options pour les membres du GEC, le Conseil d'administration a approuvé l'établissement de plans de négoce. Ces plans permettent de vendre des actions et/ou d'exercer des options sur actions conformément au programme de transaction prédéfini. Les plans de négoce ne peuvent être établis que lorsque le membre du GEC ne dispose pas d'informations non publiées susceptibles d'avoir une influence sur le cours de l'action concernant le groupe Zurich. En outre, la première transaction selon un plan de négoce ne peut se produire que trois mois après la date où il a été créé. Les termes et conditions des transactions doivent être définis et ils ne peuvent pas être modifiés. Tous les plans de négoce des membres du GEC requièrent l'approbation du président du Conseil d'administration. Une fois convenues, les transactions ont lieu sur une base mensuelle également au cours de périodes de clôture. Toutes les transactions faites selon un plan de négoce sont indiquées à la SWX conformément aux règles de publication des transactions avec la Direction générale et elles sont enregistrées en tant que telles comme étant effectuées au titre d'un plan de négoce.

Honoraires et rémunérations additionnels pour les membres du GEC

Aucun des membres du GEC n'a reçu d'autres rémunérations que celles mentionnées ci-dessus de la part du groupe ou de l'une des sociétés du groupe.

Prêts personnels aux membres du GEC

Au 31 décembre 2007, le total des prêts, avances et crédits en cours en faveur des membres du GEC se montait à 910.000 dollars. Ces prêts représentent des prêts hypothécaires en francs suisses dont les conditions sont identiques à celles accordées à tous les collaborateurs en Suisse. Les prêts hypothécaires sont émis à un taux d'intérêt réduit allant jusqu'à un point de moins que le taux d'intérêt prévalant sur le marché sur le montant de l'hypothèque, jusqu'à un maximum de 1.250.000 dollars. Au 31 décembre 2007, le prêt hypothécaire le plus élevé était détenu par M. Lehmann (actuellement Group Chief Risk Officer) pour un montant de 660.000 dollars à un taux d'intérêt global de 2,3 pour cent.

Prêts personnels aux anciens membres du GEC

Les anciens membres du GEC ont le droit de prolonger leur prêt hypothécaire après leur retraite dans les mêmes conditions que s'ils étaient employés conformément aux conditions valables pour les collaborateurs en Suisse telles qu'indiquées ci-dessus. Dans ce contexte, un ancien membre, M. Eckert, bénéficiait d'un prêt hypothécaire en cours d'un montant de 2.500.000 dollars au 31 décembre 2007, à un taux d'intérêt réduit de 2,25 pour cent appliqué aux premiers 1.250.000 dollars. En dehors de cela, aucun ancien membre du GEC n'avait de prêt, d'avance ou de crédit en cours au 31 décembre 2007.

Parties liées aux membres du GEC ou à d'anciens membres du GEC

Aucun avantage (ou droit à indemnité) n'a été versé à des parties liées à des membres du GEC ou à des parties liées à d'anciens membres du GEC au cours de l'année 2007. Aucun ne bénéficiait de prêt, d'avance ou de crédit en cours au 31 décembre 2007 en tant que partie liée à des membres du GEC ou à d'anciens membres du GEC.

Financial information

Contents

Financial Review

Financial Review

The information contained within the Financial Review is unaudited. This document should be read in conjunction with the Zurich Financial Services Group Annual Report 2007. Certain comparatives in the Financial Review have been restated as a result of the adoption of the SoRIE option under IAS 19 Employee Benefits. Comparatives are as of or for the year ended December 31, 2006, unless otherwise specified.

Financial highlights

in USD millions, for the years ended December 31	2007	2006	Change [1]
Business operating profit	**6,614**	6,035	10%
Net income attributable to shareholders	**5,626**	4,620	22%
General Insurance gross written premiums and policy fees	**35,650**	34,123	4%
Global Life gross written premiums, policy fees and insurance deposits	**21,703**	21,022	3%
Farmers Management Services management fees and other related revenues	**2,266**	2,133	6%
General Insurance business operating profit	**4,024**	3,804	6%
General Insurance combined ratio	**95.6%**	93.9%	(1.7 pts)
Global Life business operating profit	**1,443**	1,200	20%
Global Life new business annual premium equivalent (APE)	**2,947**	2,500	18%
Global Life new business margin, after tax (as % of APE)	**24.7%**	21.6%	3.1 pts
Global Life new business value, after tax	**729**	539	35%
Farmers Management Services business operating profit	**1,271**	1,225	4%
Farmers Management Services gross operating margin	**46.6%**	50.1%	(3.5 pts)
Farmers Management Services managed gross earned premium margin [2]	**6.8%**	7.3%	(0.5 pts)
Group investments average invested assets	**191,790**	185,371	3%
Group investments result, net	**10,089**	9,434	7%
Group investments return (as % of average invested assets)	**5.3%**	5.1%	0.2 pts
Shareholders' equity	**28,804**	25,587	13%
Diluted earnings per share (in CHF)	**46.37**	39.52	17%
Return on common shareholders' equity (ROE)	**21.0%**	20.4%	0.6 pts
Business operating profit (after tax) return on common shareholders' equity	**18.7%**	19.5%	(0.8 pts)

[1] Parentheses around numbers represent an adverse variance.
[2] Farmers Management Services managed gross earned premium margin 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.

Financial Review

Performance overview

Business operating profit increased by 10 percent to USD 6.6 billion demonstrating the strength of our diversified portfolio in difficult market conditions.

- **General Insurance business operating profit** increased by USD 220 million, or 6 percent, to USD 4.0 billion. This reflects the strength of our diversified portfolio to absorb the adverse impacts of Winter storm Kyrill (USD 183 million) and the UK floods in June and July (USD 567 million).
- **Global Life business operating profit** increased by USD 243 million, or 20 percent, to USD 1.4 billion, primarily resulting from increases in the US, benefiting from lower amortization of acquisition costs, the UK and Germany. **New business value, after tax,** increased by 35 percent in US dollar terms (28 percent on a local currency basis), reflecting both selective growth and margin improvements in accordance with our strategic priorities.
- **Farmers Management Services business operating profit** increased by USD 46 million, which represents the net result from increased management fees, resulting from strategic and operational growth initiatives, including the acquisition of Bristol West, as well as increased expenses to support the implementation of these initiatives.

Other Businesses business operating profit increased by USD 110 million with strong results contributed by **Farmers Re**, **Centre** and **Centrally Managed Businesses**. The **Corporate Functions** result decreased by USD 38 million mainly due to increased funding expenses.

Net income attributable to shareholders increased by USD 1.0 billion, or 22 percent, to USD 5.6 billion, with the prior year affected by regulatory settlements in the US. The **shareholders' effective tax rate** was 24.7 percent compared with 26.9 percent for the year ended December 31, 2006. The decrease of 2.2 percentage points is a result of the continuous optimization of the tax efficiency of our operating model.

Business volumes in our core operating segments developed as follows:

- **General Insurance** gross written premiums and policy fees increased by 4 percent in US dollar terms, while remaining flat on a local currency basis, reflecting both underwriting discipline in all our General Insurance businesses in a competitive market environment and our ability to capitalize on attractive growth opportunities.
- **Global Life** insurance deposits increased by 12 percent in US dollar terms, and by 3 percent on a local currency basis, while gross written premiums and policy fees decreased by 6 percent in US dollar terms, and by 12 percent on a local currency basis. These movements reflect the strategic shift in business mix from traditional to unit-linked products. New business annual premium equivalent (APE) increased by 18 percent in US dollar terms, and by 11 percent on a local currency basis, with increases across most regions, in particular in Ireland and at Zurich International Solutions, our international expatriate business based in the Isle of Man.
- **Farmers Management Services** management fees and other related revenues increased by 6 percent, reflecting the underlying increase in the gross earned premiums of 6 percent in the Farmers Exchanges, which we manage but do not own, as a result of organic and inorganic growth initiatives.

Return on common shareholders' equity increased by 0.6 percentage points to 21.0 percent as the prior year was affected by the costs of regulatory settlements in the US. These regulatory settlement costs were excluded from business operating profit, resulting in a decrease in **business operating profit (after tax) return on common shareholders' equity** of 0.8 percentage points to 18.7 percent.

Diluted earnings per share increased by CHF 6.85, or 17 percent, to CHF 46.37 for the year ended December 31, 2007, compared with CHF 39.52 for the same period in 2006.

General Insurance highlights

in USD millions, for the years ended December 31	2007	2006	Change
Gross written premiums and policy fees	35,650	34,123	4%
Net earned premiums and policy fees	29,731	28,417	5%
Insurance benefits and losses, net of reinsurance	(20,966)	(19,913)	(5%)
Net underwriting result	1,305	1,732	(25%)
Net investment income	3,662	3,203	14%
Business operating profit	**4,024**	**3,804**	6%
Loss ratio	70.5%	70.1%	(0.4 pts)
Expense ratio	25.1%	23.8%	(1.3 pts)
Combined ratio	**95.6%**	**93.9%**	**(1.7 pts)**

in USD millions, for the years ended December 31	Business operating profit		Combined ratio	
	2007	2006	2007	2006
Global Corporate	736	692	96.1%	94.4%
North America Commercial	1,460	1,123	94.5%	95.6%
Europe General Insurance	1,453	1,740	96.6%	91.5%
International Businesses	167	178	98.8%	98.1%
Group Reinsurance	208	72	nm	nm
Total	4,024	3,804	95.6%	93.9%

Business operating profit increased by USD 220 million, or 6 percent, to USD 4.0 billion for the year ended December 31, 2007, driven by Global Corporate, North America Commercial and positive claims experience within Group Reinsurance. Our businesses continued to demonstrate underlying strength and have benefited from our reserving policy with positive development emerging from reserves established in prior years. This positive development, together with higher investment income, which reflects both an increase in the average invested asset base and higher interest rates in Europe, more than offset losses arising from Winter storm Kyrill and the UK floods in June and July.

Gross written premiums and policy fees increased by USD 1.5 billion, or 4 percent in US dollar terms, to USD 35.7 billion, while remaining flat on a local currency basis, which reflects our continued ability to maintain underwriting discipline and manage different business areas for margin and/or volume. The market environment continued to be competitive with pressure on rates, although the picture was mixed by geography and by line of business, with the commercial lines of business in North America, the UK and Ireland most affected.

The **net underwriting result** decreased by USD 427 million to USD 1.3 billion driven by the impact of losses associated with Winter storm Kyrill and UK floods in June and July amounting to USD 677 million for Europe General Insurance and USD 73 million for Global Corporate. Together these two events increased the overall loss ratio and combined ratio by 2.5 percentage points. In 2006 we reported no comparable catastrophe losses. Favorable development emerging from reserves established in prior years reduced the loss ratio by 3.6 percentage points in 2007. Net technical expenses increased by USD 685 million, and by USD 345 million on a local currency basis, primarily as a result of higher commissions and increased investments in growth and operational transformation initiatives, driving an overall 1.3 percentage point increase in the expense ratio.

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Global Corporate

in USD millions, for the years ended December 31	2007	2006	Change
Gross written premiums and policy fees	7,505	7,407	1%
Net underwriting result	184	278	(34%)
Business operating profit	**736**	**692**	**6%**
Loss ratio	76.9%	77.0%	0.1 pts
Expense ratio	19.2%	17.3%	(1.9 pts)
Combined ratio	**96.1%**	**94.4%**	**(1.7 pts)**

Business operating profit increased by USD 44 million, or 6 percent, to USD 736 million for the year ended December 31, 2007. A decrease in the net underwriting result was more than offset by a USD123 million increase in net investment income driven by a higher average invested asset base and higher interest rates.

Gross written premiums and policy fees increased by 1 percent in US dollar terms to USD 7.5 billion, while decreasing by 2 percent on a local currency basis primarily as a result of continued rate pressures across most major portfolios, particularly in North America and the UK. The increased level of customer renewals continued, with some new business growth achieved on targeted lines.

The **net underwriting result** decreased by USD 94 million to USD 184 million, leading to a 1.7 percentage point increase in the combined ratio. Positive impacts were attritional loss experience across a number of lines of business, a reduced incidence of large property losses and an improved result emerging from reserves established in prior years. These positive developments mitigated the impact of rate reductions and the USD 73 million of catastrophe losses associated with Winter storm Kyrill and the UK floods in June and July. Overall, there was an improvement in the loss ratio of 0.1 percentage points to 76.9 percent. An increase in premium refunds on loss-sensitive business was the primary driver of the 1.9 percentage point increase in the expense ratio to 19.2 percent.

North America Commercial

in USD millions, for the years ended December 31	2007	2006	Change
Gross written premiums and policy fees	11,532	11,856	(3%)
Net underwriting result	521	415	26%
Business operating profit	**1,460**	**1,123**	**30%**
Loss ratio	67.0%	69.5%	2.5 pts
Expense ratio	27.5%	26.2%	(1.3 pts)
Combined ratio	**94.5%**	**95.6%**	**1.1 pts**

Business operating profit increased by USD 337 million, or 30 percent, to USD 1.5 billion for the year ended December 31, 2007, primarily driven by an increase of USD 106 million in the net underwriting result and by a USD 131 million increase in net investment income.

Gross written premiums and policy fees decreased by USD 324 million, or 3 percent, to USD 11.5 billion. Our focus on disciplined growth through our market segmentation strategy has enabled us to maintain an effective market presence within our chosen customer segments despite continued market pressure together with changing economic conditions within a few key segments.

The **net underwriting result** increased by USD 106 million to USD 521 million, driven by a 2.5 percentage point decrease in the loss ratio. The 1.3 percentage point increase in the expense ratio to 27.5 percent arose primarily from an increase in net commission expenses, which was predominantly attributable to certain portfolio segments that delivered improved profitability.

Europe General Insurance

in USD millions, for the years ended December 31	2007	2006	Change
Gross written premiums and policy fees	13,852	12,445	11%
Net underwriting result	440	993	(56%)
Business operating profit	**1,453**	**1,740**	**(16%)**
Loss ratio	72.7%	68.9%	(3.8 pts)
Expense ratio	23.9%	22.6%	(1.3 pts)
Combined ratio	**96.6%**	**91.5%**	**(5.1 pts)**

Business operating profit decreased by USD 287 million, or 16 percent, to USD 1.5 billion, attributable to the lower net underwriting result following the catastrophe losses of USD 677 million from Winter storm Kyrill and the UK floods in June and July. Net investment income increased across Europe by USD 247 million, driven by higher interest rates throughout most of the year and a higher average invested asset base, in particular in the UK.

Gross written premiums and policy fees increased by 11 percent in US dollar terms, and by 3 percent on a local currency basis with growth in competitive market conditions, supported by contributions from acquisitions and a stable level of customer renewals. Pressure on rates in commercial lines continued, and rate changes on new business written varied by country, with decreases in Italy, Ireland and the UK and improvements in other countries.

The **net underwriting result** decreased by USD 553 million to USD 440 million, primarily due to the impact of Winter storm Kyrill (USD 165 million) and the UK floods in June and July (USD 512 million), which had a combined impact of 5.2 percentage points on the loss ratio. Excluding the impact of these catastrophes, the loss ratio improved by 1.4 percentage points to 67.5 percent, driven by favorable development emerging from reserves established in prior years, primarily in the UK, Switzerland, Ireland and Spain. The expense ratio increased by 1.3 percentage points to 23.9 percent as a result of investments in our Pan-European platform, Zurich Connect and other growth and operational transformation-related activities.

International Businesses

in USD millions, for the years ended December 31	2007	2006	Change
Gross written premiums and policy fees	3,205	2,875	11%
Net underwriting result	28	42	(33%)
Business operating profit	**167**	**178**	**(6%)**
Loss ratio	65.0%	63.4%	(1.6 pts)
Expense ratio	33.8%	34.7%	0.9 pts
Combined ratio	**98.8%**	**98.1%**	**(0.7 pts)**

Business operating profit decreased by USD 11 million, or 6 percent, to USD 167 million for the year ended December 31, 2007, driven by the decrease in the net underwriting result.

Gross written premiums and policy fees increased by USD 330 million, or 11 percent, and by 10 percent on a local currency basis, to USD 3.2 billion, with increases across all regions despite rate pressures in Australia and Asia. The primary drivers of the increase were Latin America with an increase in new business written, and Africa due to rate increases.

Net underwriting result decreased by USD 14 million to USD 28 million. The combined ratio increased by 0.7 percentage points, a combination of a 1.6 percentage point increase in the loss ratio and 0.9 percentage point decrease in the expense ratio. The increase in the loss ratio was primarily driven by a number of businesses incurring higher weather-related losses and an increase in the number of large losses. The expense ratio improved by 0.9 percentage points as a consequence of growth in premiums.

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Global Life highlights

in USD millions, for the years ended December 31	2007	2006	Change
Insurance deposits	12,064	10,769	12%
Gross written premiums and policy fees	9,640	10,254	(6%)
Net investment income on Group investments	4,226	4,104	3%
Insurance benefits and losses, net of reinsurance	(694)[1]	(8,655)	92%
Underwriting and policy acquisition costs, net of reinsurance	(1,640)	(1,448)	(13%)
Administrative and other operating expenses	(1,678)	(1,583)	(6%)
Business operating profit	**1,443**	**1,200**	**20%**
Embedded value – highlights			
New business annual premium equivalent (APE)	**2,947**	**2,500**	**18%**
Present value of new business premiums (PVNBP)	23,781	20,598	15%
New business margin, after tax (as % of APE)	**24.7%**	**21.6%**	**3.1 pts**
New business margin, after tax (as % of PVNBP)	3.1%	2.6%	0.5 pts
New business value, after tax	**729**	**539**	**35%**

[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 the transaction was an increase of USD 7.0 billion in ceded insurance benefits and losses.

In 2007, Global Life achieved its growth targets with an 18 percent increase in APE (11 percent on a local currency basis) and an increase in new business margin of 3.1 percentage points to 24.7 percent, which led to an increase in new business value of 35 percent (28 percent on a local currency basis) to USD 729 million.

New business annual premium equivalent (APE) increased by USD 447 million, or 18 percent in US dollar terms, and by 11 percent on a local currency basis. Growth accelerated in each quarter of 2007, reaching 17 percent on a local currency basis for the fourth quarter. The increase was driven by Ireland, the emerging markets served by Zurich International Solutions (ZIS) and in Southeast Asia, and by the UK in the latter half of the year. Innovative new propositions resulted in higher APE volumes in the US and Switzerland despite challenging conditions in both markets.

Business operating profit increased by USD 243 million, or 20 percent, to USD 1.4 billion for the year ended December 31, 2007. Increases in the US, UK and Germany compensated for the new business strain from the strong growth in ZIS and Southeast Asia.

Insurance deposits increased by 12 percent, while **gross written premiums and policy fees** decreased by 6 percent. The sustained attractiveness of our unit-linked products, giving customers choices based upon need and risk attitudes, resulted in increases in deposits, while traditional premiums decreased as we continued to focus on unit-linked products. Gross written premiums and policy fees decreased primarily due to the transfer of a further block of traditional group life business to independent pension foundations in Switzerland, to which we provide services but do not control.

During 2007, the majority of the UK annuity liabilities were reinsured as the first step in a transaction in which, subject to local regulatory and court approvals, the policies will be commuted to the reinsurer. This transaction reduced our exposure to longevity risk and reduced economic capital requirements.

APE by product

in USD millions, for the years ended December 31	Unit-linked [1]		Individual protection		Other [2]		Total	
Region	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
United States	6	6	106	102	7	6	119	113
United Kingdom	416	386	100	98	410	336	926	820
Germany	406	335	40	26	124	202	570	563
Switzerland	30	17	7	10	67	63	104	104
Rest of Europe	741	565	35	30	203	155	979	750
of which:								
Ireland	*180*	*120*	*24*	*21*	*97*	*69*	*301*	*210*
ZIS	*445*	*312*	*–*	*–*	*8*	*6*	*453*	*319*
International Businesses	150	88	36	38	63	38	249	164
of which:								
Southeast Asia	*130*	*62*	*2*	*3*	*3*	*5*	*135*	*70*
Latin America	*20*	*15*	*14*	*13*	*42*	*30*	*75*	*58*
Total	1,750	1,397	324	303	873	800	2,947	2,500

[1] Unit-linked includes insurance and investment contracts.
[2] Other includes individual savings, deferred and immediate annuities and group and collective business.

New business annual premium equivalent (APE) increased by 18 percent (11 percent on a local currency basis), primarily reflecting the continued success of our unit-linked range of products.

Unit-linked APE increased by 25 percent (16 percent on a local currency basis) and represented 59 percent of total APE compared with 56 percent in 2006. Protection APE increased by 7 percent (2 percent on a local currency basis). Other products increased 9 percent (1 percent on a local currency basis), driven mainly by new group pension schemes in the UK and Ireland.

The independent broker sector was the main growth driver in 2007, providing 49 percent of total APE volumes. Openwork, our exclusive multi-tied distribution network in the UK, produced 8 percent of total APE and the Farmers Exchanges tied-agent network in the US produced 4 percent. Other tied-agent distribution contributed 16 percent with an increasing proportion coming from our tied-agent networks in emerging markets. Distribution through bank partnerships contributed 23 percent of total APE volumes.

The APE increase of 5 percent in the **US** was driven by an innovative simple protection proposition launched late in 2006, which also contributed to a record number of new policies issued in one year. In the **UK**, APE increased by 13 percent, and by 4 percent on a local currency basis, benefiting in the latter half of the year from a range of new propositions and enhancements including e-enablement. The UK also won a number of group pension schemes. In **Germany**, APE increased by 1 percent, while decreasing by 7 percent on a local currency basis in an overall declining market, while new unit-linked business increased by 21 percent, and by 11 percent on a local currency basis, driven by the success of our new unit-linked tax-advantaged pension product. APE in **Switzerland** increased by 16 percent, and by 11 percent on a local currency basis, with strong growth in individual unit-linked business following the introduction of new propositions. In **Ireland**, APE increased by 43 percent, and by 31 percent on a local currency basis. Momentum from 2006 carried through into 2007 with particularly strong growth in regular and single premium pension business in both unit-linked and individual savings products.

APE in the emerging markets served by **ZIS**, and in **Southeast Asia** and **Latin America** increased by 49 percent in US dollar terms. ZIS produced strong growth through bank partners and international broker networks and the maturing of branches that were opened in prior years. This growth reflected increased value-added propositions for our key distributors from improved segmentation and adaptation to the different customer and distributor needs. In Southeast Asia, the driver was strong unit-linked APE through the tied-agent channel, and in Latin America growth arose in Chile, Mexico and Argentina.

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in USD millions, for the years ended December 31	Business operating profit		New business value, after tax		New business margin, after tax (as % of APE)	
	2007	2006	**2007**	2006	**2007**	2006
United States	313	230	108	59	90.8%	52.0%
United Kingdom	439	305	121	100	13.1%	12.2%
Germany	213	171	184	133	32.3%	23.7%
Switzerland	175	193	33	35	31.4%	38.8%
Rest of Europe	197	200	198	160	20.3%	21.4%
of which:						
Ireland	*64*	*52*	*69*	*49*	*23.0%*	*23.2%*
ZIS	*27*	*41*	*93*	*65*	*20.4%*	*20.5%*
International Businesses	106	101	85	52	34.0%	31.6%
of which:						
Southeast Asia	*5*	*11*	*65*	*29*	*48.2%*	*41.9%*
Latin America	*47*	*43*	*19*	*16*	*25.4%*	*27.1%*
Total	1,443	1,200	729	539	24.7%	21.6%

Business operating profit in the US increased by USD 83 million, benefiting from lower amortization of deferred policy acquisition costs (USD 106 million) partially offset by higher mortality claims. An increase in the in-force business drove the underlying increase of USD 10 million. In the UK, business operating profit improved by USD 134 million as a result of lower insurance benefits and losses before reinsurance and improved performance in Openwork. Business operating profit in Germany increased due to continued efficiency gains from the merger of our life entities. Business operating profit in Switzerland decreased due to the continued transfer of group life business to the independent pension foundations.

New business value, after tax, increased by USD 190 million, as a result of the US and Germany, due mainly to higher margins, and from Ireland, ZIS and Southeast Asia, mainly due to higher APE.

New business margin, after tax, increased by 3.1 percentage points, mainly due to strong improvements in the US and Germany and a small increase in our largest market, the UK. The improvement in the US mainly reflected a restructuring of our reinsurance program in that market. The improvement in Germany reflected the synergy benefits following the merger of our life entities. The decreased margin in Switzerland was due to increased selling expenses from the individual business line.

Farmers Management Services highlights

in USD millions, for the years ended December 31	2007	2006	Change
Management fees and other related revenues	2,266	2,133	6%
Management and other related expenses	(1,210)	(1,062)	(14%)
Gross operating margin	46.6%	50.1%	(3.5 pts)
Managed gross earned premium margin [1]	6.8%	7.3%	(0.5 pts)
Other income and expense items, net	215	154	40%
Business operating profit	**1,271**	**1,225**	**4%**

[1] This measure is calculated as the gross operating profit of Farmers Management Services divided by the gross earned premiums of the Farmers Exchanges. For additional information on the calculation, refer to the explanatory notes in the Financial Supplement.

Management fees and other related revenues increased by USD 133 million, or 6 percent, driven by an increase in management fees, including USD 64 million related to the recently acquired Bristol West Holdings, Inc. (Bristol West). The increase was driven by an overall 6 percent increase in gross earned premiums at the Farmers Exchanges, which we manage but do not own, in line with growth initiatives. Management and other related expenses increased by USD 148 million as a result of the increased volumes generated by the Exchanges, continued investments in growth and IT-related initiatives, as well as USD 41 million related to the first time inclusion of Bristol West. As a result, the **gross operating margin** decreased to 46.6 percent.

We are introducing an alternative measure of Farmers Management Services' profitability relative to the gross earned premiums of the Farmers Exchanges as they are the relevant indicator for the volumes managed by Farmers Management Services, **managed gross earned premium margin**. Farmers Management Services continues to evolve its business model through additional product lines and distribution channels, such as Foremost and Bristol West. As a consequence, a measure of its profitability against the underlying insurance businesses in the Farmers Exchanges will provide a relevant view of its profitability over time. For the year ended December 31, 2007, the managed gross earned premium margin decreased by 0.5 percentage points to 6.8 percent, due to the continued investments in growth and IT-related initiatives by Farmers Management Services.

Business operating profit increased by USD 46 million, or 4 percent, to USD 1.3 billion for the year ended December 31, 2007, as a result of the initiatives described above together with an increase in net investment income and in net other income, which was driven by one-time gains from the sale of properties vacated as a result of the concentration of customer service activities into two ServicePoints.

Farmers Exchanges – highlights

in USD millions, for the years ended December 31	2007	2006	Change
Gross written premiums	15,806	15,003	5%
Gross earned premiums	15,547	14,721	6%

Gross written premiums at the Farmers Exchanges, which we manage but do not own, increased by 5 percent, which includes premiums written by Bristol West. This led to a 6 percent increase in gross earned premiums, with all major lines of business contributing to the increase.

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Other Businesses highlights

in USD millions, for the years ended December 31	2007	2006	Change
Business operating profit:			
Farmers Re	173	181	(4%)
Centre	167	249	(33%)
Centrally Managed Businesses	291	305	(5%)
Rest of Other Businesses	56	(158)	nm
Total business operating profit	687	577	19%

Farmers Re contributed USD 173 million to business operating profit reflecting the development of business with the Farmers Exchanges, which we manage but do not own. **Centre** business operating profit decreased by USD 82 million to USD 167 million due to reserve strengthening in the disability business. **Centrally Managed Businesses**,which largely comprise portfolios that we proactively manage to achieve a profitable run-off, decreased by USD 14 million to USD 291 million. Gains on commutations and increases in net investment income were offset by lower premiums and reinsurance commissions as a result of the successful run-off of these businesses. The result in the rest of Other Businesses benefited from the absence of reserve strengthening compared with 2006, as well as higher net investment income.

Corporate Functions highlights

in USD millions, for the years ended December 31	2007	2006	Change
Net investment income	731	646	13%
Interest expense on debt	(1,317)	(1,162)	(13%)
Business operating loss	**(810)**	**(772)**	**(5%)**
Headquarter expenses, after allocations to operating businesses and excluding foreign currency impacts	(168)	(189)	11%

Business operating loss increased by USD 38 million to USD 810 million for the year ended December 31, 2007. Interest expense on debt increased by USD 155 million due to the one-time costs of USD 52 million associated with the early redemption of subordinated debt, which was replaced with lower cost hybrid debt, and due to interest expense on higher net intercompany funding levels. The increase in interest expense was partially offset by an increase of USD 85 million in net investment income.

Headquarter expenses decreased by USD 21 million as a result of higher allocations to the operating businesses.

Investment position and performance

Reflecting our outlook for the economy and the capital markets, our equity allocation during the greater part of 2007 was close to neutral, and we continued our underweight stance to debt security exposure relative to our long-term strategic benchmark. Fixed maturity debt securities are invested in accordance with the profile of the liabilities to limit the overall economic interest rate exposure of the Group. Derivative instruments are primarily used to improve the management of interest rate risk and to provide equity downside protection in Life with-profit funds.

Breakdown of investments

in USD millions, as of December 31	Group investments		Unit-linked investments	
	2007	2006	**2007**	2006
Cash and cash equivalents	13,943	17,438	2,993	5,685
Equity securities:	18,589	18,339	100,178	90,666
Common stocks, including equity unit trusts	12,418	11,461	90,593	84,823
Unit trusts (debt securities, real estate and short-term investments)	3,291	3,014	9,585	5,842
Common stock portfolios backing participating with-profit policyholder contracts	1,274	1,604	–	–
Trading equity portfolios in capital markets and banking activities	1,606	2,260	–	–
Debt securities	123,762	126,435	10,112	8,922
Real estate held for investment	7,563	6,921	7,823	8,360
Mortgage loans	12,718	10,806	–	–
Policyholders’ collateral and other loans	12,936	12,634	2	2
Investments in associates	238	153	–	–
Other investments	3,851	2,951	985	693
Total	193,600	195,676	122,092	114,327

Group investments have decreased by USD 2.1 billion to USD 193.6 billion since December 31, 2006. After excluding the effect of foreign currency translation, Group investments decreased by 6 percent, primarily driven by a decrease in debt securities following the USD 7.3 billion sale of investments relating to our UK Life annuity business, which was reinsured in June 2007.

Our investment policy remains conservative; investment grade securities comprise 99 percent of our debt securities, of which 63 percent are rated AAA. US sub-prime mortgage-backed securities comprise approximately 0.2 percent of Group investments, with 78 percent of these securities being rated AAA, and only USD 16 million of impairments recognized in the current period.

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Performance of Group investments

in USD millions, for the years ended December 31	2007	2006	Change
Net investment income	8,591	7,899	9%
Net capital gains on investments and impairments	1,498	1,536	(2%)
Net investment result	10,089	9,434	7%
Net investment return on Group investments	**5.3%**	**5.1%**	**0.2 pts**
Movements in net unrealized gains/(losses) on investments included in total equity	(2,654)	(1,555)	71%
Total investment result, net of investment expenses [1]	**7,435**	**7,879**	**(6%)**
Average investments [2]	191,790	185,371	3%
Total return on Group investments	**3.9%**	**4.3%**	**(0.4 pts)**

[1] After deducting investment expenses of USD 247 million and USD 265 million for the years ended December 31, 2007 and 2006, respectively.
[2] Excluding average cash received as collateral for securities lending of USD 2.8 billion and USD 4.2 billion in the years ended December 31, 2007 and 2006, respectively.

Total return (net of investment expenses) was 3.9 percent on average Group investments, driven by other investments and equity securities, for which the total return was 5.9 percent and 5.5 percent respectively. Debt securities, which are invested to match our liability profiles, returned 3.1 percent.

Total **net investment income** was USD 8.6 billion, with a return of 4.5 percent, an increase of 22 basis points compared with 2006. This increase arose mainly from debt securities, with a return of 4.6 percent compared with 4.4 percent in 2006. Rising interest rates in the euro and Swiss franc markets and higher dividend income drove the USD 692 million increase, mainly contributed by General Insurance.

Total **net capital gains on investments and impairments** were USD 1.5 billion, a decrease of USD 38 million compared with the prior year. Realized gains on sales of securities of USD 790 million were USD 127 million less than 2006 largely as a result of increased realized losses from the sale of debt securities at higher interest rate levels. Net gains from market revaluations of USD 708 million were USD 89 million higher than 2006. Hedge funds and private equity investments were the main drivers, contributing USD 702 million, a net increase of USD 240 million over 2006. This increase was offset by decreased gains from equities and increased impairments on equity and debt securities. The net gains from market revaluations included USD 136 million of impairments, an increase of USD 110 million over 2006. Debt securities contributed USD 81 million to the 2007 total, while equity securities contributed a further USD 44 million.

Net unrealized gains decreased by USD 2.7 billion since December 31, 2006. Net unrealized gains on debt securities decreased by USD 1.5 billion to a net loss of USD 1.4 billion as interest rates rose across major markets except in the US during the first part of 2007. Net unrealized gains on equity securities decreased by USD 1.1 billion mainly due to the realization of USD 1.1 billion of gains following sales in positive markets in the first half of the year to maintain the desired asset allocation to equities.

Performance of unit-linked investments

in USD millions, for the years ended December 31	2007	2006	Change
Net investment income	3,000	2,384	26%
Net capital gains on investments and impairments	4,142	9,203	(55%)
Net investment result, net of investment expenses [1]	7,142	11,587	(38%)
Average investments	118,210	104,082	14%
Total return on unit-linked investments	**6.0%**	**11.1%**	**(5.1 pts)**

[1] After deducting investment expenses of USD 528 million and USD 461 million for the years ended December 31, 2007 and 2006, respectively.

Net investment income on **unit-linked investments** increased by 26 percent, primarily attributable to dividends on unit trust equity and short-term securities and a higher average invested asset base. Net capital gains on investments decreased by 55 percent as a result of negative market revaluations on preferred equity securities, as a result of comparatively lower rate of market appreciation in the UK, and on real estate.

Insurance and investment contract liabilities

Reserves for losses and loss adjustment expenses

in USD millions	2007	2006
As of January 1		
Gross reserves for losses and loss adjustment expenses	64,535	60,425
Reinsurers' share	(13,722)	(14,231)
Net reserves for losses and loss adjustment expenses	50,814	46,194
Net losses and loss adjustment expenses incurred:		
Current year	23,374	21,448
Prior years	(1,219)	(218)
Total	22,155	21,230
Total net losses and loss adjustment expenses paid	(19,856)	(18,908)
Acquisitions/(divestments)	51	(65)
Foreign currency translation effects	1,548	2,363
As of December 31		
Net reserves for losses and loss adjustment expenses	**54,712**	**50,814**
Reinsurers' share	13,179	13,722
Gross reserves for losses and loss adjustment expenses	67,890	64,535

The majority of the Group's gross reserves for losses and loss adjustment expenses are attributable to the General Insurance segment.

As of December 31, 2007, net reserves for losses and loss adjustment expenses increased by USD 3.9 billion, or 8 percent, to USD 54.7 billion compared with USD 50.8 billion as of December 31, 2006. Net loss and loss adjustment expenses incurred in the current year are impacted by foreign currency effects and higher catastrophe losses, in addition to increases in underlying exposure and claims inflation. Favorable prior year development arose primarily from our General Insurance business (USD 1.1 billion) across a number of countries and lines of business.

Development of cumulative net loss ratios

	2001	2002	2003	2004	2005	2006	2007
In the year	81.4%	70.6%	67.1%	68.3%	73.3%	69.6%	**72.7%**
One year later	85.7%	72.0%	66.1%	64.2%	68.1%	**66.2%**	
Two years later	85.8%	72.3%	65.4%	63.5%	**66.6%**		
Three years later	87.4%	74.5%	65.5%	**63.7%**			
Four years later	88.5%	74.7%	**65.7%**				
Five years later	90.2%	**73.4%**					
Six years later	**90.2%**						

This table represents the loss ratio development for individual accident years for the Group, with the General Insurance segment being the primary driver. Individual accident years are affected by the level of large catastrophe losses. In the General Insurance segment, excluding the effects of the hurricanes in 2004 and 2005

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of 2.8 and 4.6 percentage points, respectively, and the 2007 Winter storm Kyrill and the UK floods of 2.5 percentage points, the underlying loss ratios year-on-year would have been relatively more stable. The Zurich Way of Reserving adopts a conservative view in the initial accident year, suggesting that most years would develop favorably over time as is demonstrated by accident years 2003 to 2006.

Reserves for life insurance contracts and liabilities for investment contracts

The majority of the Group's reserves for life insurance contracts and liabilities for investment contracts are attributable to Global Life. Life insurance reserves for other segments relate predominately to companies that are in run-off or are centrally managed, and are only included in this first table.

Group reserves for life insurance contracts, net of reinsurance, and liabilities for investment contracts

in USD millions	Global Life	Other segments
Net reserves as of January 1, 2007	187,525	19,882
Movements in net reserves	3,592	300
Net reserves as of December 31, 2007	191,116	20,182

More details on the development of the Group's total life reserves and liabilities can be found in notes 8 and 9 in the consolidated financial statements. In the following section we provide further detail on the development and composition of **Global Life** business on a stand-alone basis.

Global Life – Development of reserves and liabilities

in USD millions	Unit-linked and investment contracts [1]		Other life insurance liabilities [2]		Total reserves and liabilites	
	2007	2006	**2007**	2006	**2007**	2006
As of January 1						
Gross reserves	101,330	80,528	87,949	82,478	189,278	163,006
Reinsurers' share	–	–	(1,753)	(1,537)	(1,753)	(1,537)
Net reserves	101,330	80,528	86,196	80,940	187,525	161,469
Premiums and claims	(2,030)	387	(13,612)	(5,688)	(15,642)	(5,301)
Interest and bonuses credited to policyholders	6,798	10,151	3,864	3,673	10,662	13,824
Change in assumptions	–	(14)	215	335	215	321
Divestments	(514)	(4)	–	(53)	(514)	(57)
Decreases recorded in shareholders' equity	(33)	(31)	(1,691)	(1,118)	(1,724)	(1,149)
Foreign currency translation effects	3,522	10,313	7,072	8,106	10,594	18,419
As of December 31						
Net reserves	**109,073**	**101,330**	**82,044**	**86,196**	**191,116**	**187,525**
Reinsurers' share	–	–	9,551	1,753	9,551	1,753
Gross reserves	109,073	101,330	91,595	87,949	200,667	189,278

[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.

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

in USD millions, as of December 31	Unit-linked and investment contracts		Other life insurance liabilities		Total reserves and liabilites	
	2007	2006	**2007**	2006	**2007**	2006
United States	856	774	4,803	4,733	5,658	5,506
United Kingdom	73,400	70,967	5,971	13,109	79,371	84,076
Germany	8,768	6,878	43,672	40,108	52,439	46,986
Switzerland	1,630	1,454	15,086	16,804	16,716	18,258
Rest of Europe	20,789	17,460	9,860	9,070	30,650	26,529
of which:						
Ireland	*7,324*	*5,655*	*1,536*	*1,406*	*8,860*	*7,061*
ZIS	*6,816*	*5,559*	727	*652*	*7,543*	*6,212*
International Businesses	3,630	3,798	2,652	2,372	6,282	6,170
of which:						
Southeast Asia	*386*	*201*	*771*	*776*	*1,157*	*977*
Latin America	*322*	*272*	*1,457*	*1,205*	*1,779*	*1,477*
Total	109,073	101,330	82,044	86,196	191,116	187,525

Unit-linked insurance and investment contracts, net of reinsurance, increased by 8 percent, and by 4 percent after excluding the impact of currency translation, compared with December 31, 2006. The increase reflects inflows from new and renewal premiums and the benefit to policyholders from equity market appreciation (reported as interest and bonuses credited to policyholders), offset by claims and related charges. The excess of claims over premiums of USD 2.0 billion is driven by the overall maturity of the UK pension portfolio, accelerated by the 2006 pension rule changes, which made it easier for pension plan holders in the UK to consolidate small plans or retire early.

Other life insurance liabilities, net of reinsurance, decreased by 5 percent, and by 13 percent after excluding the impact of currency translation, compared with December 31, 2006. The decrease was mainly due to the initial impact of the reinsurance of USD 7.1 billion of UK annuity liabilities that removed the related longevity risk and reduced economic capital requirements. Additionally, in 2007 there was a reduction of USD 2.5 billion of liabilities relating to traditional group life contracts in Switzerland, of which USD 1.8 billion was transferred to independent pension foundations, to which we provide services but do not control.

Financial Review

Indebtedness and capitalization

in USD millions, as of December 31	2007	2006	Change
Total operational debt	8,578	9,465	(9%)
Total financial debt [1]	8,999	8,708	3%
Total equity	29,177	26,105	12%

[1] For more information on financial debt, refer to note 20 in the consolidated financial statements.

Total operational debt was USD 8.6 billion as of December 31, 2007, a decrease of 9 percent compared with December 31, 2006, primarily attributable to reduced repo activities in our UK Life business.

Total financial debt was USD 9.0 billion as of December 31, 2007, an increase of 3 percent compared with December 31, 2006. As market conditions allowed for lower borrowing costs, we redeemed a USD 1 billion subordinated debt issuance early at a total pre-tax cost of USD 52 million and replaced it with two lower cost, hybrid debt issuances totaling USD 1.5 billion.

Total equity increased to USD 29.2 billion as of December 31, 2007, a 12 percent increase driven by net income after taxes, which more than offset the impact from treasury share transactions and dividends paid to shareholders.

in USD millions	Shareholders' equity	Minority interests	Total equity
As of December 31, 2006, as previously reported	26,531	525	27,056
Adjustment arising from change in accounting policy related to IAS 19	(944)	(8)	(952)
As of December 31, 2006, as restated	**25,587**	**517**	**26,105**
Issuance of share capital	147	–	147
Dividends	(1,339)	(10)	(1,348)
Share-based payment transactions	30	–	30
Treasury share transactions	(1,652)	–	(1,652)
Total recognized income and expense, net of tax	6,030	90	6,120
Net income after taxes	*5,626*	*83*	*5,708*
Net other recognized income and expenses	*403*	*7*	*410*
Net changes in capitalization and minority interests	–	(223)	(223)
As of December 31, 2007	**28,804**	**374**	**29,177**

As of December 31, 2007, the number of treasury shares deducted from equity was 5,839,154, which included 3,432,500 shares repurchased through the share buyback program completed as of July 3, 2007. The balance is held to meet potential future obligations under employee share and option plans. A proposal to cancel the shares repurchased through the share buyback program will be submitted to shareholders at the Annual General Meeting in 2008. As of December 31, 2007, the number of common shares issued, including those held as treasury shares, was 145,546,820 corresponding to share capital of CHF 14.6 million.

Total recognized income and expense included in total equity, after minority interests, was USD 6.1 billion. The major drivers were net income after taxes of USD 5.7 billion, an increase in cumulative translation adjustments of USD 572 million and reductions in net unrealized gains/(losses) on investments of USD 635 million, which offset an improvement in actuarial gains/(losses) on pension plans of USD 476 million.

Cash flows

Summary of cash flows

in USD millions, for the years ended December 31	**2007**	2006
Net cash (used in)/provided by operating activities	(1,580)	640
Net cash (used in)/provided by investing activities	(617)	54
Net cash used in financing activities	(2,686)	(1,940)
Foreign currency translation effects on cash and cash equivalents	642	1,637
Cash and cash equivalents excluding cash received as collateral for securities lending	15,061	19,302
Change in cash received as collateral for securities lending	(1,943)	(751)
Cash and cash equivalents as of January 1, including cash received as collateral for securities lending	23,122	23,482
Cash and cash equivalents as of December 31, including cash received as collateral for securities lending	**16,936**	**23,122**

Net cash used in operating activities was USD 1.6 billion for the year ended December 31, 2007, with the variance over last year predominantly driven by a lower proportion of cash in total investments. Net cash used in investing activities was USD 617 million for the year ended December 31, 2007, mainly attributable to the Bristol West and Nasta transactions. Net cash used in financing activities was USD 2.7 billion, driven by the dividends paid in April 2007 and treasury share transactions, offset by a net positive contribution of USD 322 million from the issuance of hybrid debt in May 2007, exceeding the early redemption of subordinated debt.

Financial Review

Currency translation impact

We operate worldwide in multiple currencies and seek to match our foreign exchange exposures on an economic basis. As we have chosen the US dollar as our presentation currency, differences arise when functional currencies are translated into our presentation currency. The table below shows the effect of foreign currency rates on the translation of selected line items.

Selected Group income statement items

variance over the prior period, for the year ended December 31, 2007	in USD millions	in %
Gross written premiums and policy fees	2,021	4%
Insurance benefits and losses, gross of reinsurance	(1,669)	(5%)
Net income attributable to shareholders	199	4%

Selected Group balance sheet items

variance over December 31, 2006, as of December 31, 2007	in USD millions	in %
Total investments	13,036	4%
Reserves for insurance contracts, gross	11,024	5%
Cumulative translation adjustment in total equity	663	2%

The income statements are translated at average exchange rates where the weakening of the US dollar during the year ended December 31, 2007, compared with 2006, resulted in an increase to most line items.

The balance sheets are translated at end-of-period rates. The weakness of the US dollar as of December 31, 2007, compared with December 31, 2006, resulted in an increase in most balance sheet positions.

Consolidated Financial Statements

Consolidated income statements

in USD millions, for the years ended December 31	Notes	2007	2006
Revenues			
Gross written premiums and policy fees		47,472	46,444
Less premiums ceded to reinsurers [1]		(13,197)	(5,794)
Net written premiums and policy fees		34,275	40,651
Net change in reserves for unearned premiums	11	(495)	(142)
Net earned premiums and policy fees		33,780	40,509
Farmers management fees and other related revenues	13	2,266	2,133
Net investment result on Group investments	6	10,089	9,434
Net investment income on Group investments		8,591	7,899
Net capital gains/(losses) and impairments on Group investments		1,498	1,536
Net investment result on unit-linked investments	6	7,142	11,587
Net gain/(loss) on divestments of businesses	5	118	(43)
Other income		1,767	1,381
Total revenues		55,163	65,002
Benefits, losses and expenses			
Insurance benefits and losses, gross of reinsurance	11	35,014	33,875
Less ceded insurance benefits and losses [1]	11	(11,636)	(3,668)
Insurance benefits and losses, net of reinsurance	11	23,378	30,207
Policyholder dividends and participation in profits, net of reinsurance	11	8,543	12,906
Underwriting and policy acquisition costs, net of reinsurance	11	7,589	6,980
Administrative and other operating expense		6,214	6,263
Amortization and impairments of intangible assets		302	257
Interest expense on debt	20	685	608
Interest credited to policyholders and other interest		957	916
Total benefits, losses and expenses		47,668	58,136
Net income before income taxes		7,495	6,866
Income tax expense	19	(1,787)	(2,148)
of which: – attributable to policyholders	19	83	(416)
– attributable to shareholders	19	(1,870)	(1,732)
Net income after taxes		**5,708**	**4,718**
Net income attributable to minority interests		(83)	(98)
Net income attributable to shareholders		**5,626**	**4,620**
in USD			
Basic earnings per share	21	39.11	31.71
Diluted earnings per share	21	38.68	31.53
in CHF			
Basic earnings per share	21	46.88	39.74
Diluted earnings per share	21	46.37	39.52

[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.

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated statements of total recognized income and expenses

in USD millions, for years ended December 31	**2007**	2006
Net income attributable to shareholders	**5,626**	**4,620**
Net unrealized gains/(losses) on available for sale investments [1]	(623)	(319)
Change in net unrealized gains/(losses) (excluding currency translation adjustments)	(509)	(451)
Foreign currency translation adjustments	75	95
Net realized gains/(losses) and impairment charges reclassified to the income statement	(189)	37
Change in fair value of cash flow hedges [1]	(103)	–
Cumulative translation adjustments	561	934
Net other recognized income and expense [1]	568	372
Net actuarial gains on pension plans	468	372
Revaluation reserve	101	–
Total recognized income and expense attributable to shareholders	**6,030**	**5,607**
Total recognized income and expense attributable to minority interests	90	117
Total recognized income and expense	**6,120**	**5,724**

[1] Amounts are net of tax; total tax effect is included in table 19.6.

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated Financial Statements

Consolidated balance sheets

Assets

in USD millions, as of December 31	Notes	2007	2006
Investments			
Total Group Investments		193,600	195,676
Cash and cash equivalents		13,943	17,438
Equity securities		18,589	18,339
Debt securities		123,762	126,435
Real estate held for investment		7,563	6,921
Mortgage loans		12,718	10,806
Other loans		12,936	12,634
Investments in associates		238	153
Other investments		3,851	2,951
Investments for unit-linked contracts		122,092	114,327
Total investments [1]	6	315,693	310,003
Reinsurers' share of reserves for insurance contracts [1]	8	26,977	20,108
Deposits made under assumed reinsurance contracts		1,359	2,022
Deferred policy acquisition costs	12	14,941	13,197
Deferred origination costs	12	1,003	815
Accrued investment income		2,593	2,654
Receivables	14	12,846	11,926
Other assets		3,405	3,914
Mortgage loans given as collateral	15	2,243	2,426
Deferred tax assets	19	1,678	2,727
Property and equipment	16	1,972	1,905
Goodwill	17	1,730	660
Other intangible assets	17	2,906	2,425
Total assets		**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.

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Liabilities and equity

in USD millions, as of December 31	Notes	2007	2006
Liabilities			
Reserve for premium refunds		625	655
Liabilities for investment contracts	9	54,485	50,705
Deposits received under ceded reinsurance contracts		1,739	2,375
Deferred front-end fees		5,791	5,395
Reserves for insurance contracts	8	252,886	241,138
Obligations to repurchase securities		5,370	6,144
Accrued liabilities		2,755	2,676
Other liabilities	18	20,257	22,802
Collateralized loans	15	2,243	2,426
Deferred tax liabilities	19	4,055	4,757
Debt related to capital markets and banking activities	20	1,663	1,889
Senior and subordinated debt	20	8,300	7,713
Total liabilities		**360,167**	**348,677**
Equity			
Share capital	21	10	10
Additional paid-in capital		10,289	10,448
Net unrealized gains/(losses) on investments		196	819
Cumulative translation adjustment		1,385	823
Net other recognized income and expenses		(717)	(1,286)
Cash flow hedges		(103)	–
Retained earnings		17,072	14,102
Common shareholders' equity		28,132	24,916
Preferred securities	21	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**

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated Financial Statements

Consolidated statements of cash flows

in USD millions, for the years ended December 31	**2007**	2006
Cash flows from operating activities		
Net income attributable to shareholders	5,626	4,620
Adjustments for:		
Net (gain)/loss on divestments of businesses	(118)	43
Share of equity in income from investments in associates	(13)	(85)
Depreciation, amortization and impairments of fixed and intangible assets	515	460
Other non-cash items	310	1,857
Underwriting activities:	(3,259)	9,938
Reserves insurance contracts, gross	*2,410*	*5,479*
Reinsurers' share of reserves for insurance contracts [1]	*(6,407)*	*966*
Liabilities for investment contracts	*2,213*	*4,204*
Deferred policy acquisition costs	*(928)*	*(890)*
Deferred origination costs	*(166)*	*(32)*
Deposits made under assumed reinsurance contracts	*715*	*434*
Deposits received under ceded reinsurance contracts	*(1,096)*	*(223)*
Investments:	(2,589)	(14,441)
Net capital gains on investments and impairments	*(5,640)*	*(10,739)*
Net change in trading securities	*(180)*	*(351)*
Sales and maturities		
Debt securities [1]	*70,307*	*58,544*
Equity securities	*70,825*	*46,044*
Other (primarily other investments)	*32,326*	*32,115*
Purchases		
Debt securities	*(64,227)*	*(61,291)*
Equity securities	*(73,614)*	*(46,191)*
Other (primarily other investments)	*(32,385)*	*(32,572)*
Proceeds from sale and repurchase agreements	(865)	116
Movements in receivables and payables	350	207
Net changes in debt for capital markets and banking activities	(279)	(219)
Net changes in other operational assets and liabilities	(1,613)	(2,370)
Deferred income tax, net	355	514
Net cash provided by/(used in) operating activities	(1,580)	640

[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 main initial impact of this transaction were proceeds of USD 6.3 billion from the sale of debt securities, a reduction in cash and cash equivalents of USD 0.6 billion and an increase in reinsurers' share of reserves for insurance contracts of USD 7.0 billion.

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

in USD millions, for the years ended December 31	**2007**	2006
Cash flows from investing activities		
Sales of property and equipment	274	79
Purchase of property and equipment	(338)	(280)
Investments in associates, net	(73)	243
Acquisitions of companies, net of cash acquired	(543)	–
Divestments of companies, net of cash balances	58	–
Dividends from associates	5	12
Net cash provided by/(used in) investing activities	(617)	54
Cash flows from financing activities		
Dividends paid	(1,339)	(581)
Treasury share transactions	(1,669)	–
Nominal value reduction of share capital	–	(276)
Redemption of preferred securities and repayments to minority interests	–	(802)
Issuance of debt	1,898	311
Payments on debt outstanding	(1,576)	(592)
Net cash (used in) financing activities	(2,686)	(1,940)
Foreign currency translation effects on cash and cash equivalents	642	1,637
Change in cash and cash equivalents excluding change in cash received as collateral for securities lending [1]	(4,241)	391
Cash and cash equivalents as of January 1, excluding cash received as collateral for securities lending	19,302	18,911
Cash and cash equivalents as of December 31, excluding cash received as collateral for securities lending	**15,061**	**19,302**
Change in cash received as collateral for securities lending	(1,943)	(751)
Cash and cash equivalents as of January 1, including cash received as collateral for securities lending	23,122	23,482
Cash and cash equivalents as of December 31, including cash received as collateral for securities lending	**16,936**	**23,122**
Other supplementary cash flow disclosures		
in USD millions		
Other interest income received	8,519	7,760
Dividend income received	3,136	2,289
Other interest expense paid	(1,603)	(1,504)
Income tax paid	(1,701)	(1,342)

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated Financial Statements

As of December 31, 2007 and 2006, cash and cash equivalents restricted as to use were USD 3,049 million and USD 423 million, respectively. Cash and cash equivalents held for the benefit of policyholders in connection with unit-linked products amounted to USD 2,993 million and USD 5,685 million as of December 31, 2007 and 2006, respectively.

Cash and cash equivalents

in USD millions, as of December 31	**2007**	2006
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	5,567	4,912
Cash equivalents	9,492	14,389
Cash held as collateral for securities lending	1,877	3,820
Total	**16,936**	**23,122**

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated Financial Statements

Consolidated statements of changes in equity

in USD millions[4]	Share capital	Additional paid-in capital	
Balance as of December 31, 2005, as previously reported	186	10,316	
Total adjustments due to implementation of IAS 19 SoRIE option	–	–	
Balance as of December 31, 2005, as restated	186	10,316	
Issuance of share capital	1	103	
Distributions to shareholders:			
Nominal value reduction of share capital[1]	(177)	–	
Dividends	–	–	
Redemption of preferred securities	–	–	
Share-based payment transactions	–	29	
Treasury share transactions	–	1	
Total recognized income and expense, net of tax	–	–	
Net changes in capitalization and minority interests	–	–	
Balance as of December 31, 2006	10	10,448	
Balance as of December 31, 2006, as previously reported	10	10,448	
Total adjustments due to implementation of IAS 19 SoRIE option	–	–	
Balance as of December 31, 2006, as restated	10	10,448	
Issuance of share capital[2]	–	147	
Distributions to shareholders:			
Dividends	–	–	
Share-based payment transactions	–	30	
Treasury share transactions[3]	–	(335)	
Total recognized income and expense, net of tax	–	–	
Net income after taxes	–	–	
Net other recognized income and expenses	–	–	
Net changes in capitalization and minority interests	–	–	
Balance as of December 31, 2007	10	10,289	

[1] As approved by the Annual General Meeting on April 20, 2006, the share capital was reduced by a nominal value reduction of CHF 2.40 per share from CHF 2.50 to CHF 0.10 in respect of each registered share. The distribution to shareholders relates to this nominal value reduction. The nominal value reduction of share capital in USD is adjusted for cumulative translation adjustments.
[2] The number of common shares issued as of December 31, 2007 was 145,546,820 (December 31, 2006: 144,749,399, December 31, 2005: 144,006,955).
[3] On February 14, 2007, the Board of Zurich Financial Services authorized a share buy-back of up to CHF 1.25 billion (approximately USD 1 billion) over the course of 2007. A proposal to cancel all repurchased shares will be submitted to shareholders at the Annual General Meeting on April 3, 2008. The share buy-back scheme was completed on July 3, 2007, when 3,432,500 fully paid shares, with nominal value CHF 0.10, had been bought back at an average price of CHF 364.00 per share.
As of December 31, 2007 the number of treasury shares deducted from equity was 5,839,154, which comprises shares repurchased under the buy-back program and 2,406,654 shares held to cover employee share and option plans mainly purchased in November and December 2007.
[4] Roundend amounts may not add to the rounded total in all cases.

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Net unrealized gains/(losses) on investments	Cumulative translation adjustment	Net other recognized income and expense	Cash flow hedges	Retained earnings	Common shareholders' equity	Preferred securities	Shareholders' equity	Minority interests	Total equity
1,138	(111)	–	–	9,801	21,330	1,096	22,426	814	23,240
–	–	(1,658)	–	248	(1,410)		(1,410)	(8)	(1,418)
1,138	(111)	(1,658)	–	10,050	19,920	1,096	21,016	806	21,822
–	–	–	–	–	104	–	104	–	104
–	–	–	–	–	(177)	–	(177)	–	(177)
–	–	–	–	(524)	(524)	(44)	(568)	(6)	(574)
–	–	–	–	–	–	(425)	(425)	(355)	(780)
–	–	–	–	–	29	–	29	–	29
–	–	–	–	–	1	–	1	–	1
(319)	934	372	–	4,576	5,563	44	5,607	117	5,724
–	–	–	–	–	–	–	–	(45)	(45)
819	823	(1,286)	–	14,102	24,916	671	25,587	517	26,105
819	823	–	–	13,760	25,860	671	26,531	525	27,056
–	–	(1,286)	–	342	(944)	–	(944)	(8)	(952)
819	823	(1,286)	–	14,102	24,916	671	25,587	517	26,105
–	–	–	–	–	147	–	147	–	147
–	–	–	–	(1,293)	(1,293)	(46)	(1,339)	(10)	(1,348)
–	–	–	–	–	30	–	30	–	30
–	–	–	–	(1,317)	(1,652)	–	(1,652)	–	(1,652)
(623)	561	568	(103)	5,580	5,984	46	6,030	90	6,120
–	*–*	*–*	*–*	*5,580*	*5,580*	*46*	*5,626*	*83*	*5,708*
(623)	*561*	*568*	*(103)*	*–*	*403*	*–*	*403*	*7*	*410*
–	–	–	–	–	–	–	–	(223)	(223)
196	1,385	(717)	(103)	17,072	28,132	671	28,804	374	29,177

Consolidated Financial Statements

Zurich Financial Services and its subsidiaries (collectively the "Group") are an insurance-based financial services provider with a global network. The Group also distributes non-insurance products, such as mutual funds, mortgages and other financial services products, from selected third-party providers. The Group operates mainly in Europe, the USA and Asia Pacific through subsidiaries and branch offices.

Zurich Financial Services, a Swiss corporation, is the holding company of the Group with a listing on the SWX Swiss Exchange. Zurich Financial Services was incorporated on April 26, 2000, in Zurich, Switzerland. It is recorded in the Commercial Register of the canton of Zurich under its registered address at Mythenquai 2, 8002 Zurich.

On February 13, 2008 the Board of Directors of Zurich Financial Services authorized these consolidated financial statements for issue. These financial statements will be submitted for approval to the Annual General Meeting of Shareholders to be held on April 3, 2008.

1. Basis of presentation

General information

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law. Where IFRS does not contain clear guidance governing the accounting treatment of certain transactions including those that are specific to insurance products, the IFRS Framework permits reference to another comprehensive body of accounting principles. In these cases, the Group typically refers to accounting principles generally accepted in the United States (US GAAP) for guidance.

Certain amounts recorded in the consolidated financial statements reflect estimates and assumptions made by management about insurance liability reserves, investment valuations, interest rates and other factors. Critical accounting judgments and estimates are discussed in note 4. Actual results may differ from the estimates made.

Certain reclassifications have been made to prior year amounts and segment disclosures to conform to the current year presentation. These reclassifications have no effect on the previously reported net income.

The Group's balance sheet is not presented using a current/non-current classification. However, the following balances are generally considered to be current: cash and cash equivalents, short-term investments, deferred policy acquisition costs on general insurance contracts, accrued investment income, receivables, reserve for premium refunds, accrued liabilities and obligation to repurchase securities.

The following balances are generally considered to be non-current: equity securities, investments in associates, investments held by investment companies, real estate held for investment, deferred policy acquisition costs on life insurance contracts, deferred tax assets, goodwill, other intangible assets, property and equipment, and deferred tax liabilities.

The following balances are of a mixed nature (including both current and non-current portions): debt securities, mortgage loans, other loans, other investments – other, reinsurers' share of reserves for insurance contracts, deposits made under assumed reinsurance contracts, deferred front-end fees, deferred origination costs, other assets, mortgage loans given as collateral, reserves for unit-linked contracts, liabilities for investment contracts, deposits received under ceded reinsurance contracts, reserves for losses and loss adjustment expenses, reserves for unearned premiums, future life policyholders' benefits, policyholders' contract deposits and other funds, other liabilities, collateralized loans, debt related to capital markets and banking activities, and senior and subordinated debt.

Maturity tables have been provided for the following balances: reserves for insurance contracts (table 26.16 and 26.17), liabilities for investment contracts (table 26.18 and 26.19), debt securities (table 6.4), derivative assets and derivative liabilities (tables 7.1 to 7.3), collateralized loans (table 15) and outstanding debt (table 20.3).

All amounts in the consolidated financial statements are shown in USD millions, rounded to the nearest million unless otherwise stated with the consequence that the rounded amounts may not add to the rounded total in all cases.

Change in accounting policies in 2007

For 2007 reporting, the Group has adopted the Statement of Recognized Income and Expense (SORIE) option under IAS 19 "Employee Benefits" to recognize actuarial gains and losses arising from defined benefit pension and other defined benefit post-retirement plans as a liability with a corresponding adjustment to shareholders' equity after allowing for deferred taxes. As a result, the Group has reversed the charge recorded in the 2006 income statement for the unrecognized actuarial gains and losses. In previous years, the net cumulative unrecognized actuarial gains and losses exceeding ten percent of the higher of the defined benefit obligation and the fair value of plan assets were not recognized on the balance sheet, but rather through income over the expected average remaining working lives of the employees participating in the plan (corridor approach). Therefore 2006 figures have been restated to reflect this change as follows:

Table 1

in USD millions	As reported	Amount of restatement	As restated
as of December 31, 2006			
Total equity	27,056	(952)	26,104
Other liabilities [1]	21,368	1,389	22,757
for the year ended December 31, 2006			
Net income attributable to shareholders	4,527	93	4,620

[1] Balances as at the date of restatement, excluding certain subsequent balance sheet reclassifications to conform with current year's presentation.

Transfer of UK annuity business

In the second quarter 2007, 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. This agreement is a first step in a transaction by which, subject to local regulatory and court approvals, the policies will be commuted to the reinsurer, who will then directly assume all rights and obligations under the policies. As at the date of the transaction, premiums ceded to reinsurers and ceded insurance benefits and losses increased by USD 7.3 billion and USD 7.0 billion, respectively. The transaction resulted in a net loss after tax of USD 59 million. In the consolidated balance sheets, total investments and associated other assets decreased by USD 7.4 billion and reinsurers' share of reserves for insurance contracts increased by USD 7.1 billion.

Segment information

The Group is managed on a matrix basis, reflecting both line of business and geography. Accordingly, segment information is presented in two formats. The primary format is based on the operating businesses of the Group and how they are strategically managed to offer different products and services to specific customer groups. The Group's primary business segments are as follows:

- General Insurance serves the property-casualty insurance needs of a wide range of customers, from individuals to small and medium-size businesses, commercial enterprises and major multinational corporations.
- Global Life pursues a customer-focused strategy with market-leading propositions in unit-linked and protection products and multi-channel distribution to develop leadership positions in our chosen segments and superior returns for our shareholders.
- Farmers Management Services which through Farmers Group, Inc. and its subsidiaries (FGI) provides non-claims related management services to the Farmers Exchanges, prominent writers of personal lines and small commercial lines business in the United States. FGI receives fee income for the provision of services to the Exchanges, which we manage, but do not own, and to their customers.
- Other Businesses includes Farmers Re which provides reinsurance to the Farmers Exchanges, Centre and capital markets and banking activities. This segment also includes certain businesses which are centrally managed and are not considered to be core businesses.
- Corporate Functions includes Group holding and financing companies, Corporate Center operations and certain alternative investments.

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To be consistent with the Group's management structure, the following transfers between primary segments have been made for 2007 financial reporting:

- Universal Underwriters Life Insurance Company from General Insurance to Other Businesses
- ZSFH LLC from Other Businesses to Corporate Functions
- Sterling Forest LLC from Other Businesses to General Insurance

The 2006 segmental results have been restated to reflect these changes.

The Group's secondary format for segment information is geographic as follows:

- North America
- Europe
- International Businesses, and
- Central Region

To be consistent with the Group's geographic structure, the following transfers between secondary segments have been made for 2007 financial reporting:

- Universal Underwriters Life Insurance Company from North America to Central Region
- The Group's businesses in Russia and Morocco from International Businesses to Europe
- Sterling Forest LLC from Central Region to North America

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Group accounts for inter-segment revenues and transfers as if the transactions were with third parties at current market prices, with the exception of dividends and realized capital gains, which are eliminated against equity.

2. Implementation of new accounting standards and amendments to published accounting standards effective in 2007

Standards published and effective as of January 1, 2007 and relevant for the Group's operations
The following standards, amendments and interpretations to published standards are relevant to the Group's operations:

In August 2005, the IASB issued IFRS 7 "Financial Instruments: Disclosures" which became effective for annual reporting periods beginning on or after January 1, 2007, and the complementary Amendment to IAS 1 "Presentation of Financial Statements – Capital Disclosures". In December 2005, the IASB released amendments to IFRS 4 "Insurance Contracts" to align risk disclosure requirements with IFRS 7. The impact of the adoption of IFRS 7 and the changes to IAS 1 and IFRS 4 has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital. The Group has adopted IFRS 7, the amendents to IAS 1 and IFRS 4 as of January 1, 2007 with no effect on its financial results or financial position.

The following interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) became effective in 2007: IFRIC 7 "Applying the Restatement Approach under IAS 29 financial Reporting in Hyperinflationary Economies", IFRIC 8 "Scope of IFRS 2", IFRIC 9 "Reassessment of Embedded Derivatives", and IFRIC 10 "Interim Financial Reporting and Impairment". The Group has adopted these interpretations with no material effect on its financial results or financial position.

Standards that are not yet effective and have not been early adopted by the Group
The following standards, and amendments and interpretations to existing published standards are not yet effective but are relevant to the Group's operations. They have not been early adopted by the Group.

In November 2006, the IASB issued IFRS 8 "Operating Segments" which replaces IAS 14 "Segment Reporting". IFRS 8 is mandatory for reporting periods beginning on or after January 1, 2009. The standard sets out the requirements for disclosure of an entity's operating segments on the basis of internal reports used by management for decision making, as well as disclosures of the entity's products and services, the geographical areas in which it operates, and its major customers.

In March 2007, the IASB issued amendments to IAS 23 "Borrowing Costs". The amendments are mandatory for reporting periods beginning on or after January 1, 2009. The amendments eliminate the option available under the previous version of IAS 23 to recognize all borrowing costs immediately as an expense.

In September 2007, the IASB issued the revised IAS 1 "Presentation of Financial Statements". The revised Standard is mandatory for reporting periods beginning on or after January 1, 2009. The changes require information in financial statements to be aggregated on the basis of shared characteristics and introduce a statement of comprehensive income.

In June 2007, IFRIC 13 "Customer Loyalty Programmes" was issued. IFRIC 13 is mandatory for reporting periods beginning on or after July 1, 2008. The interpretation explains how entities that grant loyalty award credits should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem award credits.

In July 2007, IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" was issued. IFRIC 14 is mandatory for reporting periods beginning on or after January 1, 2008. The interpretation provides general guidance on how to assess the limit in IAS 19 Employee Benefits on the amount of the surplus that can be recognised as an asset. It also explains how the pension assets or liabilities may be affected when there is a statutory or contractual minimum funding requirement.

The Group is currently evaluating the impact of adopting these standards and interpretations.

3. Summary of significant accounting policies

The principal accounting policies applied in the presentation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

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a) Consolidation principles

The Group's consolidated financial statements include the assets, liabilities, equity, revenues, expenses and cash flows of Zurich Financial Services and its subsidiaries. A subsidiary is an entity in which Zurich Financial Services owns, directly or indirectly, more than 50 percent of the outstanding voting rights, or which it otherwise has the power to control and is accounted for using the purchase method. The results of subsidiaries acquired are included in the consolidated financial statements from the date of acquisition. The results of subsidiaries that have been divested during the year are included up to the date control ceased. All significant intercompany balances, profits and transactions are eliminated in full.

When control over a subsidiary is acquired, a put option may be granted to minority shareholders. In such cases, the recognition of the puttable instrument as a liability depends on the contractual obligations. Where the contract involves an unconditional commitment exercisable at any time by the option holder, it is recognized as a liability. Such liability is subsequently remeasured at the present value of the option price, unless the minority interest can exercise the option at any time in which case the liability will not be discounted.

In the event of a buy out of minority interests, the existing ownership in an entity is revalued to the new valuation basis established at the time of acquisition. The increase in value is recorded directly in equity as a revaluation reserve.

Investments in associates and partnerships where the Group has the ability to exercise significant influence but not control, as well as joint ventures where there is joint control, are accounted for using the equity method. Significant influence is presumed to exist when the Group owns, directly or indirectly, between 20 percent and 50 percent of the outstanding voting rights. Under the equity method of accounting, investment in an associate, partnership or joint venture is initially recognized at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the investee.

The consolidated financial statements are prepared as of December 31 based on individual company financial statements at the same date. In some cases information is included with a time lag of up to three months.

b) Insurance contracts and investment contracts with discretionary participating features (DPF)

The Group developed its accounting policies for insurance contracts before the adoption of IFRS 4 and in the absence of a specific standard for insurance contracts. Management, at that time, used its judgment in developing a set of accounting policies for the recognition and measurement of rights and obligations arising from insurance contracts issued and reinsurance contracts held that provide the most useful information to users of the Group's financial statements. In making this judgment, Management primarily considered the pronouncements of the Financial Accounting Standards Board (US GAAP) on insurance and reinsurance contracts.

Classification

Insurance contracts are those contracts that transfer significant insurance risk. These contracts may also transfer financial risk. Significant insurance risk is defined as the possibility of paying significantly more in a scenario where the insured event occurs than in a scenario where the insured event does not occur. Scenarios considered include those which have commercial substance.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

A number of insurance and investment contracts contain DPF which entitle the contract holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the Group; and
- that are contractually based on:
  - the performance of a specified pool of contracts or a specified type of contract;
  - realized and/or unrealized investment returns on a specified pool of assets held by the issuer; or
  - the profit or loss of the company, fund or other entity that issues the contract.

The Group applies the same accounting policies for the recognition and measurement of obligations arising from insurance contracts and from investment contracts with DPF. These recognition and measurement criteria apply to obligations arising from the contract, deferred acquisition costs and other related intangible assets.

The Group also issues products containing an embedded option to the policyholder to switch all or part of the current and future invested funds into another product issued by the Group, usually from a unit-linked product into a unitized with-profits contract or similar. Certain of these products allow policyholders to switch back to the previous product at their convenience. Where this results in the reclassification of an investment product to a product that meets the definition of an insurance contract, the previously held reserve and the related deferred origination costs are also reclassified and are accounted for in accordance with the accounting policies for such products on a prospective basis.

As a consequence, no gain or loss is recognized as a result of the reclassification of a contract from investment to insurance.

Once a contract has been classified as an insurance contract no reclassification is done subsequently.

Premiums

Premiums from the sale of general insurance products are recorded when written and normally are accreted to earnings on a pro-rata basis over the term of the related policy coverage. However, for those contracts for which the period of risk differs significantly from the contract period, premiums are recognized over the period of risk in proportion to the amount of insurance protection provided. The unearned premium reserve represents the portion of the premiums written relating to the unexpired terms of coverage.

Premiums from traditional life insurance contracts, including participating contracts and annuity policies with life contingencies, are recognized as revenue when due from the policyholder. Benefits and expenses are provided against such revenue to recognize profits over the estimated life of the policies. Moreover, for single premium and limited pay contracts, premiums are recognized in income when due with any excess profit deferred and recognized in income in a constant relationship to the insurance in-force or, for annuities, the amount of expected benefit payments.

Amounts collected as premiums from investment type contracts such as universal life, unit-linked and unitized with-profits contracts are reported as deposits. Revenue from these contracts consists of policy fees for the cost of insurance, administration and surrenders during the period. Front-end fees are recognized over the estimated life of the contracts. Policy benefits and claims that are charged to expenses include benefit claims incurred in the period in excess of related policyholder contract deposits and interest credited to policyholder deposits.

Deferred policy acquisition costs (DAC)

The costs of acquiring new business, including commissions, underwriting and policy issue expenses, which vary with and are directly related to the production of new business, are deferred. Future investment income is taken into account in assessing recoverability.

DAC for participating traditional life insurance contracts is amortized over the expected life of the contracts as a constant percentage of estimated gross margins. Estimated gross margins include anticipated premiums and investment results less benefits and administration expenses, changes in the net level premium reserve and expected policyholder dividends, as appropriate. Estimated gross margins are re-estimated regularly with the impact of deviations of actual result from estimated experience on the amortization of deferred acquisition costs reflected in earnings.

DAC for other traditional life insurance and annuity policies are amortized over the expected life of the contracts as a constant percentage of expected premiums. Expected premiums are estimated at the date of policy issue and are consistently applied throughout the life of the contract unless premium deficiency occurs.

DAC for contracts such as universal life, unit-linked and unitized with-profits contracts are amortized over the expected life of the contracts based on a constant percentage of the present value of estimated gross profits expected to be realized over the life of the contract. Estimated gross profits include expected amounts to be assessed for mortality, administration, investment and surrender, less benefit claims in excess of policyholder balances, administrative expenses and interest credited. Estimated gross profits are revised regularly and the interest rate used to compute the present value of revised estimates of expected gross profits is the latest revised rate applied to the remaining benefit period. Deviations of actual results from estimated experience are reflected in earnings.

The DAC asset is adjusted to equal the effect that realization of unrealized gains or losses on investments would have had on its measurement. This change is recorded as a direct offset to unrealized gains or losses at the balance sheet date (shadow accounting).

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Unamortized DAC associated with internally replaced contracts that are, in substance, contract modifications, continue to be deferred and amortized. Costs associated with internally replaced contracts that are, in substance, new contracts, are written down.

Liability adequacy tests

Liability adequacy testing is performed by portfolio of contracts, in accordance with the Group's manner of acquiring, servicing and measuring the profitability of its insurance contracts. Net unearned premiums are tested to determine whether they are sufficient to cover related expected claims, loss adjustment expenses, policyholder dividends, commission, amortization and maintenance expenses. If there is a premium deficiency, the DAC asset is written down by the amount of the deficiency. If, after writing down the DAC asset to nil (for the specified portfolio of contracts), a premium deficiency still exists, then a premium deficiency reserve is recorded to provide for the deficiency in excess of the DAC asset written down.

For life contracts, the net premium reserve, calculated on a locked-in basis and reduced by the unamortized balance of DAC or present value of profits of acquired insurance contracts (PVFP) is compared to the gross premium reserve, calculated on a best-estimate basis as of the valuation date. If there is a deficiency, the DAC or PVFP is written down to the extent of the deficiency. If, after writing down the DAC or PVFP to nil (for the specified portfolio of contracts), a deficiency still exists, the net liability is increased by the amount of the remaining deficiency.

Reserves for losses and loss adjustment expenses

Losses and loss adjustment expenses are charged to income as incurred. Reserves for losses and loss adjustment expenses represent the accumulation of estimates for ultimate losses and include provisions for losses incurred but not yet reported (IBNR). The reserves represent estimates of future payments of reported and unreported claims for losses and related expenses with respect to insured events that have occurred. Reserving is a complex process dealing with uncertainty, requiring the use of informed estimates and judgments. The Group does not discount its loss reserves, other than for settled claims with fixed payment terms. Any changes in estimates are reflected in the results of operations in the period in which estimates are changed.

Future life policyholders' benefits and policyholders' contract deposits

These represent the estimated future policyholder benefit liability respectively for traditional life insurance policies and for certain unit-linked contracts.

Future life policyholders' benefits for participating traditional life insurance policies are calculated using a net level premium valuation method based on actuarial assumptions equal to guaranteed mortality and interest rates.

Future life policyholders' benefits for other traditional life insurance policies are calculated using a net level premium valuation method based on actuarial assumptions as to mortality, persistency, expenses and investment return including a margin for adverse deviation.

For traditional life insurance policies, interest rate assumptions can vary by country, year of issuance and product. The mortality rate assumptions are based on published mortality tables and are adjusted for actual experience by geographic area and modified to allow for variations in policy form. The surrender assumptions are based on actual experience by geographic area and modified to allow for variations in policy form.

Future life policyholders' benefits include the value of accumulated declared bonuses or dividends that have vested to policyholders.

Policyholders' contract deposits represent the accumulation of premium received less charges plus declared dividends.

Where unrealized gains or losses on the revaluation of available-for-sale assets arise and are recorded directly in equity in accordance with the accounting policy for such assets, the corresponding adjustments to future life policyholders' benefits and related assets are also recognized directly in equity.

The policyholders' share of unrealized gains or losses, which may be paid in the future, in respect of assets, is included in future life policyholders' benefits.

For products containing discretionary participation features the amount of the discretionary participation feature is deemed to be the investment return on all related assets where the apportionment between the shareholder and the policyholder has not yet been determined. The liability includes certain elements of unrealized gains and portions of retained earnings attributable to the DPF, based on the mandated rates applied to these gains and earnings on the assumption that they had been realized at the balance sheet date.

The minimum mandated amounts, which are to be paid to policyholders plus any declared additional benefits, are recorded in liabilities. The remainder of undeclared discretionary balances are not included in the liability but are included in shareholders' equity until such time as the discretionary element of a bonus is determined and declared.

Reserves for unit-linked contracts are recorded equal to the consideration received plus accumulated investment yield less any fees charged or dividends paid to the policyholder.

For products containing guarantees in respect of minimum death benefits (GMDB), retirement income benefits (GRIB) and/or annuitization options (GAO), any additional liabilities are recorded in proportion to the receipt of the contracted revenues.

Reinsurance

The Group's insurance subsidiaries cede risk in the normal course of business in order to limit the potential for losses arising from certain exposures. Reinsurance does not relieve the originating insurer of its liability. Certain Group insurance companies assume reinsurance business incidental to their normal business, as well as from the Farmers Exchanges. Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses, ceded unearned premiums and ceded future life policy benefits. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy. Reinsurance is recorded gross in the consolidated balance sheet unless a legal right of offset exists.

Reinsurance assets are assessed for impairment on a regular basis for any events that may trigger impairment. Triggering events may include legal disputes with third parties, changes in capital and surplus levels, change in credit ratings of a counterparty and historic experience regarding collectibility from specific reinsurers.

If there is objective evidence that a reinsurance asset is impaired, the carrying amount of the asset is reduced to its recoverable amount. The impairment is considered to have taken place if it is probable that the Group will not be able to collect the amounts due from reinsurers. The carrying amount of a reinsurance asset is reduced through the use of an allowance account, and the amount of the impairment loss is recognized in income.

In addition to assessing whether significant insurance risk has been transferred, reinsurance contracts are further assessed to ensure that underwriting risk, defined as the reasonable possibility of significant loss, and timing risk, defined as the reasonable possibility of a significant variation in the timing of cash flows, are transferred by the ceding or assuming company to the reinsurer. Those contracts that do not transfer both risks, referred to in total as insurance risk, are accounted for using the deposit method. A deposit asset or liability is recognized based on the consideration paid or received less any explicitly identified premiums or fees to be retained by the ceding company. Deposits for contracts that transfer only significant underwriting risk are subsequently measured based on the unexpired portion of coverage until a loss is incurred, after which the present value of expected future cash flows under the contract is added to the remaining unexpired portion of coverage. Changes in the deposit amount are recorded in the consolidated income statements as an incurred loss. Interest on deposits that transfer only timing risk, or no risk at all, are accounted for using the effective interest rate method. Future cash flows are estimated to calculate the effective yield, and revenue and expense are recorded as interest income or expense. Premiums paid under the retroactive contracts are included in reinsurance recoverables in the balance sheet. If the amount of gross claims provisions reinsured is higher than the premium paid, reinsurance receivables are increased by the difference, and the gain is deferred and amortized over the period in which the underlying claims are paid.

c) Investment contracts (without DPF)

The Group issues investment contracts without fixed terms (unit-linked) and investment contracts with fixed and guaranteed terms (fixed interest rate).

Investment contracts without fixed terms are financial liabilities where the fair value of the contract is determined with reference to the fair value of the underlying financial assets, derivatives and/or investment property (unit-linked) and are designated at inception as at fair value through profit or loss.

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Liabilities for investment contracts (unit-linked)
These represent portfolios maintained to meet specific investment objectives of policyholders who bear the credit and market risks. The liabilities are carried at fair value with changes recognized in income. The related assets held under unit-linked investments contracts are classified as designated at fair value through profit or loss in order to reduce measurement inconsistencies. The related liabilities are carried at fair value with changes recognized in income. The costs of policy administration, investment management, surrender charges and certain policyholder taxes assessed against the policyholders' account balances are included in policy fee revenue.

The liability held for unit-linked contracts with capital units is measured at the funded value of those units. At the date of issue, the difference between the funded and unfunded value of units is treated as deferred revenue.

Liabilities for investment contracts (amortized cost)
Liabilities for investment contracts are measured at amortized cost, using the effective interest rate method. Transaction costs are deducted from the initial amount and form part of the effective yield. Future assumptions, except for the effective interest rate, are reviewed each reporting period. Changes in the liability due to changes in future assumptions are recognized in income.

Measurement of investment contracts
Valuation techniques are used to establish the fair value at inception and at each subsequent reporting date.

The Group's main valuation techniques incorporate all factors that market participants would consider and are based on observable market data. The fair value of a unit-linked financial liability is determined using the current unit values that reflect the fair values of the financial assets contained within the Group's unitized investment funds linked to the financial liability, multiplied by the number of units attributed to the contract holder at the balance sheet date.

If the investment contract is subject to a put or surrender option, the fair value of the financial liability is never recorded at less than the amount payable on surrender, discounted for the required notice period, where applicable.

The effective interest rate method applies an interest rate (the effective interest rate) that exactly discounts the estimated future cash payments or receipts to the net carrying amount of the financial liability, through the expected life of the financial instrument or, when appropriate, a shorter period if the holder has the option to redeem the instrument before maturity.

The Group re-estimates at each reporting date the expected future cash flows and recalculates the carrying amount of the financial liability by computing the present value of estimated future cash flows using the financial liability's original effective interest rate. Any adjustment is immediately recognized as income or expense in the income statement.

Deferred origination costs
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 are amortized in line with revenue generated by the investment management service. The deferred origination costs (DOC) are tested for recoverability at each reporting date.

The costs of acquiring new investment contracts without investment management services are included as part of the effective interest rate used to calculate the amortized-cost measure of the related liabilities.

d) Other revenue recognition
Fee revenue for the provision of non-claims related management services to the Farmers Exchanges is calculated primarily as a percentage of gross premiums earned by the Farmers Exchanges. FGI provides non-claims related management services to the Farmers Exchanges, including risk selection, preparation and mailing of policy forms and invoices, premium collection, management of the investment portfolios and certain other administrative and managerial functions. The Farmers Exchanges are responsible for their own claims functions, including the settlement and payment of claims and claims adjustment expenses. They are also responsible for the payment of agent commissions and bonuses and the payment of premium and income taxes.

Revenues from investment management and distribution fees are based on contractual fee arrangements applied to assets under management and recognized as earned when the service has been provided. For practical purposes, the Group recognizes these fees on a straight-line basis over the estimated life of the contract.

The Group charges its customers for asset management and other related services using the following different approaches:

- Front-end fees charged to the customer at inception are used particularly for single premium contracts. The consideration received is deferred as a liability and recognized over the life of the contract on a straight-line basis.
- Regular fees charged to the customer periodically (monthly, quarterly or annually) either directly or by making a deduction from invested funds are billed in advance and recognized on a straight-line basis over the period in which the service is rendered. Fees charged at the end of the period are accrued as a receivable and are offset against the financial liability when charged to the customer.

e) Net investment income
Net investment income includes investment income earned and investment expenses incurred.

Investment income primarily consists of dividend income on equity securities, interest income on financial assets other than equity securities, rental income earned on real estate held for investment and income earned on investments that are accounted for by using the equity method of accounting.

Dividend income is recognized when the right to receive payment is established, which is usually the ex-dividend date.

Interest income on financial assets that are not classified as held for trading or designated at fair value through profit or loss is recognized using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

Rental income earned on real estate held for investment is recognized on the accrual basis.

Investment expenses consist of operating expenses for real estate held for investment and other investment expenses, including investment management fees. These expenses are recognized on the accrual basis.

f) Investments
Investments include cash and cash equivalents, non-derivative financial instruments, real estate held for investment, investments in associates and joint ventures, short-term investments and investments held by investment companies.

Categories of non-derivative financial instruments
Non-derivative financial instruments are classified as financial assets at fair value through profit or loss, financial assets held-to-maturity, loans and receivables, and financial assets available-for-sale. The classification depends on the purpose for which the investments were acquired. Management determines the classification of these investments at initial recognition with reference to its long-term investment objectives.

Financial assets at fair value through profit or loss are sub-classified into financial assets held for trading and those designated at fair value through profit or loss at inception.

Financial assets held for trading are debt and equity securities which the Group buys with the principal intention to resell in the near term.

Financial assets designated at fair value through profit or loss at inception are mainly financial assets backing unit-linked insurance and unit-linked investment contracts. Reserves relating to unit-linked insurance contracts and liabilities for unit-linked investment contracts are carried at fair value, which is determined by reference to these assets with changes in the fair value of both the asset and liability recognized in income. The designation of these assets at fair value through profit or loss eliminates or significantly reduces a measurement inconsistency that would otherwise arise from measuring assets or from recognizing the resultant gains and losses on them on a different basis to the liability. The fair value designation, once made, is irrevocable.

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Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities other than those that meet the definition of loans and receivables, and for which the Group's management has the positive intention and the ability to hold to maturity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short term or that it has designated at fair value through profit or loss or is holding as available-for-sale. Loans and receivables include loans where money is provided directly to the borrower, such as mortgage loans, policyholder loans and other loans.

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or are not classified in any of the other categories.

Measurement of non-derivative financial instruments

General
The Group recognizes regular way purchases and sales of financial assets on the trade date, which is the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognized at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. After initial recognition, financial assets are measured either at fair value or at amortized cost.

Held-to-maturity financial assets
Held-to-maturity financial assets are subsequently carried at amortized cost using the effective interest rate method, less any provision for impairment. The amortization of premium and accretion of discount on held-to-maturity investments recognized in the current period is included in investment income.

Financial assets carried at fair value through profit or loss
Financial assets carried at fair value through profit or loss are subsequently measured at fair value. Realized and unrealized gains and losses arising from changes in the fair value are recognized in income within net capital gains/losses on investments and impairments in the period in which they arise.

Investments backing certain life insurance policies with participation features are held as at fair value through profit or loss in order to reduce measurement inconsistencies. Movements in the carrying value of these assets that are recognized in the current period investment income are offset by equivalent movements attributable to policyholders.

Loans and receivables
Loans and receivables are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

Available-for-sale financial assets
Available-for-sale financial assets are subsequently carried at fair value, with changes in fair values recognized in shareholders' equity until the securities are either sold or impaired. The cumulative unrealized gains or losses recorded in shareholders' equity are net of cumulative deferred income taxes, certain life policyholder liabilities, deferred acquisition costs and minority interests. Realized gains or losses on sale are based on the difference between the proceeds received and the carrying value of the investment plus any unrealized gains or losses on the investment recorded in shareholders' equity using the specific identification method. When available-for-sale financial assets are sold, impaired or otherwise disposed of, the cumulative gains and losses previously recognized in shareholders' equity are included in current period income. The amortization of premium and accretion of discount on available-for-sale debt securities is computed using the effective interest method and is recognized in current period income.

Unrealized gains and losses on securities classified as available-for-sale are analyzed between differences resulting from foreign currency translation, differences resulting from changes in the amortized cost and other fair value changes. Foreign currency translation differences on monetary available-for-sale investments, such as debt securities, are recognized in income. Foreign currency translation differences on non-monetary assets, such as equity securities, are recognized directly in equity. Other unrecognized gains and losses on available-for-sale investments are recognized directly in equity.

Dividends on available-for-sale equity instruments are recognized in income when the Group's right to receive payments is established. Dividends are included in the investment income line.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arms-length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Other items
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, which are held for cash management purposes. Cash and cash equivalents also includes cash received as collateral for securities lending as well as cash and cash equivalents held for the benefit of policyholders in connection with unit-linked products. Cash and cash equivalents are stated at face value.

Real estate held for investment purposes is initially recorded at cost (including transaction costs) and is subsequently measured at fair value with changes in fair value recognized in current period income. No depreciation is recorded for real estate held for investment. The gain or loss on disposal of real estate held for investment is based on the difference between the proceeds received and the carrying value of the investment.

Short-term investments are investments with an original maturity date between three months and twelve months. The carrying values of short-term investments approximate to fair values.

Investments held by investment companies are carried at fair value as they are managed on a fair value basis.

Impairments of non-derivative financial instruments

General
Financial assets are assessed for impairment on a regular basis. A financial asset is impaired if its carrying value exceeds the estimated recoverable amount and there is objective evidence of impairment to the financial asset.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following events:

a) significant financial difficulty of the issuer or debtor;

b) a breach of contract, such as a default or delinquency in payments;

c) it becomes probable that the issuer or debtor will enter bankruptcy or other financial reorganization;

d) the disappearance of an active market for that financial asset because of financial difficulties; or

e) observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in that group, including:

- adverse changes in the payment status of issuers or debtors in that group; or
- national or local economic conditions that correlate with defaults on the assets in that group.

The Group first assesses whether objective evidence of impairment exists for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

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Financial assets carried at amortized cost
For held-to-maturity financial assets and loans and receivables the impairment is considered to have taken place if it is probable that the Group will not be able to collect principal and/or interest due according to the contractual terms of the instrument. When impairment is determined to have occurred, the carrying amount of the held-to-maturity financial assets, policyholders' loan or other loans is decreased through a charge to income. The carrying amount of mortgage loans or receivables is reduced through the use of an allowance account, and the amount of any allowance is recognized as an impairment loss in income. The allowance is determined using an analytical method based on knowledge of each loan group or receivable. The method is usually based on historical statistics, adjusted for known or anticipated trends in the group of financial assets or individual accounts.

Financial assets carried at fair value
When a decline in the fair value of an available-for-sale asset has been recognized directly in shareholders' equity and there is objective evidence that the asset is impaired, the cumulative loss already recognized directly in shareholders' equity is recognized in current period income. This arises when the fair value of the security has been significantly below the weighted-average cost, usually considered to be more than 50 percent for any period of time. Additionally, the Group considers an available-for-sale equity for impairment when the fair value has been below the weighted-average cost by more than 20 percent for more than 12 months. The amount of the cumulative loss that is removed from shareholders' equity and recognized in current period income is the difference between acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that asset previously recognized in income.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period, and the increase can be objectively related to an event occurring after the impairment loss was recognized in income, the impairment loss is reversed through income. Impairment losses recognized in income on equity instruments classified as available-for-sale are not reversed through income.

g) Derivative financial instruments
Derivative financial instruments include interest rate, currency and total return swaps, futures, forwards and option contracts, all of which derive their value mainly from changes in underlying interest rates, foreign exchange rates, commodity values or equity instruments. A derivative contract may be traded on an exchange or over-the-counter (OTC). Exchange-traded derivatives are standardized and include futures and certain option contracts. OTC derivative contracts are individually negotiated between contracting parties and include forwards, caps, floors and swaps. Derivative financial instruments are subject to various risks similar to those related to the underlying financial instruments, including market, credit and liquidity risk.

In addition to the derivative financial instruments described above, the Group enters into contracts that are not considered derivative financial instruments in their entirety but which include embedded derivative features. Such embedded derivatives are assessed at inception of the contract and, depending on their characteristics, are accounted for as separate derivative financial instruments.

Derivative financial instruments that are not part of a qualifying accounting hedge relationship are classified as held for trading assets or liabilities and carried at fair value on the balance sheet.

Fair values are obtained from quoted market prices, dealer price quotations, discounted cash flow models and option pricing models, which incorporate current market and contractual prices for the underlying instrument, time to expiry, yield curves and volatility of the underlying instrument. Inputs used in pricing models are generally market observable or can be derived from market observable data. Derivative financial instruments with positive fair values are recorded as derivative trading assets and those with negative fair values are recorded as derivative trading liabilities. Apart from derivative financial instruments designated as qualifying cash flow hedging instruments. Changes in fair value are recognized in income.

Derivative financial instruments that qualify for hedge accounting
For the purpose of hedge accounting, hedging instruments are classified as fair value hedges which hedge the exposure to changes in the fair value of a recognized asset or liability, cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction, or hedges of the net investment in a foreign operation.

To qualify for hedge accounting, the relationship of the hedging instrument to the underlying transaction must meet several strict conditions on documentation, probability of occurrence, hedge effectiveness and reliability of measurement. If these conditions are not met, then the relationship does not qualify for hedge accounting, in which case the hedging instrument and the hedged item are reported independently in accordance with the respective accounting policy as if there was no hedging relationship. Where these conditions are met, the accounting treatments are as follows:

Fair value hedges
Gains or losses from re-measuring the derivatives that are designated and qualify as fair value hedges are recognized immediately in the same line item of the consolidated income statement as the offsetting change in fair value of the risk being hedged. Offsetting gains or losses on the fair value hedged item attributable to the hedged risk are adjusted against the carrying amount of the hedged item and recognized in income.

Cash flow hedges
In a cash flow hedge relationship the effective portion of gain or loss on the re-measurement of the cash flow hedging instrument is recognized directly in shareholders' equity. The ineffective portion is recognized in current period income. The accumulated gains and losses on the hedged instrument in shareholders' equity are transferred to income in the same period in which gains or losses on the item hedged are recognized in income.

Hedges of net investment in a foreign operations
Changes in the fair value of hedges of a net investment in a foreign operation are recorded in shareholders' equity, to the extent the hedge is effective. The change in fair value representing hedge ineffectiveness is recorded in net realized capital gains/(losses) on investments and impairments. On disposal of a foreign operation the accumulated gains and losses on the related hedging instruments previously recognized in shareholders' equity in relation to the effective portion of the hedge, are transferred to income.

Discontinued hedges
Where hedge accounting is applied, the Group formally documents all relationships between hedging instruments and hedged items, including the risk management objectives and strategy for undertaking hedge transactions. At inception of a hedge and on an ongoing basis, the hedge relationship is formally assessed in order to determine whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items attributable to the hedged risk. The Group discontinues hedge accounting prospectively in the following circumstances:

- it is determined that the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item (including forecast transactions);
- the derivative expires or is sold, terminated, or exercised;
- the derivative is no longer designated as a hedging instrument because it is unlikely that the forecast transaction will occur; or
- the Group otherwise determines that designation of the derivative as a hedging instrument is no longer appropriate.

When the Group discontinues fair value hedge accounting because it determines that the derivative no longer qualifies as an effective fair value hedge, the derivative will be carried separately on the consolidated balance sheet at its fair value, and the value of the hedged asset or liability will no longer be adjusted for changes in fair value attributable to the hedged risk. Interest-related fair value adjustments made to the underlying hedged items will be amortized in income over the remaining life of the hedged item. Any unamortized interest-related fair value adjustment is recorded in income upon sale or extinction of the hedged asset or liability, respectively. Any other fair value hedge adjustments remain part of the carrying amount of the hedged asset or liability and are recognized in income upon disposition of the hedged item as part of the gain or loss on disposal.

When hedge accounting is discontinued on a cash flow hedge, the net gain or loss will remain in other recognized income and expenses within shareholders' equity and be reclassified to income in the same period or periods during which the formerly hedged transaction is reported in income. When the Group discontinues hedge accounting because the forecast transaction is no longer expected to occur the derivative will continue to be carried on the consolidated balance sheet at its fair value, and any related accumulated gains and losses that were previously recorded in other recognized income and expenses from the period when the hedge was effective are recognized in income. The forecast transaction may still be expected to occur, but may no longer

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be highly probable, in which case the related cumulative gains and losses on the hedging instrument remain in other recognized income and expense within shareholders' equity until the forecast transaction occurs or is no longer expected to occur. At that point, the gains and losses will be treated as described above.

h) Derecognition of financial assets and liabilities
Financial assets are derecognized when the right to receive cash flows from the assets has expired, or when the Group has transferred its contractual right to receive the cash flows from the financial asset, and either

- substantially all the risks and rewards of ownership have been transferred; or
- substantially all the risks and rewards have not been retained or transferred, but control has been transferred.

Financial liabilities are derecognized when they are extinguished, that is when the obligation is discharged, cancelled or expired.

i) Offsetting of financial assets and financial liabilities
Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to settle the asset and settle the liability simultaneously.

j) Securities lending
Certain entities within the Group participate in securities lending arrangements whereby specific securities are loaned to other institutions, primarily banks and brokerage firms, for short periods of time. Under the terms of the securities lending agreements, the Group retains substantially all the risks and rewards of ownership of these loaned securities, and also retains contractual rights to cash flows therefrom. These securities are therefore not derecognized from the Group's balance sheet. Cash collateral received as security for loaned securities is recorded as an asset and the related liability is recorded in liabilities for cash collateral received for securities lending.

k) Obligation to repurchase securities
Sales of securities under agreements to repurchase are accounted for as collateralized borrowing transactions and any difference between the amount of consideration received at initial recognition and the purchase value is recognized in income over the period of lending using the effective interest rate method.

l) Borrowings
Borrowings (debt issued) are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in income over the period of the borrowings using the effective interest rate method.

When fair value hedge accounting is applied to borrowings, the carrying values of borrowings are adjusted for changes in fair values related to the hedged exposure rather than carried at amortized cost.

m) Interest expense
Interest expense for all financial instruments except for those classified as held for trading or designated at fair value is recognized in income using the effective interest method.

n) Goodwill and other intangible assets

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the acquisition date. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates and is tested for impairment as part of the overall measurement of the carrying amount of those investments.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use of that group of assets (the 'cash generating unit'), and are largely independent of the cash inflows of other assets or groups of assets. The Group's cash generating units, on which impairment losses are assessed, represent the lowest level at which goodwill is monitored for internal management purposes.

The test for goodwill impairment is performed annually or whenever there is an indication that the cash generating unit may be impaired. Goodwill is carried at cost less accumulated impairment losses which are recorded in income if the recoverable amount is less than the carrying amount of the cash generating unit, including goodwill. Gains and losses on the divestment of an entity are calculated including the carrying amount of any goodwill relating to the entity sold.

The recoverable amount of a cash generating unit is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is based on the best information available to reflect the amount that the Group could obtain, at the balance sheet date, from the disposal of the cash generating unit on an arm's length basis between knowledgeable, willing parties, after deducting the costs of disposal. The information considered in assessing fair value may include quoted market prices, current share values in the market place for similar publicly traded entities, and recent sale transactions of similar entities or businesses in the market place. Value in use is determined using the present value of estimated future cash flows expected to be generated from or used by the cash generating unit. The estimated future cash flows are based on best estimate assumptions, such as revenue and expense projections, growth rate, interest rates and investment yields, and inflation rate.

Indications that goodwill related to a cash generating unit may be impaired include events or changes in circumstances that may have a significant negative impact on the operations of the cash generating unit, or material adverse changes in the assumptions used in determining its recoverable amount.

Other intangible assets

Other intangible assets acquired in a business combination are recognized separately from goodwill at the acquisition date if it is probable that the expected future economic benefits that are attributable to these assets will flow to the entity, and that the cost of these assets can be measured reliably, and, if these assets are separable or arise from contractual or other legal rights.

Such assets include brand names, customer relationships and contracts, affinity partnerships, computer software licenses and capitalized development costs.

The useful lives of brand names, customer relationships and contracts and affinity partnerships are estimated based on the period of time over which they are expected to provide economic benefit. The useful lives of computer software licenses and capitalized software development costs generally does not exceed 5 years. Capitalized software costs are depreciated on a straight-line basis, taking into account the effects of obsolescence, technology, competition and other economic factors.

Intangible assets that have an indefinite useful life are not subject to amortization but are tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have a finite useful life are amortized using the straight-line method over the useful life. They are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Any impairment loss is recorded in income if the carrying value of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value less selling costs of an asset and its value in use.

Present value of future profits from acquired insurance contracts (PVFP)

On the acquisition of life insurance businesses a customer contract intangible asset representing the present value of future profits from the acquired contracts or PVFP is determined. This asset is amortized over the expected life of the policies acquired, based on a constant percentage of the present value of estimated gross profits (margins) expected to be realized, or over the premium recognition period, as appropriate. PVFP is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered.

Attorney-in-fact relationships (AIF)

The asset representing the AIF reflects the ability of the Group to generate future revenues based on the Group's relationship with the Farmers Exchanges. In determining that these relationships have an indefinite useful life, the Group considered the organizational structure of inter-insurance exchanges, under which subscribers exchange contracts with each other and appoint an attorney-in-fact to provide certain management services and the historical AIF between FGI and the Farmers Exchanges. Similar to goodwill, an impairment test for AIF is performed on an annual basis or whenever there is a change in circumstances that may have an adverse effect.

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o) Income taxes

The Group provides current tax expense according to the tax laws of each jurisdiction in which it operates. Deferred income taxes are recognized using the asset and liability method. Deferred income taxes are recorded for temporary differences, which are based on the difference between financial statement carrying amounts and income tax bases of assets and liabilities using enacted income tax rates and laws. Losses for tax purposes are treated as deferred tax assets to the extent it is probable that the losses can offset future taxable income and is allowed by the applicable local tax laws and regulations.

Current and deferred tax assets and liabilities are offset when the income taxes are levied by the same taxation authority and when there is a legally enforceable right to offset them.

Taxes payable by either the company or its subsidiaries on expected distribution to the holding company of the profits of subsidiaries are not recognized as deferred income taxes unless a distribution of those profits is intended in the foreseeable future.

Taxes paid by certain of our life insurance businesses are based on the investment result less allowable expenses. To the extent that these taxes exceed the amount that would have been payable in respect of the shareholders' share of taxable profits, it is normal practice for certain of our businesses to recover this tax from policyholders. While the relevant company has the contractual right to charge policyholders for the taxes attributable to their share of the investment result less expenses, the obligation to pay the tax authority rests with the company and therefore, the full amount of tax including that charged to policyholders is accounted for as income tax. Income tax expense therefore includes an element attributable to policyholders. In addition, deferred tax on unrealized gains on investment contracts with DPF related to certain unit-linked contracts is included as income tax expense and an accrual for future policy fees to recover the tax charge is included in gross written premiums as and policy fee revenue.

p) Employee benefits

Retirement benefits

The operating companies in the Group provide employee retirement benefits through both defined benefit plans providing specified benefits and defined contribution plans. The assets of these plans are generally held separately from the Group's general assets in trustee-administered funds. Defined benefit plan obligations and contributions are determined annually by qualified actuaries using the projected unit credit method. The Group's expense related to these plans is accrued over the employees' service periods based upon the actuarially determined cost for the period.

Actuarial gains and losses are recognized in full in the period in which they occur and are presented on a separate line in the statement of total recognized income and expenses (SORIE). Actuarial gains and losses result from experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred during the accounting period), changes in actuarial assumptions since the previous balance sheet date, and differences between the expected and actual returns on plan assets. Unrecognized prior service costs represent non-vested benefits on the date of a change in the amount of benefits following an amendment to the plan and are amortized on a straight-line basis over the average vesting period.

Other post-employment benefits

Other defined post-employment benefits, such as medical care and life insurance, are also provided for certain employees and are primarily funded internally. Similar to retirement benefits, the cost of such benefits is accrued over the service period of the employees based on the actuarially determined cost for the period.

q) Share-based compensation and cash incentive plans

Under the Group's equity-settled, share-based compensation plan, the fair value of the employee services received in exchange for the grant of shares and/or options is recognized as an expense in income over the vesting period, with a corresponding amount recorded in additional paid-in capital.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares and/or options granted. Non-market vesting conditions (for example, profitability and premium income growth targets) are included in assumptions about the number of shares and/or options that are expected to be issued or become exercisable. At each balance sheet date, the Group revises its estimates of the number of shares and/or options that are expected to be issued or become exercisable. It recognizes the impact of the revision to original estimates, if any, in income with a corresponding adjustment to equity. However, no subsequent adjustment to total equity is made after the vesting date.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the shares are delivered or options are exercised.

Under the Group's cash-settled, share based payment compensation plan, the Group allows participants to take their option award in the form of Share Appreciation Rights (SAR). Hence, the Group incurres a liability which is measured at the fair value of the SAR using the Black-Scholes model. The liability is measured at initial recognition and at each balance sheet date until settled thereby taking into account the terms and conditions on which the share appreciation rights were granted, and the extent to which the participants have rendered service to date. The fair value of the participants' services received in exchange for the SAR is recognized as an expense in income over the vesting period and measured by reference to the fair value of the liability.

As the fair value of the options which the Group uses for its employee schemes cannot be compared to the ones in the market, the Group estimates the fair value using the Black-Scholes model. This model requires inputs such as share price, exercise price, implied volatility, risk-free interest rate, expected dividend rate and the expected life of the option.

r) Property and equipment
Own use property is defined as property held by the Group for use in the supply of services or for administrative purposes. Buildings held for own use and equipment are carried at cost less accumulated depreciation and any accumulated impairment loss. The costs of these assets are depreciated principally on a straight-line basis to income over the following estimated useful economic lives:

- buildings 25 to 50 years;
- furniture and fixtures five to ten years; and
- computer equipment three to five years.

Land held for own use is carried at cost less any accumulated impairment loss.

Maintenance and repair costs are charged to income as incurred. Costs of systems purchased from third party vendors are carried as fixed assets and amortized over expected useful lives. Gains and losses on the disposal of property and equipment and property held for own use are determined by comparing the proceeds with the carrying amounts and recorded in other income.

Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the balance sheet carrying amount may not be recoverable.

Impairment of non-financial assets
Assets that have an indefinite useful life, for example land, are not subject to amortization and are tested regularly for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying value of the asset exceeds its expected recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped on a cash generating unit level.

s) Finance and operating leases
Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title, are classified as finance leases. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to income on a straight-line basis over the period of the lease.

t) Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are only discounted where the effect of the time value of money is considered material.

u) Treasury shares

Zurich Financial Services shares held by the Group are classified as treasury shares and are deducted from equity at nominal value. The difference between the nominal value and the amount paid for acquiring, or received for disposing of treasury shares, is recorded as an adjustment to additional paid-in capital to the extent that additional paid-in capital is available. Any premium or discount above the available additional paid-in capital is recorded directly in retained earnings.

v) Foreign currency translation and transactions

Foreign currency translation

In view of the international nature of the Group, there are many individual entities with different functional currencies. A functional currency is the currency of the primary economic environment in which the entity operates. Therefore, a common presentation currency is required. Due to the Group's economic exposure to the US dollar (USD), the presentation currency of the Group has been determined to be the USD. Assets and liabilities of Group companies with functional currencies other than USD are translated into the presentation currency at end-of-period exchange rates, while income statements are translated at average exchange rates for the period. The resulting translation differences are recorded directly in shareholders' equity as cumulative translation adjustments.

Foreign currency transactions

Foreign currency monetary items and foreign currency non-monetary items, which are carried at fair value are translated at end-of-period exchange rates. Foreign currency non-monetary items which are carried at historical cost are translated at historical rates. Revenues and expenses are translated using the exchange rate at the date of the transaction or a weighted average rate. The resulting exchange differences are recorded in the consolidated income statement, except when the gain or loss on a non-monetary item measured at fair value is recognized directly in equity in which case any exchange component of that gain or loss is also recognized directly in equity.

Movements shown in development tables throughout the consolidated financial statements are translated at end-of-period exchange rates.

The table below summarizes the principal exchange rates that have been used for translation purposes. Net gains and (losses) on foreign currency transactions included in the consolidated income statements were USD 131 million and USD (115) million for the years ended December 31, 2007 and 2006, respectively. Foreign currency exchange forward and swap gains and (losses) included in the amounts above were USD (249) million and USD 154 million for the years ended December 31, 2007 and 2006, respectively.

Principal exchange rates

Table 3

USD per foreign currency unit, as of or for the year ended December 31	Balance sheets		Income statements and cash flows	
	2007	2006	**2007**	2006
Euro	1.4601	1.3199	1.3706	1.2552
Swiss franc	0.8822	0.8203	0.8341	0.7980
British pound sterling	1.9849	1.9589	2.0019	1.8415

4. Critical accounting judgments and estimates

Critical accounting estimates are those which involve the most complex or subjective judgments or assessments, and relate to general insurance and life insurance reserves, the determination of fair value for financial assets and liabilities, impairment charges, the determination of fair values of assets and liabilities attributable to business combinations, deferred policy acquisition costs, deferred taxes, retirement and other defined benefit post-employment plans and share-based compensation and cash incentive plans. In each case, the determination of these items requires management to make informed judgments based on information and financial data that may change in future periods. Because of the uncertainties involved in such judgments, actual outcomes and results may differ from assumptions and estimates made by management.

a) Reserves for losses and loss adjustment expenses
The Group is required by applicable insurance laws, regulations and IFRS to establish reserves for payment of losses and loss adjustment expenses that arise from the Group's general insurance products and the run-off of its former third party reinsurance operations. These reserves represent the expected ultimate cost to settle claims occurring prior to, but still outstanding as of, the balance sheet date. The Group establishes its reserves by product line, type and extent of coverage and year of occurrence. Loss reserves fall into two categories: reserves for reported losses and reserves for incurred but not reported (IBNR) losses. Additionally, reserves are held for loss adjustment expenses, which contain the estimated legal and other expenses expected to be incurred to finalize the settlement of the losses.

The Group's reserves for reported losses and loss adjustment expenses are based on estimates of future payments to settle reported general insurance claims and claims from the run-off of its former third party reinsurance operations. The Group bases such estimates on the facts available at the time the reserves are established. The Group generally establishes these reserves on an undiscounted basis to recognize the estimated costs of bringing pending claims to final settlement, taking into account inflation, as well as other factors that can influence the amount of reserves required, some of which are subjective and some of which are dependent on future events. In determining the level of reserves, the Group considers historical trends and patterns of loss payments, pending levels of unpaid claims and types of coverage. In addition, court decisions, economic conditions and public attitudes may affect the ultimate cost of settlement and, as a result, the Group's estimation of reserves. Between the reporting and final settlement of a claim circumstances may change, which would result in changes to established reserves. Items such as changes in law and interpretations of relevant case law, results of litigation, changes in medical costs, as well as costs of vehicle and home repair materials and labor rates can substantially impact ultimate settlement costs. Accordingly, the Group reviews and re-evaluates claims and reserves on a regular basis. Amounts ultimately paid for losses and loss adjustment expenses can vary significantly from the level of reserves originally set.

The Group establishes IBNR reserves, generally on an undiscounted basis, to recognize the estimated cost of losses for events which have already occurred but which have not yet been notified. These reserves are established to recognize the estimated costs required to bring claims for these not yet reported losses to final settlement. As these losses have not yet been reported, the Group relies upon historical information and statistical models, based on product line, type and extent of coverage, to estimate its IBNR liability. The Group also uses reported claim trends, claim severities, exposure growth, and other factors in estimating its IBNR reserves. The Group revises these reserves as additional information becomes available and as claims are actually reported.

The time required to learn of and settle claims is an important consideration in establishing the Group's reserves. Short-tail claims, such as for automobile and property damage, are normally reported soon after the incident and are generally settled within months following the reported incident. Long-tail claims, such as bodily injury, pollution, asbestos and product liability, can take years to develop and additional time to settle. For long-tail claims, information concerning the event, such as the required medical treatment for bodily injury claims and the measures and costs required to clean up pollution, may not be readily available. Accordingly, the reserving analysis of long-tail lines of business is generally more difficult and subject to greater uncertainties than for short-tail losses.

Since the Group does not establish reserves for catastrophes in advance of the occurrence of such events, these events may cause volatility in the levels of its incurred losses and reserves, subject to the effects of reinsurance recoveries. This volatility may also be contingent upon political and legal developments after the occurrence of the event.

The Group uses a number of accepted actuarial methods to estimate and evaluate the amount of reserves recorded. The nature of the claim being reserved for and the geographic location of the claim influence the techniques used by the Group's actuaries. Additionally, the Group's Corporate Center actuaries perform periodic reserve reviews of the Group's businesses throughout the world. Management considers the results of these reviews and adjusts its loss and loss adjustment expense reserves, where necessary.

Refer to notes 8 and 11 for further information on reserves for losses and loss adjustment expenses.

b) Future life policyholders' benefits and policyholders' contract deposits

The future life policyholders' benefits and policyholders' contract deposits liabilities contain a number of assumptions regarding mortality (or longevity), lapses, surrenders, expenses and investment returns. These assumptions are determined with reference to past experience adjusted for new trends, current market conditions and future expectations. As such the liabilities for future life policyholders' benefits and policyholders' contract deposits may not represent the ultimate amounts paid out to policyholders. For example:

- The estimated number of deaths determines the value of the benefit payments. The main source of uncertainty arises because of the potential for pandemics and wide-ranging lifestyle changes, such as changes in eating, smoking and exercise habits, which could result in earlier deaths for age groups in which the Group has significant exposure to mortality risk.
- For contracts that insure the risk of longevity, such as annuity contracts, an appropriate allowance is made for people living longer. Continuing improvements in medical care and social conditions could result in further improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Group is exposed to longevity risk.
- Under certain contracts, the Group has offered product guarantees (or options to take up product guarantees), including fixed minimum interest rate or mortality rate returns. In determining the value of these options and/or benefits, estimates have been made as to the percentage of contract holders that will exercise them. Changes in investment conditions could result in significantly more contract holders exercising their options and/or benefits than has been assumed.
- Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.
- Assumptions are determined with reference to current and historical client data, as well as industry data. Interest rate assumptions reflect expected earnings on the assets supporting the future policyholder benefits. The information used by the Group's qualified actuaries in setting such assumptions includes, but is not limited to, pricing assumptions, available experience studies and profitability analysis.

Refer to notes 8 and 11 for further information on future life policyholders' benefits and policyholders' contract deposits and other funds.

c) Fair value of financial assets and liabilities

Certain of the Group's assets and liabilities are recorded at fair value on the balance sheet. Fair value determinations for financial assets and liabilities are based generally on listed market prices or broker or dealer price quotations. If prices are not readily determinable, fair value is based on either internal valuation models or management estimates of amounts that could be realized under current market conditions. Fair values of certain financial instruments, including over-the-counter (OTC) derivative instruments, are determined using pricing models that consider, among other factors, contractual and market prices, correlations, yield curves, credit spreads volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could lead to different estimates of fair value.

The Group issues a number of investment contracts that are recorded at fair value through profit or loss. These financial instruments are not quoted in active markets, and their fair values are determined by using valuation techniques. A variety of factors are considered in the Group's valuation techniques, including credit risk (both own and counterparty), embedded derivatives (such as unit-linking features), volatility factors (including contract holder behavior), servicing costs and surrenders of similar instruments. Changes in assumptions for any of these factors could affect the reported fair value of these financial instruments. Increased surrender volumes may not be fully recognized in the valuation of investment contract liabilities owing to the requirement to maintain the fair value of financial liabilities above the amount payable on demand.

Refer to notes 6, 7 and 25 for further information on the fair value of financial assets and liabilities.

d) Impairment of assets

Assets are subject to regular impairment reviews under the relevant IFRS standard. A financial asset is considered impaired if its carrying value exceeds the estimated recoverable amount and there is objective evidence of impairment to the financial asset.

For a non-derivative financial asset, the decision to record an impairment is based on a review of objective evidence, such as the issuer's current financial position and future prospects and the national or economic conditions that may correlate with defaults on the asset, as well as the availability of an active financial market for that financial assets. For a quoted available-for-sale asset the impairment decision is further based onan assessment of the probability that the current market price will recover to former levels within the foreseeable future. The recoverable amount is determined by reference to the market price. For non-quoted available-for-sale financial assets, the recoverable amount is determined by applying recognized valuation techniques.

For held-to-maturity financial assets and loans and receivable, the recoverable amount is determined by reference to the present value of the estimated future cash flows. The carrying amount of mortgage loans and receivables is reduced through an allowance account, and the allowance is determined using an analytical method based on knowledge of each loan group or receivable. The method is normally based on historical statistics, adjusted for known or anticipated trends in the group of financial assets or individual accounts. As judgement is involved in the process of evaluating the impairment of such assets, actual outcomes could vary significantly from the forecasted future cash flows.

To determine the fair value of intangible assets, including goodwill and intangibles with indefinite life, the discounted cash flow method is normally used. As judgement is involved in the process of evaluating the impairment of such assets, actual outcomes could vary significantly from the forecasted future cash flows.

Impairments are recorded in current period income when they occur.

Refer to notes 3, 6, 14, 16 and 17 for further information on impairments of assets.

e) Fair values of assets and liabilities attributable to business combinations

Acquired businesses are accounted for using the purchase method of accounting which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values. Fair values are determined using certain valuation techniques. The judgments made in determining the estimated fair value of assets acquired and liabilities assumed may differ from actual results due to changes in economic conditions.

Refer to note 5 for further information on the fair value of assets and liabilities attributable to business combinations.

f) Deferred policy acquisition costs

Deferred policy acquisition costs generally consist of commissions, underwriting expenses and policy issuance costs. The amount of acquisition costs to be deferred is dependent on management's judgment as to which issuance costs are directly related to and vary with the acquisition. Further, once the costs are deferred, the related asset is amortized over the estimated life of the contract.

Refer to note 12 for further information on deferred policy acquisition costs.

g) Deferred taxes

Deferred tax assets are recognized if sufficient future taxable income, including income from the reversal of existing taxable temporary differences and available tax planning strategies, are available for realization.
The utilization of deferred tax assets arising from temporary differences depends on the generation of sufficient taxable profits in the period in which the underlying asset or liability is recovered or settled. As of each balance sheet date, management evaluates the recoverability of deferred tax assets and if it is considered probable, that all or a portion of the deferred tax asset will not be utilized, then a valuation allowance would be recognized.

Refer to note 19 for further information on deferred taxes.

h) Employee benefits

The Group has defined benefit pension plans and other post-employment plans. In assessing the Group's liability for these plans, critical judgments include estimates of mortality rates, rates of employment turnover, disability, early retirement, discount rates, expected long-term rates of return on plan assets, future salary increases, future pension increases and increases in long-term healthcare costs. These assumptions may differ from actual results due to changing economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants. These differences may result in variability of pension income or expense recorded in future years.

Refer to note 22 for further information on employee benefits.

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i) Share-based compensation and cash incentive plans

The Group has adopted various share-based compensation and cash incentive plans to attract, retain and motivate executives and employees. Share-based compensation plans include plans under which shares and options to purchase shares, based on the performance of the businesses, are awarded. The fair value of options granted are estimated using the Black-Scholes option pricing model. The key factors involve, but are not limited to, the expected share price volatility, expected change in dividend rate and contracted option life. These assumptions may differ from actual results due to changes in economic conditions.

Refer to note 23 for further information on share-based compensation and cash incentives plans.

5. Acquisitions and divestments

Transactions in 2007

Acquisitions

On January 2, 2007, the Group purchased all of the remaining shares in the insurance intermediary Endsleigh Limited (Endsleigh) in the UK for a total of USD 84 million including transaction costs. Since 2002 the Group had owned 45 percent of Endsleigh. An asset revaluation surplus arose from revaluation of tangible and intangible assets of Endsleigh acquired by the Group in 2002 to the fair values of the initial accounting in 2007. Residual goodwill arose in this business combination in the amount of USD 90 million due to the expected growth opportunities and synergies within the Group. Identifiable intangibles net of deferred tax amounted to USD 63 million the major part of which related to contractual relationships.

On March 5, 2007, the Group purchased 100 percent of the surety writer ACC Seguros y Reaseguros de Daños, S.A in Spain. Total acquisition costs amounted to USD 41 million with residual goodwill generated of USD 9 million.

On April 4, 2007 the Group purchased 66 percent of the insurance company OOO "NASTA" in Russia with an agreed path to 100 percent ownership by 2010. The total consideration for the acquisition of 100 percent interest in Nasta is composed of an initial cash payment of USD 260 million plus a deferred payment estimated to amount to a present value of USD 178 million at the initial acquisition date. Residual goodwill arising from the initial accounting of this acquisition amounted to USD 370 million, representing the expected growth opportunities for the Group in the Russian market. Identifiable intangible assets have been valued at USD 28 million, mainly representing the Nasta distribution network. Nasta has been consolidated one quarter in arrears (IAS 27, paragraph 27 provision) while the infrastructure is brought up to Zurich standards.

On July 2, 2007, the Group acquired a 24.51 percent equity interest in Best Harmonious Insurance Brokers Company, Ltd., a nationally licensed Chinese insurance brokerage firm domiciled in Beijing for a total consideration of USD 11 million. This interest corresponds to a profit share of 91.44 percent and gives the Group effective control. The residual goodwill related to this acquisition amounts to USD 2 million.

On July 3, 2007, the Group, through its fully owned subsidiary FGI completed the acquisition of 100 percent of Bristol West Holdings, Inc. (Bristol West) in the US. As part of this transaction, FGI sold the underlying insurance business, consisting of non-standard auto insurance, to the Farmers Exchanges (which FGI manages but does not own). Net of the business sold to the Farmers Exchanges, FGI incurred total acquisition costs of USD 353 million (including transaction costs of USD 9 million). Net assets acquired amounted to negative USD 32 million due to the assumption of a debt obligation of USD 50 million. The residual goodwill arising from the acquisition amounted to USD 385 million and reflects the economic benefit of the management services which remained with FGI. This transaction did not affect the Group's scope of consolidation.

On September 5, 2007, the Group acquired 100 percent of Wrightway Underwriting Limited, an underwriting agency in Ireland, for a consideration of USD 27 million plus deferred payments depending on the acquired company's performance. Total acquisition costs amounted to USD 29 million and identifiable intangible assets, net of deferred tax, amounted to USD 12 million. The residual goodwill of USD 15 million represents expected growth opportunities and synergies.

On November 29, 2007, the Group acquired 100 percent of Real Garant Versicherung AG, a car warranty insurer based in Germany. Total acquisition costs amounted to USD 43 million, tangible assets acquired to USD 23 million and intangible assets net of deferred tax were identified in the amount of USD 4 million. The residual goodwill of USD 16 million primarily represents expected growth opportunities and synergies.

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On December 17, 2007, the Group announced it has entered into an agreement to acquire 100 percent of DWS Vita SpA, a life insurer located in Italy, for approximately USD 140 million. This transaction did not affect the Group's scope of consolidation as it is expected to close in the first half of 2008, subject to the approval of the relevant insurance regulatory and antitrust authorities.

Business combinations

Table 5.1

In USD millions, for the year ended December 2007	Bristol West	Nasta	Other	Total
Book value of net assets prior to acquisition	(32)	45	44	58
Fair value of net tangible assets acquired	(32)	48	(19)	(3)
Identifiable intangible assets, net of deferred tax	–	28	95	123
Goodwill	385	370	132	886
Total acquisition costs	353	445	208	1,006
Cash consideration	344	260	174	778
Equity instruments transferred	–	–	18	18
Transaction costs	9	7	5	21
Present value of deferred payments	–	178	11	189
Cash and cash equivalents acquired	–	102	154	255

Divestments

During the year ended December 31, 2007, the Group completed divestments of several businesses and recognized a post-completion adjustment on a divestment effected previously.

On February 1, 2007, the Group divested all of its shares in Truckwriters, Inc. in the United States, a specialist insurer for the trucking industry. In Australia, the Group sold Finium Trustee Limited and the Zurich Master Super Fund on May 31 and June 30, 2007 respectively, both companies being part of the Group's Australian superannuation business. On October 1, 2007, the Group sold all of its shares in Valiant Insurance Company in the United States. On November 14, 2007, the Group sold its interest in two financial service businesses in Australia. As part of the sale proceeds, the Group received shares in DKN corresponding to an interest of approximately 31 percent, which is carried as an investment in associate. On November 30, 2007 the Group divested all of its shares in Risk Enterprise Management Limited, a property and casualty claims and risk management services provider in the United States.

In 2007, the Group recorded a gain on divestments before tax of USD 118 million. This gain includes an amount of USD 32 million for a purchase price adjustment related to contractually agreed profit participation from the sale of Zurich Atrium BV in the Netherlands in 2004. Total cash and net assets divested in 2007 were USD 64 million and USD 52 million, respectively. The total consideration received in 2007, net of transaction costs of USD 9 million, amounted to USD 175 million.

Net gain/(loss) on divestments

Table 5.2

in USD millions, for the years ended December 31	**2007**	2006
Cash consideration received	122	–
Equity instruments received	63	–
Less: net assets divested	(52)	–
Fair value adjustment for portfolio transfer	–	(66)
Other income/(cost) related to divestments	(13)	23
Net gain/(loss) on divestments, before tax	118	(43)
Tax effect	(25)	(9)
Net gain/(loss) on divestments, after tax	**93**	**(52)**
Net assets divested		
Cash and cash equivalents	64	–
Other assets	47	–
Other liabilities	(59)	–
Net assets divested	52	–

Transactions in 2006

The Group recorded an estimated loss of USD 66 million (pre-tax) on the envisaged disposal of certain run-off portfolios in four European countries. The loss was partially offset by a USD 23 million (pre-tax) gain resulting from a reorganization of our legal entity structure in Germany changing the minority interest share of the Group's net assets.

Transactions and events after the balance sheet date

On January 24, 2008, the Group announced that it had signed an agreement to acquire 100 percent of the outstanding share capital of TEB Sigorta A.S., a general insurer based in Turkey. The closing of the transaction is subject to regulatory and antitrust approval and is expected to take place in the first quarter of 2008.

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6. Investments

The investment result for the years ended December 31, 2007 and 2006 comprised the following:

Investment result for total investments

Table 6.1a

in USD millions, for the years ended December 31	Net investment income		Net realized capital gains/ (losses) on investments and impairments		Investment result	
	2007	2006	**2007**	2006	**2007**	2006
Cash and cash equivalents	621	661	27	6	648	667
Equity securities	3,132	2,275	6,459	9,850	9,591	12,124
Debt securities	6,151	5,666	(751)	(416)	5,400	5,250
Real estate held for investment	927	836	(419)	1,130	508	1,966
Mortgage loans	580	475	–	3	579	477
Other loans	575	594	(5)	(18)	570	576
Investments in associates	13	85	(1)	(23)	12	62
Other investments	367	417	330	207	698	624
Short-term investments	115	117	1	1	116	118
Investments held by investment companies	1	5	475	283	477	288
Other [1]	251	295	(146)	(77)	105	218
Investment result, gross	12,366	11,009	5,640	10,739	18,006	21,748
Investment expenses	(775)	(726)	–	–	(775)	(726)
Investment result, net	**11,591**	**10,283**	**5,640**	**10,739**	**17,231**	**21,022**

[1] Including net capital losses on derivative financial instruments of USD 147 million and USD 65 million for the years ended December 31, 2007 and 2006, respectively, of which net capital losses on derivatives attributable to cash flow hedges ineffectiveness amounted to USD 9 million for the year ended December 31, 2007.

Investment result for Group investments

Table 6.1b

in USD millions, for the years ended December 31	Net investment income		Net capital gains/ (losses) on investments and impairments		Investment result	
	2007	2006	**2007**	2006	**2007**	2006
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
Other loans	575	594	(5)	(18)	570	576
Investments in associates	13	85	(1)	(23)	12	62
Other investments	164	200	445	229	610	428
Short-term investments	71	87	1	1	72	88
Investments held by investment companies	1	5	475	283	477	288
Other [1]	92	108	(31)	(55)	61	52
Investment result, gross for Group investments	8,838	8,164	1,498	1,536	10,336	9,699
Investment expenses for Group investments	(247)	(265)	–	–	(247)	(265)
Investment result, net for Group investments	**8,591**	**7,899**	**1,498**	**1,536**	**10,089**	**9,434**

[1] Including net capital losses on derivative financial instruments of USD 33 million and USD 44 million for the years ended December 31, 2007 and 2006, respectively, of which net capital losses on derivatives attributable to cash flow hedges ineffectiveness of USD 9 million for the year ended December 31, 2007 are included.

Investment result for unit-linked products

Table 6.1c

in USD millions, for the years ended December 31	Net investment income		Net capital gains/ (losses) on investments		Investment result	
	2007	2006	**2007**	2006	**2007**	2006
Cash and cash equivalents	31	162	31	3	62	164
Equity securities	2,426	1,742	5,037	8,459	7,463	10,201
Debt securities	379	298	(290)	(148)	88	150
Real estate held for investment	489	427	(520)	910	(31)	1,337
Other investments	203	218	(116)	(22)	87	196
Short-term investments	44	30	–	–	44	30
Other [1]	159	188	(116)	(22)	43	166
Investment result, gross for unit-linked contracts	3,528	2,845	4,142	9,203	7,670	12,048
Investment expenses for unit-linked contracts	(528)	(461)	–	–	(528)	(461)
Investment result, net unit-linked products	**3,000**	**2,384**	**4,142**	**9,203**	**7,142**	**11,587**

[1] Including net capital losses on derivative financial instruments of USD 114 million and USD 21 million for the years ended December 31, 2007 and 2006, respectively.

Impairment charges on Group investments included in net capital losses amounted to USD 136 million and USD 26 million for the years ended December 31, 2007 and 2006, respectively, of which impairments charges on mortgage loans and other loans comprised USD 9 million and USD 5 million for the years ended December 31, 2007 and 2006, respectively.

Rental operating expense for real estate held for investment included in investment expenses (total investments) amounted to USD 170 million and USD 163 million for the years ended December 31, 2007 and 2006, respectively.

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Capital gains and losses and impairments on equity and debt securities included in total investments for the years ended December 31, 2007 and 2006 comprised the following:

Total net capital gains, losses and impairments on equity and debt securities

Table 6.2

in USD millions, for the years ended December 31	Equity securities		Debt securities		Total	
	2007	2006	**2007**	2006	**2007**	2006
Securities at fair value through profit or loss:	5,379	8,880	(337)	(351)	5,042	8,529
of which: trading securities						
Net capital gains/(losses) on Group investments	233	187	(10)	(1)	223	187
of which: securities designated at FV						
Net capital gains/(losses) on Group investments	108	234	(36)	(203)	72	31
Net capital gains/(losses) for unit-linked contracts	5,037	8,459	(290)	(148)	4,747	8,312
Available-for-sale securities:	1,080	970	(413)	(65)	668	904
Realized capital gains on Group investments	1,261	1,141	482	345	1,743	1,487
Realized capital losses on Group investments	(137)	(166)	(813)	(397)	(950)	(564)
Impairments on Group investments	(44)	(5)	(81)	(13)	(125)	(19)
Total net capital gains/(losses) and impairments	**6,459**	**9,850**	**(751)**	**(417)**	**5,708**	**9,434**

Details of the investment balances as of December 31, 2007 and 2006 by category are given in the tables below:

Breakdown of total investments

Table 6.3a

as of December 31	Total investments			
	2007		2006	
	USD millions	**% of total**	USD millions	% of total
Cash and cash equivalents	16,936	5.4	23,122	7.5
Equity securities:				
Fair value through profit or loss	104,220	33.0	95,049	30.7
of which: trading	2,768	0.9	2,778	0.9
of which: trading equity portfolios in capital markets and banking activities	1,606	0.5	2,260	0.7
Available-for-sale	14,547	4.6	13,956	4.5
Total equity securities	118,767	37.6	109,005	35.2
Debt securities:				
Fair value through profit or loss	18,499	5.9	17,572	5.7
of which: trading	616	0.2	547	0.2
Available-for-sale	109,733	34.8	112,128	36.2
Held-to-maturity	5,642	1.8	5,657	1.8
Total debt securities	133,874	42.4	135,357	43.7
Real estate held for investment	15,386	4.9	15,281	4.9
Mortgage loans	12,718	4.0	10,806	3.5
Other loans	12,938	4.1	12,636	4.1
Investments in associates	238	0.1	153	0.0
Other investments:				
Short-term investments	2,929	0.9	1,703	0.5
Investments held by investment companies	1,827	0.6	1,862	0.6
Other	80	0.0	79	0.0
Total other investments	4,836	1.5	3,644	1.2
Total investments	**315,693**	**100.0**	**310,003**	**100.0**

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Breakdown of Group investments

Table 6.3b

as of December 31	Group investments			
	2007		2006	
	USD millions	**% of total**	USD millions	% of total
Cash and cash equivalents	13,943	7.2	17,438	8.9
Equity securities:				
Fair value through profit or loss	4,042	2.1	4,383	2.2
of which: trading	2,768	1.4	2,778	1.4
of which: trading equity portfolios in capital markets and banking activities	1,606	0.8	2,260	1.2
Available-for-sale	14,547	7.5	13,956	7.1
Total equity securities	18,589	9.6	18,339	9.4
Debt securities:				
Fair value through profit or loss	8,387	4.3	8,650	4.4
of which: trading	616	0.3	547	0.3
Available-for-sale	109,733	56.7	112,128	57.3
Held-to-maturity	5,642	2.9	5,657	2.9
Total debt securities	123,762	63.9	126,435	64.6
Real estate held for investment	7,563	3.9	6,921	3.5
Mortgage loans	12,718	6.6	10,806	5.5
Other loans	12,936	6.7	12,634	6.5
Investments in associates	238	0.1	153	0.1
Other investments:				
Short-term investments	1,944	1.0	1,010	0.5
Investments held by investment companies	1,827	0.9	1,862	1.0
Other	80	0.0	79	0.0
Total other investments	3,851	2.0	2,951	1.5
Total Group investments	**193,600**	**100.0**	**195,676**	**100.0**

Cash and investments with a carrying value of USD 4,617 million and USD 4,469 million were deposited on behalf of regulatory authorities as of December 31, 2007 and 2006, respectively.

Short-term investments primarily consist of available-for-sale securities with original maturities between three months and one year.

Investments held by investment companies primarily consist of investments in hedge and private equity funds.

There were no material reclassifications between the categories of financial instruments in 2007 and 2006.

Securities under security lending and short-term sale and repurchase agreements

As of December 31, 2007 and 2006, investments included USD 12,204 million and USD 11,512 million, respectively, of loaned securities. These loaned securities were mainly debt securities. Cash and cash equivalents included USD 1,877 million and USD 3,820 million of cash received as collateral for loaned securities as of December 31, 2007 and 2006, respectively. Liabilities for cash collateral received for securities lending comprised USD 1,889 million and USD 3,918 million as of December 31, 2007 and 2006, respectively. Non-cash collaterals received for loaned securities comprised USD 10,911 million and USD 7,654 million as of December 31, 2007 and 2006, respectively. Non-cash collaterals comprised mainly equity and debt securities. The Group can sell or repledge the collateral only in the event of a default of a counterparty.

As of December 31, 2007 and 2006, respectively, debt securities with a carrying value of USD 5,370 million and USD 6,144 million have been sold to financial institutions under short-term sale and repurchase agreements. These securities continue to be recognized as investments in the balance sheets. Obligations to repurchase these securities comprised USD 5,370 million and USD 6,144 million as of December 31, 2007 and 2006, respectively. The Group retains the rights to the risks and rewards of ownership of loaned securites and securities under short-term sale and repurchase agreements. These risks and rewards include changes in market values and income earned, respectively.

Breakdown of investments for unit-linked contracts

Table 6.3c

as of December 31

	Investments for unit-linked contracts			
	2007		2006	
	USD millions	**% of total**	USD millions	% of total
Cash and cash equivalents	2,993	2.5	5,685	5.0
Equity securities	100,178	82.1	90,666	79.3
Debt securities	10,112	8.3	8,922	7.8
Real estate held for investment	7,823	6.4	8,360	7.3
Other loans	2	0.0	2	0.0
Short-term investments	985	0.8	693	0.6
Total investments for unit-linked contracts	**122,092**	**100.0**	**114,327**	**100.0**

The table below presents the carrying value of debt securities for total investments by maturity:

Debt securities maturity schedule (total investments)

Table 6.4

in USD millions, as of December 31

	Held-to-maturity		Available-for-sale		Fair value through profit or loss	
	2007	2006	**2007**	2006	**2007**	2006
Debt securities:						
< 1 year	413	668	6,651	7,043	1,948	1,475
1 to 5 years	1,257	1,218	33,388	32,196	3,711	3,527
6 to 10 years	1,181	816	23,532	24,346	5,113	4,103
> 10 years	2,791	2,956	20,241	23,294	5,622	6,156
Subtotal	5,642	5,657	83,810	86,879	16,395	15,261
Mortgage and asset-backed securities:						
< 1 year	–	–	991	855	246	219
1 to 5 years	–	–	5,166	6,199	178	179
6 to 10 years	–	–	6,233	5,873	378	499
> 10 years	–	–	13,531	12,323	1,301	1,413
Subtotal	–	–	25,923	25,249	2,104	2,310
Total	**5,642**	**5,657**	**109,733**	**112,128**	**18,499**	**17,571**

The breakdowns are provided by contractual maturity. Actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

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The following table provides an analysis of available-for-sale securities which applies to both total and Group investments.

Available-for-sale securities

Table 6.5

in USD millions, as of December 31	Cost or amortized cost		Gross unrealized gains		Gross unrealized losses		Fair value	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Equity securities								
Common stock	8,325	6,804	1,508	1,846	(833)	(230)	9,000	8,420
Unit trusts	5,088	4,958	383	432	(136)	(52)	5,335	5,337
Non-redeemable preferred stock	206	160	11	39	(4)	–	212	198
Total equity securities	**13,618**	**11,922**	**1,902**	**2,317**	**(973)**	**(283)**	**14,547**	**13,956**
Debt securities								
Swiss federal and cantonal governments	4,815	5,378	26	101	(54)	(6)	4,788	5,473
United Kingdom government	8,271	8,602	92	86	(24)	(104)	8,339	8,584
United States government	4,186	6,083	173	89	(82)	(140)	4,277	6,032
Other governments and supra-nationals	27,218	26,203	169	313	(702)	(322)	26,686	26,194
Corporate securities	40,450	40,290	744	1,020	(1,568)	(731)	39,626	40,579
Mortgage and asset-backed securities	26,060	25,434	197	92	(334)	(277)	25,923	25,249
Redeemable preferred stocks	92	18	3	–	–	–	95	18
Total debt securities	**111,092**	**112,008**	**1,404**	**1,701**	**(2,764)**	**(1,581)**	**109,733**	**112,128**

The following table provides an analysis of securities for both Group investments and investments for unit-linked products at fair value through profit or loss.

Fair value through profit or loss securities

Table 6.6

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
Equity securities								
Common stock	4,042	32.5	4,383	33.6	62,225	62,077	66,267	66,460
of which: trading equity portfolios in capital markets and banking activities	1,606	12.9	2,260	17.3	–	–	1,606	2,260
of which: common stock portfolios backing participating with profit policyholder contracts	1,274	10.3	1,604	12.3	–	–	1,274	1,604
Unit trusts	–	0.0	–	0.0	37,935	28,568	37,935	28,568
Non-redeemable preferred stock	–	0.0	–	0.0	17	21	17	21
Total equity securities	**4,042**	**32.5**	**4,383**	**33.6**	**100,177**	**90,666**	**104,219**	**95,049**
Debt securities								
Debt securities	6,612	53.2	6,676	51.2	9,783	8,586	16,395	15,262
of which: trading debt securities in capital markets and banking activities	117	0.9	44	0.3	–	–	117	44
Mortgage and asset-backed securities	1,775	14.3	1,974	15.1	329	336	2,104	2,310
Total debt securities	**8,387**	**67.5**	**8,650**	**66.4**	**10,112**	**8,922**	**18,499**	**17,572**
Total	**12,429**	**100.0**	**13,033**	**100.0**	**110,289**	**99,588**	**122,718**	**112,621**

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The following table provides an analysis of total investments classified as held-to-maturity debt securities.

Held-to-maturity debt securities

Table 6.7
as of December 31

	2007		2006	
	USD millions	**% of total**	USD millions	% of total
Swiss federal and cantonal governments	1,498	26.6	1,395	24.7
United States governments	1,598	28.3	1,576	27.9
Other governments and supranationals	901	16.0	1,162	20.5
Corporate securities	1,645	29.2	1,525	27.0
Total held-to-maturity debt securities	**5,642**	**100.0**	**5,657**	**100.0**

The carrying value of real estate held for total investments developed as follows:

Real estate held for total investments

Table 6.8
in USD millions

	Total	
	2007	2006
Carrying value as of January 1	15,281	12,702
Additions and capital improvements	329	537
Disposals	(211)	(224)
Market value revaluation	(665)	1,052
Transfer from/(to) assets held for own use	6	(132)
Foreign currency translation effects	647	1,346
Carrying value as of December 31	**15,386**	**15,281**

Real estate held for investment consists of investments in commercial, residential and mixed-use properties primarily located in Switzerland, Germany and the United Kingdom.

Investments in associates as of December 31, 2007 and 2006 comprised the following:

Investments in associates

Table 6.9
in USD millions, for the years ended December 31

	Carrying value		Share in profit		Ownership interest	
	2007	2006	**2007**	2006	**2007**	2006
DKN Financial Group Limited	63	–	–	–	31.55%	-
MCIS Zurich Insurance Berhad	37	37	1	1	40.00%	40.00%
Euclid Office, L.P. [1]	24	23	1	4	99.00%	99.00%
Other	114	93	11	80	n/m	n/m
Total	**238**	**153**	**13**	**85**	**n/m**	**n/m**

[1] This entity is not consolidated as it is not controlled by the Group.

Unrealized net gains/(losses) on investments included in the shareholders' equity comprised the following:

Net unrealized gains/(losses) on investments included in shareholders' equity

Table 6.10

in USD millions, as of December 31	Total	
	2007	2006
Equity securities: available-for-sale	929	2,034
Debt securities: available-for-sale	(1,359)	120
Other	66	136
Less: amount of net unrealized gains/(losses) on investments attributable to:		
Life policyholder dividends and other policyholder liabilities	459	(1,038)
Life deferred acquisition costs	78	(95)
Deferred income taxes	(72)	(312)
Minority interests	(8)	(26)
Total	**93** [1]	**819**

[1] The unrealized gains/(losses) include net losses arising on cash flow hedges in the amount of USD 103 milion.

7. Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments mostly for economic hedging purposes in order to mitigate the risks posed to the Group as a consequence of changes in foreign exchanges rates, interest rates, equity prices and credit quality from its assets and liabilities and its commitments to third parties. In certain circumstances these instruments may meet the definition of an effective hedge for accounting purposes. Where this is the case, hedge accounting is applied. Details for the accounting of these instruments is set out in note 3; tables 7.1 and 7.2 below set out those instruments which are not hedges for accounting purposes, while table 7.3 sets out those where hedge accounting has been applied. The notional principal amounts indicate the volume of transactions outstanding at the balance sheet date and are used to express the extent of the Group's involvement in derivative transactions. These do not represent amounts at risk.

Derivative assets are included in "Other assets" and derivative liabilities are included in "Other liabilities" of the consolidated balance sheets as of December 31, 2007 and 2006.

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a) Derivative financial instruments held for economic hedging purposes

Outstanding positions of the Group (excluding Zurich Capital Markets (ZCM))

Maturity profile of notional principal amounts and market values of derivative financial instruments (excluding ZCM)

Table 7.1

in USD millions, as of December 31	Remaining life			Notional principal amounts		Market values	
	Up to 1 year	1 to 5 years	Over 5 years	**2007**	2006	**2007**	2006
Swaps							
Interest rate swaps	24	164	511	699	976	(18)	(6)
Currency swaps	–	200	1,568	1,767	1,617	58	194
Total return equity swaps	–	5	74	80	981	7	(13)
Other swaps	–	929	–	929	708	–	(29)
Options							
Purchased call options	370	2,610	5,377	8,357	8,152	202	320
Purchased put options	4,309	131	1,362	5,802	2,358	223	126
Written call options	1,675	341	257	2,274	1,223	(118)	(207)
Written put options	–	–	–	–	(13)	–	(10)
Futures/forwards							
Purchased futures/forwards	7,451	–	–	7,451	6,340	31	47
Written futures/forwards	3,168	–	–	3,168	5,337	18	(49)
Total	**16,997**	**4,380**	**9,149**	**30,527**	**27,679**	**404**	**373**
of which: *financial assets*						607	713
financial liabilities						(203)	(340)

Outstanding positions of ZCM

Maturity profile of notional principal amounts and market values of derivative financial instruments (ZCM)

Table 7.2

in USD millions, as of December 31	Remaining life			Notional principal amounts		Market values	
	Up to 1 year	1 to 5 years	Over 5 years	**2007**	2006	**2007**	2006
Swaps							
Interest rate swaps	303	20	445	769	929	37	26
Total return equity swaps	–	–	–	–	–	–	(2)
Options							
Purchased call options	–	12	–	12	12	1	12
Purchased put options	5	–	510	515	510	(70)	(52)
Written call options	210	12	–	222	222	(4)	(27)
Written put options	–	1,076	770	1,846	1,955	84	75
Total	**518**	**1,120**	**1,725**	**3,363**	**3,628**	**48**	**32**
of which: *financial assets*						122	107
financial liabilities						(74)	(75)

b) Derivative financial instruments that qualify for hedge accounting

The following table sets out details of the fair value and cash flow hedges:

Maturity profile of notional principal amounts and market values of derivative financial instruments

Table 7.3

in USD millions, as of December 31	Remaining life			Notional principal amounts		Market values	
	Up to 1 year	1 to 5 years	Over 5 years	**2007**	2006	**2007**	2006
Fair value hedges							
Cross currency interest rate swaps	–	–	1,022	1,022	924	118	24
Total fair value hedges	**–**	**–**	**1,022**	**1,022**	**924**	**118**	**24**
Cash flow hedges							
Options on interest rate swaps	–	587	2,589	3,176	–	58	–
Currency swaps	–	–	1,168	1,168	–	153	–
Total cash flow hedges	**–**	**587**	**3,757**	**4,344**	**–**	**211**	**–**
of which: *assets*						329	24
liabilities						–	–

The **fair value hedges** consist of cross currency interest rate swaps used to protect the Group against changes in foreign currency exposure and interest rate exposure of euro denominated debt held by the Group. Changes in the fair value of the derivatives designated as fair value hedges and changes in the fair value of the hedged item in relation to the risk being hedged are recognized in income.

Gains and losses arising from fair value hedges are as follows:

Gains/(losses) arising from fair value hedges

Table 7.4

in USD millions, as of December 31	**2007**	2006
Gains/(losses)		
on hedging instruments [1]	72	38
on hedged debt issued attributable to the hedged risk	(71)	(34)

[1] Excluding current interest income, which is booked in the same line as interest expense on the hedged debt.

The Group uses options on interest rate swaps in **cash flow hedges** to protect against variability in future cash flows due to changes in interest rates associated with forecast purchase of debt investments related to life insurance policies (during the years ended December 31, 2011, 2016, 2021 and 2026). Gains and losses on such derivatives are initially recognized directly in equity, and are transferred to the income statement when the underlying financial asset is recognized and affects profit and loss through the recognition of interest income between the year ended December 31, 2011 and the year ended December 31, 2036. The gains and losses on the ineffective portion of such derivatives are recognized immediately in income within net capital gains/(losses) on investments and impairments.

The Group also uses currency swaps in a cash flow hedge to protect against exposures to variability in cash flows due to changes in the exchange rate of the euro against the reporting currency of the Group on 80 percent of the 4.50% EUR 1 billion debt issued by Zurich Finance (USA), Inc (see note 20). The change in the fair value of the hedging instruments is recognized directly in shareholders' equity and the effective portion, related to spot rate changes in fair value of the hedging instrument, together with ineffectiveness are then recognized in current period income in the same line as the foreign currency revaluation on the underlying hedged debt issued. This hedge relationship is in place until the maturity of the debt in September 2014.

For the year ended December 31, 2007 the net loss deferred in shareholder's equity on derivatives designated as cash flow hedges was USD 144 million before tax. During 2007, the amount removed from shareholders' equity and included in the income statement was not material.

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During the year ended December 31, 2007, a net loss of USD 9 million was recognized due to hedge ineffectiveness within net capital gains/(losses) on investments and impairments.

8. Reserves for insurance contracts and reinsurers' share of reserves for insurance contracts

Reserves for insurance contracts

Table 8.1

in USD millions, as of December 31	**2007**	2006
Gross		
Reserves for losses and loss adjustment expenses	67,890	64,535
Reserves for unearned premiums	15,941	15,158
Future life policyholders' benefits	80,293	76,503
Policyholders' contract deposits and other funds	18,687	18,934
Reserves for unit-linked contracts	70,075	66,008
Total reserves for insurance contracts, gross	252,886	241,138
Ceded		
Reserves for losses and loss adjustment expenses	(13,179)	(13,722)
Reserves for unearned premiums	(1,720)	(1,882)
Future life policyholders' benefits [1]	(9,265)	(1,485)
Policyholders' contract deposits and other funds	(2,976)	(3,258)
Reinsurers' share of reserves for insurance contracts, gross [2]	(27,140)	(20,347)
Net		
Reserves for losses and loss adjustment expenses	54,712	50,814
Reserves for unearned premiums	14,221	13,275
Future life policyholders' benefits	71,028	75,018
Policyholders' contract deposits and other funds	15,711	15,676
Reserves for unit-linked contracts	70,075	66,008
Total reserves for insurance contracts, net	**225,745**	**220,790**

[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 7.1 billion in reinsurers' share of reserves for insurance contracts in the Global Life business.
[2] Gross of allowance for uncollectible amounts of USD 164 million and USD 239 million as of December 31, 2007 and 2006, respectively.

Development of reserves for losses and loss adjustment expenses

Table 8.2
in USD millions

	Gross		Ceded		Net	
	2007	2006	**2007**	2006	**2007**	2006
As of January 1	64,535	60,425	(13,722)	(14,231)	50,814	46,194
Losses and loss adjustment expenses incurred:						
Current year	25,798	23,919	(2,424)	(2,471)	23,374	21,448
Prior years	(847)	587	(372)	(804)	(1,219)	(218)
Total	24,951	24,506	(2,796)	(3,276)	22,155	21,230
Losses and loss adjustment expenses paid:						
Current year	(9,007)	(7,859)	388	374	(8,619)	(7,485)
Prior years	(14,613)	(15,374)	3,375	3,951	(11,237)	(11,423)
Total	(23,619)	(23,233)	3,763	4,325	(19,856)	(18,908)
Acquisitions / (divestments) of companies and businesses	57	(65)	(6)	–	51	(65)
Foreign currency translation effects	1,967	2,903	(419)	(540)	1,548	2,363
As of December 31	**67,890**	**64,535**	**(13,179)**	**(13,722)**	**54,712**	**50,814**

The Group establishes loss reserves, which are estimates of future payments of reported and unreported claims for losses and related expenses, with respect to insured events that have occurred. Reserving is a complex process dealing with uncertainty, requiring the use of informed estimates and judgments. Any changes in estimates or judgements are reflected in the results of operations in the period in which estimates and judgements are changed.

Significant delays may occur in the notification and settlement of claims, and a substantial measure of experience and judgment is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the balance sheet date. The reserves for losses and loss adjustment expenses are determined on the basis of information currently available; however, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments.

Table 8.3 presents changes in the historical non-life reserves, net of reinsurance, that the Group established in 2001 and subsequent years. Reserves are presented by financial year, not by accident year. The reserves (and the development thereon) are for all accident years in that financial statement year and prior. The top line of the table shows the estimated gross reserves for unpaid losses and loss adjustment expenses as of each balance sheet date, which represents the estimated amount of future payments for losses incurred in that year and in prior years. The cumulative paid portion of the table presents the cumulative amounts paid through each subsequent year in respect of the reserves established at each year end. The net reserves re-estimated portion of the table shows the re-estimation of the initially recorded reserve as of each succeeding year end. Reserve development is shown down each column. Changes to estimates are made as more information becomes known about the actual losses for which the initial reserves were established. The cumulative deficiency or redundancy is equal to the initial net reserves less the liability re-estimated as of December 31, 2007. It is the difference between the initial net reserve estimate and the last entry of the diagonal. Conditions and trends that have affected the development of our reserves for losses and loss adjustment expenses in the past may or may not necessarily occur in the future, and accordingly, conclusions about future results may not be derived from the information presented in the table below.

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Development of insurance losses, net

Table 8.3

in USD millions, as of December 31	2001	2002	2003	2004	2005	2006	**2007**
Gross reserves for losses and loss adjustment expenses	37,694	45,306	51,068	57,765	60,425	64,535	67,890
Reinsurance recoverable	(13,605)	(14,940)	(14,055)	(14,279)	(14,231)	(13,722)	(13,179)
Initial net reserves for losses and loss adjustment expenses	24,089	30,366	37,013	43,486	46,194	50,814	54,712
Cumulative paid as of:							
One year later	(7,976)	(8,923)	(9,930)	(9,464)	(11,423)	(11,237)	
Two years later	(12,855)	(14,472)	(15,550)	(16,273)	(18,044)		
Three years later	(16,698)	(18,001)	(20,407)	(21,234)			
Four years later	(19,255)	(21,390)	(23,941)				
Five years later	(21,634)	(23,814)					
Six years later	(23,471)						
Net reserves re-estimated as of:							
One year later	26,908	32,239	38,977	43,627	45,976	49,594	
Two years later	28,471	34,471	40,413	45,006	45,827		
Three years later	30,636	36,118	42,004	45,325			
Four years later	31,784	37,691	42,254				
Five years later	33,326	37,880					
Six years later	33,799						
Cumulative (deficiency) / redundancy	(9,710)	(7,514)	(5,241)	(1,839)	367	1,219	
Cumulative (deficiency) / redundancy as a percentage of initial net reserves	(40.3%)	(24.7%)	(14.2%)	(4.2%)	0.8%	2.4%	
Gross reserves re-estimated as of December 31, 2007	51,226	55,728	58,769	60,964	61,257	63,688	
Cumulative (deficiency) / redundancy	(13,532)	(10,422)	(7,701)	(3,199)	(832)	847	
Cumulative (deficiency) / redundancy as a percentage of initial gross reserves	(35.9%)	(23.0%)	(15.1%)	(5.5%)	(1.4%)	1.3%	

Management has considered asbestos, environmental and latent injury claims and claims expenses in establishing the reserves for losses and loss adjustment expenses. The Group continues to be advised of claims asserting injuries from toxic waste, hazardous materials and other environmental pollutants and alleged damages to cover the clean-up costs of hazardous waste dump sites relating to policies written in prior years and indemnity claims asserting injuries from asbestos. Coverage and claim settlement issues, such as determination that coverage exists and the definition of an occurrence, together with increased medical diagnostic capabilities and awareness have often caused actual loss development to exhibit more variation than in other lines. Such claims require specialized reserving techniques and the uncertainty of the ultimate cost of these types of claims has tended to be greater than the uncertainty relating to standard lines of business.

Uncertainties also arise out of changes or potential changes in various laws or the interpretation of laws. While the Group believes that it has made adequate provision for these claims, it is possible that future adverse development could have a material effect on the Group's results of operations, cash flows and financial position. The net reserve amounts related to the above mentioned claims were USD 3,564 million and USD 3,508 million as of December 31, 2007 and 2006, respectively. The development of these reserves is shown below.

Table 8.4

Development of reserves for losses and loss adjustment expenses for asbestos and environmental claims

in USD millions	2007		2006	
	Gross	Net	Gross	Net
Asbestos				
As of January 1	3,499	3,142	2,957	2,529
Losses and loss adjustment expenses incurred	454	180	515	533
Losses and loss adjustment expenses paid	(188)	(109)	(180)	(131)
Divestments, commutations, settlements and other	–	(18)	(29)	(29)
Foreign currency translation effects	33	43	236	241
As of December 31	**3,799**	**3,238**	**3,499**	**3,142**
Environmental				
As of January 1	433	366	462	378
Losses and loss adjustment expenses incurred	22	8	4	18
Losses and loss adjustment expenses paid	(60)	(48)	(34)	(32)
Foreign currency translation effects	(1)	–	1	2
As of December 31	**394**	**326**	**433**	**366**

Table 8.5

Development of future life policyholders' benefits

in USD millions	Gross		Ceded		Net	
	2007	2006	2007	2006	2007	2006
As of January 1	76,503	71,292	(1,485)	(1,305)	75,018	69,987
Premiums and claims	(6,246)	(4,747)	(6,552)	(16)	(12,797)	(4,764)
Interest and bonuses credited to policyholders	3,047	3,040	(160)	(67)	2,887	2,973
Changes in assumptions	1,322	311	(1,010)	(18)	313	293
Divestments/transfers	–	(37)	–	–	–	(37)
(Decrease)/increase recorded in shareholders' equity	(532)	(508)	6	14	(526)	(494)
Foreign currency translation effects	6,199	7,152	(64)	(94)	6,135	7,058
As of December 31	**80,293**	**76,503**	**(9,265)**	**(1,485)**	**71,028**	**75,018**

The impact of changes in assumptions relating to net future life policyholders' benefits was USD 313 million after reinsurance (USD 293 million in 2006). In particular, the 2007 net changes include the following significant movements:

- USD 446 million related to changes in interest rate assumptions;
- USD -39 million related to changes in expense assumptions;
- USD -62 million related to changes in longevity assumptions; and
- USD -46 million related to changes in morbidity assumptions.

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In 2006 net changes included the following significant movements:

- USD 150 million related to changes in interest rate assumptions; and
- USD 103 million related to changes in modeling.

Policyholders' contract deposits and other funds gross

Table 8.6

in USD millions, as of December 31	2007	2006
Annuities	2,451	2,136
Universal life and other contracts	10,510	10,594
Policyholder dividends	5,725	6,204
Total	**18,687**	**18,934**

Development of policyholders' contract deposits and other funds

Table 8.7

in USD millions	Gross		Ceded		Net	
	2007	2006	2007	2006	2007	2006
As of January 1	18,934	18,984	(3,258)	(3,504)	15,676	15,480
Premiums and claims	(1,360)	(1,557)	411	393	(950)	(1,164)
Interest and bonuses credited to policyholders	1,264	1,010	(120)	(134)	1,144	876
Change in assumptions	(1)	–	–	(4)	(1)	(3)
(Decrease)/increase recorded in shareholders' equity	(1,171)	(624)	6	2	(1,165)	(623)
Foreign currency translation effects	1,020	1,121	(14)	(11)	1,006	1,110
As of December 31	**18,687**	**18,934**	**(2,976)**	**(3,258)**	**15,711**	**15,676**

Development of reserves for unit-linked contracts

Table 8.8

in USD millions	Gross		Ceded		Net	
	2007	2006	2007	2006	2007	2006
As of January 1	66,008	55,691	–	–	66,008	55,691
Premiums and claims	(1,816)	(382)	–	–	(1,816)	(382)
Interest and bonuses credited to policyholders	4,403	6,184	–	–	4,403	6,184
Change in assumptions	–	(17)	–	–	–	(17)
Foreign currency translation effects	1,479	4,533	–	–	1,479	4,533
As of December 31	**70,075**	**66,008**	**–**	**–**	**70,075**	**66,008**

Long-duration contract liabilities included in future life policyholders' benefits result primarily from traditional participating and non-participating life insurance products. Short-duration contract liabilities are primarily accident and health insurance products.

The amount of policyholder dividends to be paid is determined annually by each life insurance company. Policyholder dividends include life policyholders' share of net income and unrealized appreciation of investments that are required to be allocated by the insurance contract or by local insurance regulations. Experience adjustments relating to future policyholders' benefits and policyholders' contract deposits vary according to the type of contract and the country. Investment, mortality and morbidity results may be passed through by experience credits or as an adjustment to the premium mechanism, subject to local regulatory provisions.

Guarantees arising from minimum death benefits (GMDB) and retirement income benefits (GRIB)
Certain products for which policyholders bear in full the credit and market risks associated with the underlying invested funds selected by them contains guarantees for which liabilities have been recorded for additional benefits and minimum guarantees. These arise primarily in the subsidiary Kemper Investors Life Insurance Company which has written variable annuity contracts that provide annuitants with certain guarantees related to minimum death and income benefits. The determination of these liabilities is based on models that involve a

range of scenarios and assumptions, including those regarding expected market rates of return and volatility, contract surrender rates, annuitization elections and mortality experience. The assumptions used are consistent with those used in determining estimated gross profits for the purpose of amortizing deferred policy acquisition costs.

Information on guaranteed liabilities

Table 8.9

in USD millions (except average attained age)	2007	2006
Account balance for products with guarantee features as of December 31		
Gross	4,112	4,403
Ceded	(374)	(486)
Net	**3,738**	**3,917**
Amount at risk from minimum death benefits (GMDB) as of December 31		
Gross	539	600
Ceded	(186)	(230)
Net	**353**	**370**
Average attained age of policyholders (in years)	**64**	**63**

The net amount at risk is the present value of payouts exceeding the current policyholder account balance assuming the payout criteria in all policies are collectively triggered as of the balance sheet date. We do not provide for this amount but follow the accretion guidance in the US Statement of Principle 03-1 "Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts". Under this guidance future fees are taken into account in determining the net loss to be provided. The net amount at risk is not the same as the fair value of these benefits, as it does not fully take into account the option value accruing to the policyholder.

9. Liabilities for investment contracts (with and without DPF)

Liabilities related to investment contracts

Table 9.1

in USD millions, as of December 31	2007	2006
Liabilities related to unit-linked investment contracts	48,187	44,269
Liabilities related to investment contracts (amortized cost)	117	121
Liabilities related to investment contracts with DPF	6,182	6,315
Total	**54,485**	**50,705**

Unit-linked investment contracts issued by the Group are recorded at a value reflecting the returns on investment funds which include selected equities, debt securities and derivatives. Policyholders bear the full risk of the returns on these investments.

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The value of financial liabilities at amortized cost is based on a discounted cash flow valuation technique and is shown in table 25.1. The discount rate is determined by current market assessment of the time value of money and risk specific to the liability.

Development of investment contract liabilities

Table 9.2

in USD millions	2007	2006
As of January 1	50,705	40,999
Premiums and claims	(1,024)	(595)
Interest and bonuses credited to policyholders	3,312	5,115
Divestments/transfers	(514)	(4)
Increase/(decrease) recorded in shareholders' equity	(33)	(31)
Foreign currency translation effects	2,039	5,221
As of December 31	**54,485**	**50,705**

10. Equity component relating to contracts with DPF

Certain investment and insurance contracts sold by the Group contain benefit features for which the amount and timing of declaration and payment are at the discretion of the Group. Where that discretion has not been exercised, the total amount of undeclared funds surplus is included in shareholders' equity. Mandated allocations related to unrealized gains and earnings are included in policyholder liabilities and upon declaration discretionary bonuses are allocated to policyholders. The changes in the table below represent the increase or decrease in unallocated gains and retained earnings after charging discretionary bonuses.

Development of equity component relating to contracts with DPF

Table 10

in USD millions	2007	2006
As of January 1	1,414	1,395
Net unrealized (losses)/gains on investments	(226)	(159)
Current period profit	17	62
Foreign currency translation effects	104	117
As of December 31	**1,309**	**1,414**

11. Gross and ceded insurance revenues and expenses

Insurance benefits and losses

Table 11.1

in USD millions, for the years ended December 31	Gross		Ceded		Net	
	2007	2006	2007	2006	2007	2006
Losses and loss adjustment expenses	24,951	24,506	(2,796)	(3,276)	22,155	21,230
Life insurance death and other benefits	11,903	10,787	(1,065)	(293)	10,837	10,494
Decrease in future life policyholders' benefits	(1,840)	(1,418)	(7,775)	(99)	(9,614)	(1,517)
Total insurance benefits and losses [1]	**35,014**	**33,875**	**(11,636)**	**(3,668)**	**23,378**	**30,207**

[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 on ceded insurance benefits and losses amounted to USD 7.0 billion in the Global Life business.

Policyholder dividends and participation in profits

Table 11.2

in USD millions, for the years ended December 31	Gross		Ceded		Net	
	2007	2006	**2007**	2006	**2007**	2006
Change in policyholders' contract deposits and other funds	1,134	991	(13)	–	1,121	991
Change in reserves for unit-linked products	4,077	6,476	–	–	4,077	6,476
Change in liabilities for investment contracts – unit-linked	3,165	5,196	–	–	3,165	5,196
Change in liabilities for investment contracts – other	180	243	–	–	180	243
Total policyholder dividends and participation in profits	**8,556**	**12,906**	**(13)**	**–**	**8,543**	**12,906**

Underwriting and policy acquisition costs

Table 11.3

in USD millions, for the years ended December 31	Gross		Ceded		Net	
	2007	2006	**2007**	2006	**2007**	2006
Underwriting and policy acquisition costs	**8,521**	**7,821**	**(932)**	**(841)**	**7,589**	**6,980**

Net change in reserves for unearned premiums

Table 11.4

in USD millions, for the years ended December 31	Gross		Ceded		Net	
	2007	2006	**2007**	2006	**2007**	2006
Net change in reserves for unearned premiums	**(286)**	**(211)**	**(209)**	**69**	**(495)**	**(142)**

12. Deferred policy acquisition costs and deferred origination costs

Development of deferred policy acquisition costs

Table 12.1

in USD millions	General Insurance		Global Life		Other segments [1]		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
As of January 1	2,959	2,596	10,113	8,441	124	143	13,197	11,179
Acquisition costs deferred and transfers	2,628	2,788	1,611	1,521	39	53	4,278	4,361
Amortization	(2,390)	(2,544)	(823)	(830)	(70)	(67)	(3,283)	(3,440)
Amortization charged to shareholders' equity	–	–	154	56	(5)	(4)	149	51
Foreign currency translation effects	109	119	493	926	–	–	602	1,045
As of December 31	**3,306**	**2,959**	**11,547**	**10,113**	**89**	**124**	**14,941**	**13,197**

[1] Net of eliminations from intersegment transactions.

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Development of deferred origination costs

Table 12.2

in USD millions	2007	2006
As of January 1	815	690
Origination costs deferred	271	134
Amortization	(103)	(100)
Foreign currency translation effects	19	92
As of December 31	**1,003**	**815**

13. Farmers management fees and other related revenues

Farmers management fees and other related revenues

Table 13

in USD millions, for the years ended December 31	2007	2006
Farmers management fees and other related revenues	**2,266**	2,133

FGI, through its AIF relationship with the Farmers Exchanges, which the Group manages but does not own, is contractually permitted to receive a management fee of up to 20% (25% in the case of the Fire Insurance Exchange) of the gross premiums earned by the Farmers Exchanges. To enable the Farmers Exchanges to maintain appropriate capital and surplus while offering competitive insurance rates, FGI has historically charged a lower management fee than the maximum allowed. The range of fees has varied by line of business over time and from year to year. During the past five years, aggregate management fees have averaged between 12% and 13% of gross premiums earned by the Farmers Exchanges. The gross earned premiums of the Farmers Exchanges were USD 15,547 million and USD 14,721 million for the twelve months ended December 31, 2007 and 2006, respectively.

14. Receivables

Receivables

Table 14.1

in USD millions	2007	2006
Receivables from policyholders	2,972	2,738
Receivables from insurance companies, agents, brokers and intermediaries	5,972	5,592
Receivables arising from ceded reinsurance	1,372	1,445
Other receivables	3,084	2,620
Allowance for impairments [1]	(554)	(468)
Total	**12,846**	**11,926**

[1] Allowance for impairments includes USD 239 million and USD 204 million as of December 31, 2007, and 2006, respectively, for receivables arising from ceded reinsurance.

Receivables are generally settled within one year.

The table below shows the movement in allowance for impairments deducted from receivables in 2007 and 2006.

Development of allowance for impairments (deducted from receivables)

Table 14.2

in USD millions	2007	2006
As of January 1	(468)	(496)
Increase in allowance for impairments	(82)	(21)
Recoveries	2	7
Amounts written-off against receivables	3	5
Foreign currency translation effects and other movements	(8)	36
As of December 31	**(554)**	**(468)**

15. Mortgage loans given as collateral and collateralized loans

As part of the Deutscher Herold transaction in 2002, the Group acquired various mortgage loans. Deutscher Herold had previously sold these loans to credit institutions while retaining the related credit and interest risk. Therefore the loans have not been derecognized from the balance sheet and the transaction is reflected as a collateralized borrowing. Accordingly, the loans are recorded as "Mortgage loans given as collateral" and the liability to credit institutions as "Collateralized loans".

Impairment charges of USD 1 million and USD 2 million on mortgage loans given as collateral were recorded in the income statement for the years ended December 31, 2007 and 2006, respectively.

The table below shows the maturity schedule of collateralized loans as of December 31, 2007 and 2006, respectively.

Maturity schedule of collateralized loans

Table 15

in USD millions, as of December 31	2007	2006
< 1 year	259	249
1 to 2 years	325	320
2 to 3 years	287	317
3 to 4 years	622	275
4 to 5 years	269	564
> 5 years	480	701
Total	**2,243**	**2,426**

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16. Property and equipment

Table 16.1

Property and equipment

in USD millions	Land held for own use	Buildings held for own use	Furniture and fixtures	Computer equipment	Other equipment	Total
Gross carrying value as of January 1, 2007	385	1,500	398	666	577	3,525
Less: accumulated depreciation/impairments	–	(537)	(322)	(484)	(277)	(1,621)
Net carrying value as of January 1, 2007	385	962	76	182	299	1,905
Additions, capital improvements and transfers	3	95	32	97	117	343
Disposals and transfers	(24)	(70)	(1)	(3)	(80)	(176)
Depreciation and impairments	–	(52)	(34)	(78)	(56)	(221)
Foreign currency translation effects	28	71	4	7	12	121
Net carrying value as of December 31, 2007	**392**	**1,006**	**78**	**204**	**292**	**1,972**
Plus: accumulated depreciation/impairments	–	571	359	561	324	1,814
Gross carrying value as of December 31, 2007	**392**	**1,577**	**436**	**765**	**615**	**3,785**

Table 16.2

Property and equipment

in USD millions	Land held for own use	Buildings held for own use	Furniture and fixtures	Computer equipment	Other equipment	Total
Gross carrying value as of January 1, 2006	355	1,341	378	684	510	3,267
Less: accumulated depreciation/impairments	–	(472)	(284)	(514)	(268)	(1,538)
Net carrying value as of January 1, 2006	355	868	94	170	242	1,729
Additions, capital improvements and transfers	5	71	19	79	109	284
Disposals and transfers	(4)	(3)	(15)	(2)	(10)	(34)
Depreciation and impairments	–	(50)	(28)	(74)	(51)	(202)
Foreign currency translation effects	30	76	5	8	9	129
Net carrying value as of December 31, 2006	**385**	**962**	**76**	**182**	**299**	**1,905**
Plus: accumulated depreciation/impairments	–	537	322	484	277	1,621
Gross carrying value as of December 31, 2006	**385**	**1,500**	**398**	**666**	**577**	**3,525**

The fire insurance value of the Group's own-used property and equipment and real estate held for investment totaled USD 10,049 million and USD 8,900 million as of December 31, 2007 and 2006, respectively.

17. Goodwill and other intangible assets

Intangible assets – current period

Table 17.1

in USD millions	Goodwill	Present value of profits of acquired insurance contracts	Other intangible assets [1]	Attorney-in-fact relationships	Total
Gross carrying value as of January 1, 2007	672	2,329	2,041	1,024	6,066
Less: accumulated amortization/impairments	(12)	(1,554)	(1,415)	–	(2,981)
Net carrying value as of January 1, 2007	660	775	626	1,024	3,085
Additions and transfers	1,040	–	752	–	1,792
Divestments and transfers	(12)	–	(61)	–	(74)
Amortization	–	(58)	(200)	–	(257)
Amortization charged to shareholders' equity	–	27	–	–	27
Impairments	(12)	–	(34)	–	(46)
Foreign currency translation effects	55	36	19	–	110
Net carrying value as of December 31, 2007	**1,730**	**780**	**1,100**	**1,024**	**4,636**
Plus: accumulated amortization/impairments	24	1,612	1,687	–	3,323
Gross carrying value as of December 31, 2007	**1,754**	**2,392**	**2,787**	**1,024**	**7,957**

[1] Other intangible assets include internally generated capitalised software development costs as well as intangible assets at fair value on acquisitions.

In addition to goodwill increases related to business combination of USD 886 million as disclosed in note 5, goodwill has increased by USD 127 million due to a change in the Group's interest in Deutscher Herold AG from 76.88 percent to 95 percent as a result of the recognition of buy out options and an acquisition of shares by the Group from minority shareholders. The remainder is due to foreign currency impacts.

Intangible assets by segment – current period

Table 17.2

in USD millions, as of December 31, 2007	Goodwill	Present value of profits of acquired insurance contracts	Other intangible assets [1]	Attorney-in-fact relationships	Total
General Insurance	706	–	538	–	1,244
Global Life	635	780	284	–	1,698
Farmers Management Services	385	–	171	1,024	1,582
Other Businesses	–	–	13	–	13
Corporate Functions	5	–	94	–	99
Net carrying value as of December 31, 2007	**1,730**	**780**	**1,100**	**1,024**	**4,636**

[1] Other intangible assets include internally generated capitalised software development costs as well as intangible assets at fair value on acquisitions.

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Intangible assets – prior period

Table 17.3

in USD millions	Goodwill	Present value of profits of acquired insurance contracts	Other intangible assets [1]	Attorney-in-fact relationships	Total
Gross carrying value as of January 1, 2006	605	2,117	1,770	1,024	5,516
Less: accumulated amortization/impairments	–	(1,377)	(1,279)	–	(2,656)
Net carrying value as of January 1, 2006	605	740	491	1,024	2,860
Additions and transfers	–	–	352	–	352
Divestments and transfers	–	–	(38)	–	(38)
Amortization	–	(49)	(212)	–	(261)
Amortization charged to shareholders' equity	–	16	–	–	16
Impairments	(12)	–	–	–	(12)
Foreign currency translation effects	67	68	33	–	168
Net carrying value as of December 31, 2006	**660**	**775**	**626**	**1,024**	**3,085**
Plus: accumulated amortization/impairments	12	1,554	1,415	–	2,981
Gross carrying value as of December 31, 2006	**672**	**2,329**	**2,041**	**1,024**	**6,066**

[1] Other intangible assets include internally generated capitalised software development costs as well as intangible assets at fair value on acquisitions.

Intangible assets by segment – prior period

Table 17.4

in USD millions, as of December 31, 2006	Goodwill	Present value of profits of acquired insurance contracts	Other intangible assets [1]	Attorney-in-fact relationships	Total
General Insurance	168	–	250	–	417
Global Life	488	775	231	–	1,494
Farmers Management Services	–	–	122	1,024	1,146
Other Businesses	–	–	8	–	8
Corporate Functions	5	–	15	–	20
Net carrying value as of December 31, 2006	**660**	**775**	**626**	**1,024**	**3,085**

[1] Other intangibles include internally generated capitalised software development costs as well as intangible assets at fair value on acquisitions.

Goodwill is allocated to cash generating units (CGU) identified according to its business and geographical segment.

When testing for impairment for goodwill, the recoverable amount of a cash generating unit is determined on the basis of value-in-use calculations. These calculations use cash flow projections based on financial budgets, which are approved by management, typically covering a five-year period. Cash flows beyond the five year period are extrapolated using the estimated growth rates. The estimated growth rate does not exceed the long-term average past growth rate for the insurance business in which the CGU operates. The discount rates applied reflect the respective risk free interest rate adjusted for the risk factors which are reflective of the risk inherent in the underlying cash flows.

In 2007 impairment charges of USD 46 million were recorded in the income statement comprising impairment of other intangible assets of USD 34 million mainly relating to software capitalized in the UK life business and impairment of goodwill of USD 12 million as a result of updated cash flow assumptions in the Spanish life operations.

In 2006, impairment charges of USD 12 million were recorded in the income statement. USD 6 million of the 2006 impairment charge relates to entities in Australia and USD 6 million to the Spanish life operations.

When testing for impairment of attorney-in-fact (AIF) relationships in 2007 and 2006, the recoverable amount of AIF relationship is determined on the basis of value-in-use calculations. These calculations use cash flow projections based on business plans and the surplus development in the Farmers Exchanges. Business plans are approved by management and typically cover a 5-year period and a discount rate of 6.0 percent (5.5 percent in 2006). Cash flows beyond that 5-year period are extrapolated for 20 years assuming zero growth. Management believes that any reasonably possible change in the key assumptions of the underlying Farmers Exchanges business plans, would not cause the recoverable amount of the AIF to be lower than the carrying value.

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18. Other liabilities

Other liabilities

Table 18

in USD millions, as of December 31	2007	2006
Amounts due to reinsurers, agents and other insurance companies	1,712	1,816
Amounts due to life policyholders	722	721
Liabilities for cash collateral received for securities lending	1,889	3,918
Current tax payables	1,643	1,846
Derivative liabilities	276	415
Liabilities for employee benefit plans	1,019	2,504
Other liabilities	12,997	11,582
Total	**20,257**	**22,802**

USD 18,291 million and USD 19,367 million as of December 31, 2007, and 2006, respectively, are considered financial liabilities. USD 1,967 million and USD 3,435 million as of December 31, 2007, and 2006, respectively, are considered non-financial liabilities. The undiscounted amounts are not materially different from the carrying amounts.

19. Income taxes

Income tax expense – current/deferred split

Table 19.1

in USD millions, for the years ended December 31	2007	2006
Current	1,515	1,766
Deferred	272	381
Total income tax expense	**1,787**	**2,148**

Income tax expense – policyholder/shareholder attribution

Table 19.2

in USD millions, for the years ended December 31	2007	2006
Total income tax expense attributable to policyholders	(83)	416
Total income tax expense attributable to shareholders	1,870	1,732
Total income tax expense	**1,787**	**2,148**

The Group is required to record taxes on policyholder earnings for life insurance policyholders in certain jurisdictions. Accordingly, the income tax expense or benefit attributable to these life insurance policyholder earnings is included in income tax expense. In certain jurisdictions an accrual for future policy fees that will cover the tax charge is included in gross written premiums and policy fees revenue.

Expected and actual income tax expense

Table 19.3

in USD millions, for the years ended December 31	**Rate**	**2007**	Rate	2006
Net income before income taxes		7,495		6,866
Less: income tax (expense)/benefit attributable to policyholders		83		(416)
Net income before income taxes attributable to shareholders		7,578		6,450
Expected income tax expense attributable to shareholders	30.3%	2,296	30.2%	1,950
Increase/(reduction) in taxes resulting from:				
Tax exempt and lower taxed income		(517)		(637)
Non-deductible expenses		74		133
Tax losses previously unrecognized or no longer recognized		(185)		10
Prior year adjustments and other		202		276
Actual income tax expense attributable to shareholders	24.7%	1,870	26.9%	1,732
Plus: income tax expense/(benefit) attributable to policyholders		(83)		416
Actual income tax expense	**23.8%**	**1,787**	**31.3%**	**2,148**

The table above illustrates the factors that cause the actual income tax expense to differ from the expected amount computed by applying the weighted average statutory income tax rate.

The expected weighted average statutory income tax rate for the Group is 30.3 percent and 30.2 percent for the years ended December 31, 2007 and 2006, respectively. These rates were derived by obtaining a weighted average of the applicable statutory income tax rates in relation to the net income before income tax attributable to shareholders generated in the taxable territories in which the Group operates.

A credit of USD 145 million resulting from the reduction of corporate income tax rates in the UK, Germany and Italy is included in the line "prior years adjustments and other" for the year 2007. Also included in this line are withholding and local taxes amounting to USD 113 million and USD 119 million for the years 2007 and 2006, respectively.

Current tax receivables and payables

Table 19.4

in USD millions, as of December 31	**2007**	2006
Current tax receivables	743	509
Current tax payables	(1,643)	(1,846)
Net current tax payables	**(900)**	**(1,337)**

Deferred tax assets and liabilities

Table 19.5

in USD millions, as of December 31	**2007**	2006
Deferred tax assets	1,678	2,727
Deferred tax liabilities	(4,055)	(4,757)
Net deferred tax liabilities	**(2,377)**	**(2,030)**

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Development of net deferred tax assets/(liabilities)

Table 19.6

in USD millions	2007	2006
As of January 1	(2,030)	(1,278)
Net change recognized in the income statement	(272)	(381)
Net change recognized in equity	56	(97)
Net changes due to acquisitions/(divestments)	7	–
Foreign currency translation effects	(138)	(299)
Other changes	–	25
As of December 31	**(2,377)**	**(2,030)**

The cumulative amount of deferred tax credited to shareholders' equity amounted to USD 328 million and USD 272 million for the years ended December 31, 2007 and 2006, respectively.

Deferred taxes – policyholder/shareholder attribution

Table 19.7

in USD millions, as of December 31	2007	2006
Net deferred tax liabilities attributable to policyholders	(566)	(976)
Net deferred tax liabilities attributable to shareholders	(1,811)	(1,054)
Net deferred tax liabilities	**(2,377)**	**(2,030)**

Deferred tax assets/(liabilities) breakdown by source

Table 19.8

in USD millions, as of December 31	2007		2006	
	Assets	Liabilities	Assets	Liabilities
Gross deferred tax				
Deferred acquisition and origination costs	144	(2,735)	236	(2,618)
Depreciable and amortizable assets	163	(1,825)	119	(1,825)
Life policy liabilities	188	(578)	267	(771)
Unrealized (gains) / losses on investments	502	(574)	179	(491)
Accruals	201	(132)	262	(137)
Reserves for losses and loss adjustment expenses	583	(675)	535	(495)
Reserves for unearned premiums	918	(296)	758	(313)
Deferred front-end fees	669	–	766	–
Pensions and other employee benefits	592	(37)	658	(51)
Other assets / liabilities	1,034	(621)	1,336	(955)
Tax loss carryforwards	588	–	1,220	–
Gross deferred tax assets/(liabilities) before valuation allowance	5,582	(7,473)	6,336	(7,656)
Valuation allowance	(486)	–	(710)	–
Gross deferred tax assets/(liabilities) after valuation allowance	5,096	(7,473)	5,626	(7,656)
Effect of offsetting on taxpayer basis	(3,418)	3,418	(2,899)	2,899
Deferred tax assets/(liabilities)	1,678	(4,055)	2,727	(4,757)
Net deferred tax liabilities		**(2,377)**		**(2,030)**

As of December 31, 2007 the aggregate amount of temporary differences associated with investments in subsidiaries, branches and associates and interests in joint ventures, for which deferred tax liabilities have not been recognised approximated USD 16 billion. In the remote scenario in which these temporary differences reverse simultaneously, the resulting tax liabilities will be very limited due to participation exemption rules.

Table 19.9

Tax losses carryforwards and tax credits

in USD millions, as of December 31	**2007**	2006
For which deferred tax assets have been recognized		
Expiring up to 5 years	17	7
Expiring after 5 and up to 20 years	765	1,606
Expiring after 20 years or with no time limitation	110	587
Subtotal	892	2,200
For which deferred tax assets have not been recognized		
Expiring up to 5 years	-	741
Expiring after 5 and up to 20 years	1,226	1,849
Subtotal	1,226	2,590
Total	**2,118**	**4,790**

The tax rates applicable to tax losses for which a deferred tax asset has not been recognized are 35 percent and 31 percent for the years 2007 and 2006, respectively.

The Group's deferred tax assets and liabilities are recorded in the tax paying entities throughout the world, which may include several legal entities within each tax jurisdiction. Legal entities are grouped as a single taxpayer only when permitted by local legislation and when deemed appropriate.

The recoverability of the deferred tax asset for each taxpayer is based on its ability to utilize the deferred tax asset over a reasonable period of time. This analysis considers the projected taxable income to be generated by the taxpayer, as well as its ability to offset deferred tax assets with deferred tax liabilities.

As of December 31, 2007 and 2006, the net deferred tax positions by taxpayer groups are as follows.

Table 19.10

Deferred tax assets/(liabilities) by taxpayer group

in USD millions, as of December 31	**Deferred tax assets/(liabilities)**		**Deferred tax assets/(liabilities), net of valuation allowance**	
	2007	2006	**2007**	2006
Taxpayer groups				
Zurich Holding Company of America companies	1,455	1,551	1,301	1,381
Centre companies	(15)	118	(102)	29
Zurich Capital Markets companies	229	229	–	–
UK General Insurance companies	(87)	289	(97)	276
Other taxpayer groups carrying net deferred tax assets	249	268	250	234
Other taxpayer groups carrying net deferred tax liabilities	(3,722)	(3,775)	(3,729)	(3,950)
Net deferred tax liabilities	**(1,891)**	**(1,320)**	**(2,377)**	**(2,030)**

Management assesses the recoverability of the deferred tax assets carrying values based on future years taxable income projections and believe that the carrying values of the deferred tax assets as of December 31, 2007, are recoverable.

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20. Debt

Debt

Table 20.1

in USD millions, as of December 31		**2007**	2006
a) Debt related to capital markets and banking activities			
Zurich Capital Markets	Various debt instruments payable within 1 year	800	1,050
	Various debt instruments payable in more than 1 year	48	45
Zurich Financial Services EUB Holdings Limited	Various debt instruments payable within 1 year	814	738
	Various debt instruments payable in more than 1 year	1	1
Centre Solutions (Bermuda) Ltd.	Various debt instruments payable in more than 1 year	–	56
Debt related to capital markets and banking activities		**1,663**	**1,889**
b) Senior debt			
Zurich Finance (USA), Inc.	3.50% CHF 300 bond, due July 2008 [1]	264	246
	4.50% EUR 1,000 bond, due September 2014 [2]	1,441	1,309
Kemper Corporation	Various debt instruments, due in 2009	26	26
Zurich Insurance Company	3.875% CHF 1,000 bond, due July 2011	884	822
	Various debt instruments payable within 1 year	50	63
Other	Various debt instruments payable within 1 year	54	297
	Various debt instruments payable in more than 1 year	111	143
Senior debt		2,830	2,906
c) Subordinated debt			
Zurich Capital Trust I	8.376% USD 1,000 Capital Securities	–	990
Zurich Finance (UK) p.l.c.	6.625% GBP 450 bond, undated notes [3]	879	867
Zurich Finance (USA), Inc.	5.75% EUR 500 bond, due October 2023	720	651
	4.5% EUR 500 bond, due June 2025 [4]	670	621
ZFS Finance (USA) Trust I	Series I 6.15% USD 600 ECAPS, due December 2065	595	593
ZFS Finance (USA) Trust II	Series II 6.45% USD 700 ECAPS, due December 2065	690	690
ZFS Finance (USA) Trust III	Series III Floating Rate USD 400 ECAPS, due December 2065	397	396
ZFS Finance (USA) Trust IV	Series IV 5.875% USD 500 Trust Preferred Securities, due May 2062	497	–
ZFS Finance (USA) Trust V	Series V 6.5% USD 1,000 Trust Preferred Securities, due May 2067	994	–
Other	Various debt instruments payable in more than 1 year	29	–
Subordinated debt		5,471	4,808
Total senior and subordinated debt		**8,300**	**7,713**
Total debt		**9,963**	**9,602**

[1] The bond is economically hedged, but hedge accounting treatment has not been applied.
[2] The bond is part of a qualifying cash flow hedge (80% of the total) and fair value hedge (20% of the total).
[3] The holders of these notes benefit from the Replacement Capital Covenant which states that if Series IV and V Fixed / Floating Trust Preferred Securities, issued by ZFS Finance (USA) Trust IV and V, are called before 2042 and 2047 respectively, the Group will issue a replacement debt instrument with terms and provisions that are as or more equity-like than the replaced notes.
[4] The bond is part of a qualifying fair value hedge relationship.

None of the debt instruments listed above were in default as of December 31, 2007 and 2006.

a) Debt related to capital markets and banking activities

Debt related to capital markets and banking activities decreased from USD 1,889 million as of December 31, 2006 to USD 1,663 million as of December 31, 2007, which is attributable to the maturity of a number of loans.

b) Senior debt

The Group's Euro Medium Term Note Programme (EMTN Programme) allows for the issuance of senior and subordinated notes up to a maximum of USD 6 billion. Zurich Finance (USA), Inc. and Zurich Finance (UK) p.l.c. are issuing entities under the EMTN Programme, which have debt outstanding as of December 31, 2007 and 2006.

No new senior debt issuances took place in 2007.

c) Subordinated debt

Subordinated debt securities are obligations of the Group which, in case of liquidation, rank junior to all present and future senior indebtedness and certain other obligations of the Group.

On June 1, 2007 the Group through Zurich Capital Trust called USD 1 billion 8.376 percent Capital Securities at a redemption price of 104.188 percent, recognizing a pre tax loss of USD 52 million, comprising USD 42 million from call premium and USD 10 million from recognition of unamortized discount.

On May 9, 2007, ZFS Finance (USA) Trust IV and ZFS Finance (USA) Trust V issued USD 500 milion of Series IV and USD 1 billion of Series V Fixed / Floating Rate Trust Preferred Securities. Series IV is a 5.875 percent USD 500 million tranche maturing in 2062, callable from 2012, and Series V is a 6.5 percent USD 1 billion tranche maturing in 2067, callable from 2017. These trust preferred securities were sold to a number of qualified institutional buyers and qualified purchasers under the exemption from Rule 144A of the United States Securities Act (1933). Each Trust benefits from a subordinated support agreement from Zurich Financial Services and Zurich Group Holding. See table 20.2 for details of redemption conditions.

d) Hedged debt

The Group uses cross-currency interest rate swaps and currency swaps to manage the risks inherent in certain debt issues. Where the relationship qualifies for hedge accounting (see notes to table 20.1), such hedge accounting is applied as described in notes 3 and 7.

The objective of the fair value hedges on debt issued is to protect against changes in the foreign currency exposure and interest rate exposure of euro denominated debt issuances, while the objective of the cash flow hedge on debt is to hedge changes in US dollar cash flows of the euro denominated debt resulting from changes in euro/US dollar exchange rate.

A fair value hedge relationship on EUR 500 million 4.5 percent subordinated bond due June 2025 was entered into at the issuance of the debt instrument in 2005 and will end on June 15, 2015.

A fair value hedge relationship on 20 percent of the EUR 1 billion 4.5 percent senior debt due 2014 and a cash flow hedge relationship on the remaining 80 percent of this debt were entered into on January 1, 2007 and will end at maturity of the underlying debt instrument in 2014.

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Description and features of significant subordinated debt

Table 20.2

in USD millions

Description	Coupon conditions	Call/ Redemption date	Redemption conditions [3]
6.625% GBP 450 bond, undated notes	6.625% payable annually up to October 2, 2022 and then reset every 5 years to the reset rate of interest. [1]	Every five years on or after October 2, 2022	Redeemable in whole every five years at par plus any accrued interest.
5.75% EUR 500 bond, due October 2023	5.75% payable annually up to October 2, 2013 and then reset quarterly to 3-month EURIBOR plus 2.67%.	Quarterly on or after October 2, 2013	Redeemable in whole quarterly at par plus any accrued interest.
4.5% EUR 500 bond, due June 2025	4.5% payable annually up to June 15, 2015 and then reset quarterly to 3-month EURIBOR plus 2.20%.	Quarterly on or after June 15, 2015	Redeemable in whole quarterly at par plus any accrued interest.
Series I 6.15% Fixed / Adjustable Rate USD 600 ECAPS, due December 2065	6.15% payable semi-annually until December 15, 2010 and then reset quarterly to the adjustable rate plus 1.75%. [2]	Quarterly on or after December 15, 2010	Redeemable in whole or in part at par plus any accumulated and unpaid distributions.
Series II 6.45% Fixed / Adjustable Rate USD 700 ECAPS, due December 2065	6.45% payable semi-annually until June 15, 2016 and then reset quarterly to the adjustable rate plus 2.00%. [2]	Quarterly on or after June 15, 2016	Redeemable in whole or in part at par plus any accumulated and unpaid distributions.
Series III Floating Rate USD 400 ECAPS, due December 2065	3-month LIBOR plus 1.15% reset quarterly until December 15, 2010 and then 3-month LIBOR plus 2.15%.	Quarterly on or after December 15, 2010	Redeemable in whole or in part at par plus any accumulated and unpaid distributions.
Series IV 5.875% USD 500 Fixed / Floating Trust Preferred Securities, due May 2062	5.875% payable semi-annually until May 9, 2012 and then reset quarterly to 3-month LIBOR plus 1.815%.	Quarterly on or after May 9, 2012	Redeemable in whole or in part at par plus any accumulated and unpaid distributions.
Series V 6.5% USD 1,000 Fixed / Floating Trust Preferred Securities, due May 2067	6.5% payable semi-annually until May 9, 2017 and then reset quarterly to 3-month LIBOR plus 2.285%.	Quarterly on or after May 9, 2017	Redeemable in whole or in part at par plus any accumulated and unpaid distributions.

[1] Reset rate of interest is equal to the gross redemption yield on the benchmark five-year Gilt as determined by the Calculation Bank, plus 2.85% per annum.
[2] Adjustable Rate is equal to the greatest of (i) the 3-month LIBOR rate; (ii) the 10-year Treasury CMT (Constant Maturity Treasury) Rate; and (iii) the 30-year Treasury CMT Rate, subject to a maximum under (ii) and (iii) of 13.25% Series I and 13% for Series II.
[3] All subordinated debt instruments are also subject to mandatory redemption as a result of various tax, default or other events.

Maturity schedule of outstanding debt

Table 20.3

in USD millions, as of December 31	**2007**	2006
< 1 year	1,983	2,148
1 to 2 years	76	274
2 to 3 years	10	74
3 to 4 years	884	11
4 to 5 years	1	822
> 5 years	7,010	6,273
Total	**9,963**	**9,602**

Debt maturities shown in table 20.3 reflect original contractual dates. For call/redemption dates, refer to table 20.2. The total notional amount of debt due in each period is not materially different from the total carrying amount disclosed in table 20.3.

Interest expense on debt

Table 20.4

in USD millions, for the years ended December 31	2007	2006
Debt related to capital markets and banking activities	148	147
Senior debt	133	136
Subordinated debt	404	326
Total	**685**	**608**

Credit facilities

The Group has access to a syndicated revolving credit facility of USD 3 billion that terminates in 2012. Zurich Group Holding, together with Zurich Insurance Company and Farmers Group, Inc. are guarantors of the facility and can draw up to USD 1.25 billion, USD 1.5 billion and USD 250 million, respectively. No borrowings were outstanding under this facility as of December 31, 2007.

Dunbar Bank and Zurich Bank have access to various committed credit facilities totaling GBP 420 million and GBP 250 million, respectively. No borrowings were outstanding under these facilities as of December 31, 2007.

In addition, ZIC has access to a USD 300 million credit facility expiring in 2010 for the sole purpose of financing surplus notes issued by the Leschi Life Assurance Company (Leschi), a special purpose reinsurer owned by Farmers New World Life (FNWL) and to which FNWL cedes business subject to Regulation XXX (Triple X). As of December 31, 2007, USD 50 million had been drawn under this credit facility.

Financial debt

Financial debt consists of all debt items that are included in financial leverage calculations of rating agencies. As of December 31, 2007 and 2006 financial debt consisted of the following components.

Financial debt

Table 20.5

in USD millions, as of December 31,	2007	2007	2007	2006
	Reported	Adjustments	Financial debt	Financial debt
Debt related to capital markets and banking activities	1,663	(815)	848	1,094
Senior debt	2,830	(150)	2,680	2,806
Subordinated debt	5,471	–	5,471	4,808
Total	**9,964**	**(965)**	**8,999**	**8,708**

USD 815 million adjustment relates to Zurich Financial Services EUB Holdings Limited notes and loans payable, while USD 150 million adjustment contains USD 100 million of non-recourse debt and the USD 50 million drawn under the abovementioned Leschi credit facility.

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21. Shareholders' equity

Share capital

Table 21.1

number of shares, as of December 31	**2007**	2006
Issued share capital, CHF 0.10 par value	145,546,820	144,749,399
Authorized, contingent and issued share capital, CHF 0.10 par value	160,231,227	156,988,783

a) Issued share capital

As of December 31, 2007, Zurich Financial Services had 145,546,820 issued and fully paid registered shares of CHF 0.10 par value, amounting to total issued share capital of CHF 14,554,682.00. As of December 31, 2006, the share capital amounted to CHF 14,474,939.90, divided into 144,749,399 fully paid registered shares of CHF 0.10 par value.

The shareholders at the Annual General Meeting of April 3, 2007 approved the increase of the contingent share capital for the issuance of new registered shares to employees of the Group from CHF 75,755.60 by CHF 324,244.40 to a new maximum of CHF 400,000 by issuing up to 4,000,000 registered shares payable in full with a nominal value of CHF 0.10 each. During the year 2007, a total of 797,421 shares have been issued to employees. As a result, 145,546,820 fully paid shares with a nominal value of CHF 0.10 were issued as of December 31, 2007, amounting to a share capital of CHF 14,554,682.00.

In 2006, the Board of Directors approved on February 15, 2006, the issuance of a maximum of 1,000,000 out of the 1,500,000 dividend-paying shares from the contingent share capital to employees. At the Annual General Meeting on April 20, 2006, shareholders approved a share capital reduction in the form of a nominal value reduction of each share from CHF 2.50 to CHF 0.10. At the effective date of the nominal value reduction on July 3, 2006, Zurich Financial Services had 144,565,255 issued and fully paid shares, including 558,300 shares issued out of the contingent capital. As a result of this reduction, the share capital was reduced by CHF 346,956,612.00 from CHF 361,413,137.50 to a new total of CHF 14,456,525.50. As of December 31, 2006 a total of 742,444 shares were issued to employees from contingent share capital. As a consequence, 144,749,399 fully paid shares with a nominal value of CHF 0.10 were issued as of December 31, 2006, amounting to a share captital of CHF 14,474,939.90.

b) Authorized share capital

Until June 1, 2008, the Board of Zurich Financial Services is authorized to increase the share capital by an amount not exceeding CHF 600,000 by issuing up to 6,000,000 fully paid registered shares with a nominal value of CHF 0.10 each. An increase in partial amounts is permitted. The Board determines the date of issue of such new shares, the issue price, type of payment, conditions for exercising pre-emptive rights, and the beginning of the dividend entitlement. The Board may issue such new shares by means of a firm underwriting by a banking institution or syndicate with subsequent offer of those shares to current shareholders. The Board may allow the expiry of pre-emptive rights which have not been exercised, or it may place these rights as well as shares, the pre-emptive rights of which have not been exercised, at market conditions.

The Board is further authorized to restrict or withdraw the pre-emptive rights of shareholders and to allocate them to third parties if the shares are to be used for the take-over of an enterprise, or parts of an enterprise or of participations or if issuing shares for the financing including re-financing of such transactions; or for the purpose of expanding the scope of shareholders in connection with the quotation of shares on foreign stock exchanges.

c) Contingent share capital

Capital market instruments and option rights to shareholders

The share capital of Zurich Financial Services may be increased by an amount not exceeding CHF 548,182.80 by the issuance of up to 5,481,828 fully paid registered shares with a nominal value of CHF 0.10 each (i) by exercising of conversion and/or option rights which are granted in connection with the issuance of bonds or similar debt instruments by Zurich Financial Services or one of its Group companies in national or international capital markets; and/or (ii) by exercising option rights which are granted to current shareholders. When issuing bonds or similar debt instruments connected with conversion and/or option rights, the pre-emptive rights of the shareholders will be excluded. The current owners of conversion and/or option rights shall be entitled to subscribe for the new shares. The conversion and/or option conditions are to be determined by the Board.

The Board of Directors is authorized, when issuing bonds or similar debt instruments connected with conversion and/or option rights, to restrict or withdraw the right of shareholders for advance subscription in cases where such bonds are issued for the financing or re-financing of a takeover of an enterprise, of parts of an enterprise, or of participations. If the right for advance subscription is withdrawn by the Board, the convertible bond or warrant issues are to be offered at market conditions (including standard dilution protection provisions in accordance with market practice) and the new shares are issued at then current convertible bond or warrant issue conditions. The conversion rights may be exercisable during a maximum of 10 years and option rights for a maximum of 7 years from the time of the respective issue. The conversion or option price or its calculation methodology shall be determined in accordance with market conditions, whereby for shares of Zurich Financial Services the quoted share price is to be used as a basis.

Employee participation
Subject to shareholder approval to increase the contingent share capital for the issuance of new registered shares to employees of the Group from CHF 75,755.60 by CHF 324,244.40 to a new maximum of CHF 400,000 by issuing up to a maximum of 4,000,000 registered shares payable in full with a nominal value of CHF 0.10 each, the Board of Directors of Zurich Financial Services decided on February 14, 2007, to allow the issuance of up to 4,000,000 shares out of the contigent share capital to employees of the Group. A respective proposal for the increase of the contingent share capital was made by the Board of Directors to the shareholders and was approved at the Annual General Meeting on April 3, 2007. On December 31, 2007, 797,421 shares of this contingent share capital have been issued. Consequently, as of the same date, the remaining contingent capital, which can be issued to employees of Zurich Financial Services and Group companies, amounts to CHF 320,257.90 or 3,202,579 fully paid registered shares with a nominal value of CHF 0.10 each. The pre-emptive rights of the shareholders, as well as the right for advance subscription, are excluded. The issuance of shares or respective option rights to employees is subject to one or more regulations to be issued by the Board of Directors and take into account performance, functions, levels of responsibility and criteria of profitability. Shares or option rights may be issued to the employees at a price lower than that quoted on the stock exchange.

d) Preferred securities

Preferred securities

Table 21.2

in USD millions, as of December 31	**2007**	2006
Preferred securities, USD 1,000 par value [1]	700	700

[1] The amount includes issuance costs of USD 29 million.

In February 2001, the Group placed six series of Trust Capital Securities (Zurich RegCaPS) for the total amount of USD 1,125 million (USD 1,096 million net of issuance costs) with a limited number of qualified institutional and corporate US investors. The securities, which were issued under Rule 144A in the United States, are perpetual, non-cumulative and have a par value of USD 1,000 each. They have no voting rights, except for certain specified circumstances and are linked to Farmers Group, Inc. Class C shares. On March 30, 2006, and April 11, 2006, the Group redeemed the Series I and III of the Zurich RegCaPS, respectively. The liquidation amounts totaled USD 425 million in aggregate. Of the remaining series totaling USD 700 million, one has a fixed rate coupon (6.58 percent) and three have a floating rate coupon (between LIBOR +53 bps and +71 bps). These coupon rates step up after the first call dates. The Group has the option to call Series IV floating rate securities in 2008 and Series II fixed rate and Series V and VI floating rate securities in 2011. Subsequent to year-end the Group announced the redemption of the Series IV of the Zurich RegCaPS amounting to USD 125 million at par.

e) Additional paid-in capital
This reserve is not ordinarily available for distribution.

f) Treasury shares

Treasury shares

Table 21.3

number of shares, as of December 31	**2007**	2006
Treasury shares	5,839,154	161,451

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As of December 31, 2007, the total number of treasury shares was 5,839,154, which comprises shares repurchased under the buy-back program and shares acquired in the market held to cover employee share and option plans.

On February 14, 2007 the Board of Zurich Financial Services authorized a share buy-back program. 3,432,500 fully paid shares, with a nominal value of CHF 0.10, were bought back at an average price of CHF 364 per share, at a total cost of USD 1 billion. A proposal to cancel these repurchased shares will be submitted to the shareholders at the Annual General Meeting on April 3, 2008.

g) Earnings per share

Table 21.4

Earnings per share

	Net income attributable to common shareholders (in USD millions)	Weighted average number of shares	Per share (USD)	Per share (CHF)[1]
2007				
Basic earnings per share	**5,580**	**142,685,268**	**39.11**	**46.88**
Effect of potentially dilutive shares related to share-based compensation plans		1,572,388	(0.43)	(0.51)
Diluted earnings per share	**5,580**	**144,257,656**	**38.68**	**46.37**
2006				
Basic earnings per share	**4,576**	**144,281,666**	**31.71**	**39.74**
Effect of potentially dilutive shares related to share-based compensation plans		814,490	(0.18)	(0.22)
Diluted earnings per share	**4,576**	**145,096,156**	**31.53**	**39.52**

[1] The translation from USD into CHF has been done for information purposes only at the Group's average exchange rates for the years ended December 31, 2007 and 2006, respectively.

Basic earnings per share is computed by dividing net income attributable to shareholders by the weighted average number of shares outstanding for the period, excluding the weighted average number of shares held as treasury shares and preferred securities. Diluted earnings per share reflects the effect of potentially dilutive shares.

22. Employee benefits

The Group had 58,220 and 52,286 employees (full-time equivalents) as of December 31, 2007 and 2006, respectively. Personnel and other related costs incurred for the year ended December 31, 2007 and 2006, were USD 4,922 million and USD 4,757 million, including wages and salaries of USD 4,181 million and USD 3,954 million, respectively.

The Group operates a number of retirement benefit arrangements for employees, the majority of whom belong to defined benefit plans. Other employees participate in defined contribution plans, which provide benefits equal to amounts contributed by both the employer and the employee plus investment returns.

The Group also operates post-employment plans, mainly in the United States, which provide employees with certain defined post-employment benefits other than pensions.

To ensure appropriate governance and oversight of the Group's pension and post-employment benefit plans, the Group Pension Committee was established during 2006 to provide oversight of the Group's benefits policy.

As described in note 1, the Group has adopted the SORIE option under IAS 19. As a result prior year numbers have been restated as appropriate.

a) Defined benefit plans

Defined benefit pension plans
Employees of the Group's operating companies are covered under various pension plans, the largest ones of which are in the UK, US, Germany and Switzerland. Certain companies run defined benefit plans, some of which provide benefits related to employee's service periods and final pensionable earnings and others provide cash balance plans, where the participants receive the benefit of annual contributions made by both employer and employee and a credit for the investment return achieved on the assets. Eligibility for participation in the various plans is either based on completion of a specified period of continuous service or from the date of commencement of employment.

Most of the Group's defined benefit pension plans are funded through contributions by the Group and, in some cases, the employee to trusts or foundations independent of the Group's finances. In these cases, the annual funding requirements are determined in accordance with local funding and actuarial cost methods. Where plans are not specifically funded, a liability for the accrued pension obligations is recognized in the Group's balance sheet.

For the defined benefit pension plans, total contributions to funded pension plans and benefit payments by the Group are currently expected to be about USD 470 million in 2008.

Other defined post-employment benefits
Certain of the Group's operating companies provide post-employment benefit programs covering medical care and/or life insurance. Eligibility in the various plans is generally based on completion of a specified period of eligible service and reaching a specified age. The programs typically pay a stated percentage of medical expenses subject to deductibles and other factors. The cost of post-employment benefits is accrued during the employees' service periods. The method of accounting and the frequency of valuations are similar to those for defined benefit pension plans.

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The tables below show the funded status of the Group's plans; this being the pension plan assets at fair value less the pension plans liability based on the present value of the obligation. Plans that are wholly unfunded are shown separately from funded plans.

Status of funded defined benefit plans

Table 22.1

in USD millions, as of December 31	Defined benefit pension plans		Other defined post-employment benefits	
	2007	2006	**2007**	2006
Present value of obligations	(13,653)	(12,190)	(66)	(70)
Fair value of plan assets	13,285	11,071	5	10
Funded status	(368)	(1,119)	(61)	(60)
Unrecognized past service cost	–	2	–	–
Cumulative impact of asset ceiling	(62)	–	–	–
Liability – funded obligations	**(430)**	**(1,117)**	**(61)**	**(60)**

Pensions are long-term by nature. However, short-term variations between long-term actuarial assumptions and actual experience may be positive or negative, resulting in actuarial gains or losses, which are recognized in full in the period in which they occur, but outside of income and presented on a separate line of the statement of recognized income and expense in shareholders' equity.

In the second quarter of 2007, the Group implemented a contractual trust arrangement to cover its defined benefit obligations in Germany. As a consequence of this transaction, the fair value of the plan assets in the funded defined benefit plans increased by USD 786 million at the time of implementation of the trust arrangement.

Status of unfunded defined benefit plans

Table 22.2

in USD millions, as of December 31	Defined benefit pension plans		Other defined post-employment benefits	
	2007	2006	**2007**	2006
Present value of obligations	(207)	(985)	(208)	(196)
Unrecognized past service cost	–	–	(2)	(1)
Liability – unfunded obligations	**(207)**	**(985)**	**(210)**	**(197)**

For several of the Group's wholly unfunded defined benefit pension plans there are assets within the Group that are designated, but not legally separated, to meet the liabilities of those plans. Consequently, in accordance with IAS 19 these are not recognized as plan assets. However, to arrive at an economic net liability for these unfunded pension plans these assets would have to be netted against the present value of obligations. The significant change from 2006 to 2007 mainly relates to the implementation of a contractual trust arrangement set up in Germany in the second quarter of 2007, which transferred the plan to a funded defined benefit pension plan.

Components of net pension expense

Table 22.3

in USD millions, for the years ended December 31	Defined benefit pension plans		Other defined post-employment benefits	
	2007	2006	**2007**	2006
Current service cost	(310)	(384)	(6)	(6)
Interest cost	(665)	(613)	(14)	(14)
Expected return on plan assets	710	575	–	1
Past service cost	(9)	(17)	–	–
Gains on curtailment or settlement	–	135	–	10
Net pension expense	**(274)**	**(304)**	**(20)**	**(9)**

Pension expense is recognized in administrative and other operating expense.

Fair value of assets held in funded defined benefit pension plans

Table 22.4

in USD millions, as of December 31	Defined benefit pension plans		Other defined post-employment benefits	
	2007	2006	**2007**	2006
Mortgage loans	383	–	–	1
Cash and cash equivalents	126	126	–	4
Short-term investments	6	2	4	–
Equity securities	4,530	6,168	–	–
Debt securities	7,404	3,821	1	5
Real estate	793	924	–	–
Other investments	43	19	–	–
Investments held by investment companies	–	11	–	–
Total	**13,285**	**11,071**	**5**	**10**

As a matter of policy, pension plan investment guidelines do not permit investment in any assets in which the Group or its subsidiaries have an interest, including shares or other financial instruments issued and real estate held for own use.

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Movement in funded and unfunded defined benefit pension plan obligation

Table 22.5
in USD millions

	Defined benefit pension plans		Other defined post-employment benefits	
	2007	2006	**2007**	2006
Benefit obligation as of January 1	(13,175)	(11,498)	(266)	(293)
Current service cost	(310)	(384)	(6)	(6)
Past service cost incl. plan amendments	(7)	(17)	2	1
Interest cost	(665)	(613)	(14)	(14)
Actuarial gain passed through SORIE	442	125	3	28
Employee contributions	(38)	–	(3)	(10)
Effect of curtailments or settlements	–	130	–	7
Benefits paid	472	425	17	19
Effect of business combinations and other transfers	(168)	(337)	–	–
Foreign currency translation effects	(411)	(1,006)	(7)	2
Benefit obligation as of December 31	**(13,860)**	**(13,175)**	**(274)**	**(266)**

Movement in fair value of plan assets – funded plans

Table 22.6
in USD millions

	Defined benefit pension plans		Other defined post-employment benefits	
	2007	2006	**2007**	2006
Fair value of plan assets as of January 1	11,071	8,597	10	13
Expected return on plan assets	710	575	–	1
Actuarial gain passed through SORIE	179	447	–	–
Employer contributions	1,329	679	1	6
Employee contributions	38	–	3	10
Benefits paid	(472)	(425)	(9)	(19)
Effect of curtailments or settlements	–	5	–	3
Effect of business combinations and other transfers	97	320	–	(4)
Foreign currency translation effects	333	873	–	–
Fair value of plan assets as of December 31	**13,285**	**11,071**	**5**	**10**

The actual returns on defined benefit pension plan assets for the years ended December 31, 2007 and 2006 were USD 889 million and USD 1,022 million, respectively. The actual returns on other defined post-employment plan assets was USD 1 million for the year ended December 31, 2006.

The summary of the balance sheet changes in relation to defined benefit plans and other defined post-employment benefits is given below.

Movement in liability for funded and unfunded plans

Table 22.7

in USD millions	Defined benefit pension plans		Other defined post-employment benefits	
	2007	2006	**2007**	2006
Liability as of January 1	(2,102)	(2,899)	(257)	(280)
Current year expense	(274)	(304)	(20)	(9)
Contributions paid	1,329	679	10	6
Change in liability due to asset ceiling	(62)	–	–	–
Actuarial gain passed through SORIE	621	572	3	28
Effect of business combinations and other transfers	(71)	(17)	–	(4)
Foreign currency translation effects	(78)	(133)	(7)	2
Liability as of December 31	**(637)**	**(2,102)**	**(271)**	**(257)**

The movements in actuarial gains and losses due to differences between actual and expected experience on the Group's plan assets and defined benefit obligations, together with the impact of changes in actuarial assumptions to reflect economic conditions at the year end are summarized below:

Actuarial gain/(loss)

Table 22.8

in USD millions	2007	2006
Actuarial loss as of January 1	(1,870)	(2,420)
Experience adjustments on plan liabilities	(114)	(375)
Experience adjustments on plan assets	179	447
Changes due to discount rate assumptions	991	–
Changes due to other actuarial assumptions	(432)	528
Asset ceiling recognition	(62)	–
Foreign currency translation effects	–	(50)
Total actuarial loss as of December 31	**(1,308)**	**(1,870)**

The principal financial assumptions used to calculate the Group's major defined benefit pension and defined post-employment benefit obligations and the Group's pension expense are as follows:

Assumptions used in determining the actuarial liabilities for major defined benefit pension plans

Table 22.9

as of December 31	**2007**			2006		
	Switzerland	**UK**	**US**	Switzerland	UK	US
Discount rate	3.7%	5.5%	6.2%	3.3%	5.3%	5.9%
Expected long-term rate of return on assets	4.1%	5.4%	7.3%	4.0%	6.2%	8.0%
Expected future salary increases	2.1%	3.7%	4.6%	1.5%	3.5%	4.4%
Expected future pension increases	1.0%	2.5%	0.3%	1.0%	2.5%	0.7%

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Assumptions used in determining the actuarial liabilities for other defined post-employment benefit plans

Table 22.10

as of December 31	2007 US	2006 US
Discount rate	6.2%	5.8%
Expected long-term rate of return on assets	3.1%	4.9%
Expected future salary increases	4.1%	4.2%
Expected increase in long-term health cost	8.5%	9.1%

The expected long-term rate of return on assets assumption is derived separately for each of the Group's benefit plans. Each major asset class is assigned an expected long-term rate of return, net of investment expenses, appropriate for the environment in which that plan is invested. The overall expected long-term rate of return on assets for a plan is calculated as the weighted average of the expected return for each asset class, weighted by the plan's target allocation to each asset class.

The assumed life expectancy in each country has been based on the most up to date mortality tables in accepted general use in that market. Where appropriate these tables make allowance for projected future improvements in life expectancy.

The actuarial assumptions of the healthcare cost trends rates have an impact on the amounts recognized. A one percentage point change in the health care cost trend rate would have the following effects on amounts recognized in 2007:

Effect of a change in the health care cost trend

Table 22.11

in USD millions	1% increase	1% decrease
Effect on total service cost and interest cost	– [1]	– [1]
Effect on benefit obligation	6	(5)

[1] below USD 1 million

b) Defined contribution pension plans

Certain of the Group's operating companies sponsor defined contribution plans. Eligibility for participation in such plans is either based on completion of a specified period of continuous service or date of commencement of employment. The plans provide for voluntary contributions by employees and contributions by the employer which typically range from 3 percent to 15 percent of annual pensionable salary, depending on the employees' years of service. The Group's contributions under these plans amounted to USD 51 million and USD 34 million in 2007 and 2006, respectively.

23. Share-based compensation and cash incentive plans

The Group has adopted various share-based compensation and cash incentive plans to attract, retain and motivate executives and employees. The plans are designed to reward employees for their contribution to the performance of the Group and to encourage employee share ownership. Share-based compensation plans include plans under which shares and options to purchase shares, based on the performance of the businesses, are awarded. Share-based plans are based on the provision of the Group's shares.

a) Cash incentive plans

Various businesses throughout the Group operate short-term incentive programs for executives, management and, in some cases, for employees of that business unit. Awards are made in cash, based on the accomplishment of both organizational and individual performance objectives. The expenses recognized for these cash incentive plans amounted to USD 365 million and USD 358 million for the years ended December 31, 2007 and 2006, respectively.

b) Share-based compensation plans for employees and executives

The Group encourages employees to own shares of Zurich Financial Services and has set up a framework based on the implementation of either share options and/or performance share programs. Actual plans are tailored to meet local market requirements.

Expenses recognized in the income statements

Table 23.1

in USD millions, for the years ended December 31	2007	2006
Total option-based expenses	49	40
Total share-based expenses	121	111
Total expenses	**170**	**151**

The explanations below give a more detailed overview of the plans of the Group.

Share option plans for UK employees

UK Sharesave Plan

The plan is open to employees in the UK. Participants enter into a savings contract with a bank for the accumulation of contributions of between GBP 5 and GBP 250 per month for a period of three or five years. An interest bonus is credited at the end of the savings period. Participants are granted options to acquire Zurich Financial Services shares at a pre-determined price, which is not less than 80 percent of the market price prior to grant. Options under the plan can normally be exercised for a period of six months after the end of the savings period. Early exercise, limited to the value of shares that can be acquired with accrued savings, is permitted in certain circumstances. There were a total of 3 and 569 participants in this plan as of December 31, 2007 and 2006, respectively. There have been no new grants under this plan since 2002.

Employee share plans

Share Incentive Plan for employees in the UK

The Group established an Inland Revenue approved Share Incentive Plan and launched the partnership shares element of this plan in 2003. This plan enables participating employees to make monthly purchases of Zurich Financial Services shares at the prevailing market price out of their gross earnings. There were 439 and 494 participants in the partnership element of the plan as of December 31, 2007 and 2006 respectively. The Group also operates the profit-sharing element of the Share Incentive Plan (reward shares) which was launched in 2004 with annual share allocations being made in May each year subject to business performance. The awards are based on the performance of the participating employee's business unit for the year, subject to a maximum award of 5 percent of participant's base salary (before any flexible benefit adjustments) or GBP 3,000. The total number of participating employees in the reward share element of the plans as of December 31, 2007 and 2006 was 6,952 and 6,620 respectively.

Share Incentive Plans for employees in Switzerland

The Employee Incentive Plan introduced for employees in Switzerland continued to operate in 2007. Under this plan, employees have the option to acquire sales-restricted shares at a 30 percent discount to the market value. The maximum permitted investment in shares is CHF 3,500 per employee. During 2007, 6,369 employees participated in the Employee Incentive Plan compared with 5,811 in 2006. For the year ended December 31, 2007, 1,929 employees received shares under the 2006 employee performance share plan. For the year ended December 31, 2006, 1,830 employees received shares under the 2005 employee performance share plan.

Share-based compensation plans for executives

The Group operates long-term incentive plans for selected executives. These plans comprise the allocation of a target number of share grants and/or share option grants with the vesting of these share and option grants being subject to the achievement of specific financial performance goals. The Group can also make restricted share grants to selected employees, which provide share awards if the individual remains employed with the Group on selected dates in the future.

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Senior Executive long-term incentive plans
Each year, Senior Executives are granted performance shares and performance options, which vest on an annual basis over the subsequent three year period. The actual level of vesting, which can be between 0 percent and 175 percent, with an additional discretion to increase vesting to a maximum of 200 percent, of the original number of shares and/or options granted, depends on the performance of the Group during the previous calendar year. The current performance metrics are the Group's return on equity (ROE) and the position of its total annual relative shareholder return measured against an international peer group of insurance companies. One-half of the shares that actually vest are sales-restricted for a further period of three years. The options have a seven year term from the date of grant. Grants under the plan are made annually each April. The actual number of performance shares and performance options granted is determined such that the economic value is a defined percentage of annual salary in the year of allocation. There were a total of 159 and 174 participants in this plan as of December 31, 2007 and 2006, respectively.

Executive long-term performance share plans
Each year, selected executives are granted performance shares which vest over a period of three years, either on an annual basis or at the end of the three year period. Specific performance parameters are established for each of the Business Divisions and include, for example, return on equity or business operating profit objectives. The actual number of performance shares granted at the beginning of the performance period is determined such that the economic value is a defined percentage of the annual salary in the year of allocation. Actual awards under these plans are made fully in shares of Zurich Financial Services, of which 50 percent are sales-restricted for a further period of three years. There were a total of 746 and 640 participants in this plan as of December 31, 2007 and 2006, respectively.

c) Further information on performance share and option plans

Table 23.2

Movements in options granted under the various equity participation plans

	Number of shares under option		Weighted average exercise price (in CHF)	
	2007	2006	**2007**	2006
Outstanding as of January 1	2,272,040	2,107,346	260	210
Options granted	702,420	706,773	317	266
Options forfeited	(75,513)	(54,004)	302	209
Options exercised	(422,451)	(330,907)	217	169
Expired during period	(89,139)	(157,168)	554	517
Outstanding as of December 31	**2,387,357**	**2,272,040**	**273**	**260**
Exercisable as of December 31	1,468,492	1,265,961	273	260

Certain plan participants elected in 2002 to take their option award in the form of Share Appreciation Rights (SAR). Included in table 23.2 and 23.3 are 61,318 and 67,801 as of December 31, 2007 and 2006, respectively, which will be settled through cash payments rather than through delivery of shares.The fair value of the SAR at grant date is determined using Black-Scholes formula. The model inputs were the same as used for calculating value of the share options.

The average share price for Zurich Financial Services shares in 2007 and 2006 was CHF 350.32 and CHF 294.63, respectively.

Table 23.3

Share options exercised during the period

	Amount	Average share price
Exercise date		
January-April, 2007	210,396	351.9
May-August, 2007	167,449	374.8
September-December, 2007	44,606	337.4

Table 23.4

Range of exercise prices of options outstanding as of December 31, 2007

in CHF	Weighted average contractual life in years	Weighted average remaining expected life in years
100 – 200	7.0	2.3
201 – 300	7.0	3.9
301 – 400	7.1	5.0
401 – 500	7.0	0.3

Table 23.5

Options and shares granted during the period

for the years ended December 31	Number		Weighted average fair value at grant date (in CHF)	
	2007	2006	**2007**	2006
Shares granted during the period	270,367	332,289	356	308
Options granted during the period [1]	702,420	706,773	68	67

[1] Number of options granted is shown as the number of shares under option granted during the period.

The shares and options granted during the period are the target allocations made under the performance option and performance share plans together with any restricted share awards granted during the year. Whether these grants become vested or not will depend on whether the performance achievements are met. The expense is adjusted when shares and options vest.

The fair value of options granted is estimated using the Black-Scholes option pricing model, with the following assumptions.

Table 23.6

Black-Scholes assumptions for fair value of options

	2007	2006
Share price, in CHF [1]	356	308
Exercise price, in CHF	356	308
Assumed volatility	25.25%	24.63%
Risk-free interest rate	2.87%	2.71%
Expected dividend rate	3.50%	2.50%
Expected option life	7 years	7 years

[1] Share price as at date of grant.

The risk-free interest rate was determined by using the seven year CHF swap rate applicable in 2007 and 2006. The implied volatility was determined based on the average of a number of several independent quotes.

24. Contingent liabilities, contractual commitments and financial guarantees

The Group has provided financial guarantees and contractual commitments to external parties, associates, partnerships and joint ventures. These arrangements include commitments under certain conditions to make liquidity advances to cover delinquent principal and interest payments, make capital contributions or provide equity financing.

Quantifiable commitments and contingencies

Table 24.1

in USD millions, as of December 31	**2007**	2006
Commitments under investment agreements	4,082	4,289
Less funded	(3,300)	(3,452)
Remaining commitments under investment agreements	782	837
Guarantees and letters of credit [1]	939	1,646
Future rent commitments	1,613	1,538
Undrawn loan commitments (capital markets and banking activities)	926	589
Other commitments and contingent liabilities	40	36

[1] Guarantee features embedded in life insurance products are not included. For such guarantee features refer to note 8 on insurance reserves.

Contractual commitments under investment agreements

The Group has committed to contribute capital to subsidiaries and third parties that engage in making investments in direct private equity, private equity funds, emerging market funds and hedge funds. Included in the remaining commitments is USD 133 million to Capital Z Investments II, L.P. and USD 61 million to Capital Z Investments, L.P. Part of these commitments may be called at any time and in any amount, based on various criteria.

Contractual commitments under lease agreements

The Group has entered into various operating leases as lessee for office space and certain computer and other equipment. Lease expenses totaled USD 203 million and USD 163 million for the years ended December 31, 2007 and 2006, respectively.

Future payments under non-cancelable operating leases with terms in excess of one year

Table 24.2

in USD millions, as of December 31, 2007	**Rental payments**
< 1 year	249
1 to 2 years	231
2 to 3 years	209
3 to 4 years	180
4 to 5 years	148
> 5 years	596
Total	**1,613**

Financial guarantees and letters of credit

The Group knows of no event of default that would require it to satisfy financial guarantees. Irrevocable letters of credit have been issued to secure certain reinsurance contracts.

Indemnity agreements

The Group, through certain of its subsidiaries, has agreed to arrangements that cap Converium's (Converium Holding AG, now Scor Holding (Switzerland) AG) net exposure for losses arising out of the September 11, 2001 event at USD 289 million. As of December 31, 2007, the Group has recorded in this respect provisions of USD 54 million.

Pledged assets

The majority of assets pledged to secure the Group's liabilities relates to debt securities pledged under short-term sale and repurchase agreements. The total amount of pledged financial assets including the securities under short-term sale and repurchase agreements amounted to USD 5,251 million and USD 6,042 million as of December 31, 2007 and December 31, 2006, respectively.

Terms and conditions associated with the financial assets pledged to secure Group's liabilities are usual and standard in the markets in which the underlying agreements were executed.

Other contingent liabilities

The Group has received notices from various tax authorities asserting deficiencies in taxes for various years. The Group is of the view that the ultimate outcome of these reviews would not materially affect the Group's consolidated financial position.

The Group has commitments to provide collateral on certain insurance contracts in the event of a credit rating downgrade.

In common with other groups writing life assurance business in the UK, the Group remains exposed to a number of Conduct of Business issues. While provisions are maintained which reflect management's best evolving estimate of the probable costs and expenses of resolving these matters, significant uncertainty regarding the ultimate cost remains. The main area of uncertainty concerns sales advice related complaints. The key assumptions used to derive the complaint provision are the volume of complaints, both those already recorded and an assumption as to the level of future complaints, the percentage of complaints which will be successful (the uphold rate), the average redress payable per complaint and the expenses of reviewing each case or complaint. The assumptions used to set the provision have been based on actual experience over the past three years weighted towards more recent experience.

In 2003, the Group completed the divestment of various asset management operations. As part of these agreements, the Group has guaranteed certain minimum levels of "assets under management" to the acquirers. The guarantees provide that if the "assets under management" fall below those defined levels under certain conditions, the Group may be required to compensate for these shortfalls.

On December 11, 2001, the Group divested its third party reinsurance business operated under the "Zurich Re" brand name by offering the shares of the newly established Converium to the public. As part of the formation of Converium and the subsequent public offering of its shares, the Group entered into various contracts with Converium and its subsidiaries, including certain Quota Share Retrocession Agreements. These Quota Share Retrocession Agreements, together with subsequent amendments, provide for the reinsurance premium to Converium to be retained by the Group on a funds withheld basis. Converium may call for payment in cash certain amounts of the funds withheld on pre-determined dates (cash call option). If Converium calls for such payments on July 1, 2008, the maximum amount that would be payable by the Group is estimated to be in the range of approximately USD 200 million to USD 230 million. The Group is currently renegotiating the cash call option.

Litigation and regulatory investigations

The Group and its subsidiaries are continuously involved in legal proceedings, claims and litigation arising, for the most part, in the ordinary course of their business operations.

In 2006, the Group settled with various US state attorneys general and state insurance regulators in connection with investigations in the US concerning certain business practices involving insurance brokers and insurance companies. In July 2006, the Group also entered into a settlement agreement to resolve consolidated class-action litigation concerning those matters. Final judgment has been entered approving the settlement, but appeals are pending. A number of individual claims not covered by the class action settlement remain pending against the Group. In addition, the Group and its subsidiaries are involved in regulatory investigations in the US, including by the Securities and Exchange Commission (SEC), regarding certain reinsurance transactions engaged in by the Group and its subsidiaries. The SEC Staff is currently formulating its recommendation for action to the SEC Commissioners. The Group continues to cooperate with all remaining regulatory investigations. Other Group subsidiaries were also involved in industry-wide legal proceedings regarding financing hedge funds engaged in mutual-fund market-timing activities. In this connection, Zurich Capital Markets, in wind-down since 2003, entered into a settlement with the SEC on May 7, 2007. Furthermore, Zurich Financial Services is a defendant in putative class-action securities lawsuits relating to its divestiture of its interest in Converium. Zurich Financial Services and the class-action plaintiffs have entered into an agreement to settle all claims against the company for USD 30 million, subject to court approval. The US federal court presiding over the litigation preliminarily approved the proposed settlement on September 4, 2007. The court is expected to hold a final hearing on the proposed settlement in the second half of 2008.

The Group believes that it is not a party to, nor are any of its subsidiaries the subject of, any unresolved current legal proceedings, claims, litigation and investigations that would have a material adverse effect on the Group's consolidated financial condition. However, it is possible that the outcome of any proceedings could have a material impact on results of operations in the particular reporting period in which it is resolved.

25. Fair value of financial assets and financial liabilities

The methods and assumptions used by the Group in estimating fair value of the financial instruments and other investments are discussed below.

Cash and cash equivalents: carrying amounts approximate fair values.

Debt and equity securities: fair values are based on quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models, discounted cash flow or other recognized valuation techniques or information from external pricing sources.

Mortgage loans: fair values of loans backed by real estate are estimated using discounted cash flow calculations based on the Group's current incremental lending rates for similar types of loans.

Other loans: fair values are estimated on the basis of discounted cash flow, pricing models, or other recognized valuation techniques.

Short-term investments: carrying amounts approximate fair values.

Investments held by investment companies: estimated fair values are determined by the investment managers and reviewed by management.

Obligation to repurchase securities: carrying amounts approximate fair value.

Derivative trading assets and liabilities: fair values are based on quoted market prices, dealer price quotations, discounted cash flow models and option pricing models.

Liabilities related to unit-linked investment contracts: fair values for financial liabilities for unit-linked contracts are determined based on the underlying fair value of the financial assets backing these liabilities.

Liabilities related to investment contracts: fair values for financial liabilities related to investment contracts are determined using discounted cash flow calculations.

Liabilities related to investment contracts with DPF: fair values of liabilities related to investment contracts with DPF are based on current economic conditions and other performance factors.

Total outstanding debt: fair values are estimated using discounted cash flow calculations based upon the Group's current incremental borrowing rates for similar types of borrowings with maturities consistent with those remaining for the debt being valued.

Fair value (FV) and carrying value of financial assets and financial liabilities

Table 25.1

in USD millions, as of December 31	Total fair value		Total carrying value	
	2007	2006	**2007**	2006
Cash and cash equivalents	16,937	23,122	16,937	23,122
Available-for-sale securities:				
Debt securities	109,733	112,128	109,733	112,128
Equity securities	14,547	13,956	14,547	13,956
Total available-for-sale securities	124,280	126,084	124,280	126,084
Securities at FV through profit or loss:				
Trading:				
Debt securities	616	547	616	547
Equity securities	2,768	2,778	2,768	2,778
Derivative assets	1,055	844	1,055	844
Designated at FV:				
Debt securities	17,883	17,025	17,883	17,025
Equity securities	101,452	92,270	101,452	92,270
Total securities at FV through profit or loss	123,774	113,464	123,774	113,464
Held-to-maturity debt securities	5,739	5,934	5,642	5,657
Loans:				
Mortgage loans	12,800	10,860	12,718	10,806
Other loans	12,545	13,206	12,938	12,636
Other Investments:				
Short-term investments	2,929	1,703	2,929	1,703
Investments held by investment companies	1,827	1,862	1,827	1,862
Other	80	79	80	79
Total financial assets	**300,911**	**296,314**	**301,125**	**295,413**
Financial liabilities at FV through profit or loss:				
Trading:				
Obligation to repurchase securities	(5,370)	(6,144)	(5,370)	(6,144)
Derivative liabilities	(276)	(415)	(276)	(415)
Designated at FV:				
Liabilities related to unit-linked investment contracts	(48,187)	(44,269)	(48,187)	(44,269)
Financial liabilities held at amortized cost:				
Liabilities related to investment contracts	(117)	(121)	(117)	(121)
Liabilities related to investment contracts with DPF	(5,789)	(6,074)	(6,182)	(6,315)
Total debt	(9,913)	(9,889)	(9,963)	(9,603)
Total financial liabilities	**(69,652)**	**(66,912)**	**(70,095)**	**(66,867)**

26. Risk management

The Group employs Enterprise Risk Management as the structured Group-wide framework for identifying, measuring, managing, reporting and responding to risks that could affect the achievement of the Group's strategic and financial objectives. The objectives of the Group's Enterprise Risk Management are to:

- Protect the capital base by ensuring that capital is deployed in the most efficient way and that risks are not taken beyond the Group's risk-taking capacity;
- Enhance value creation and contribute to an optimal risk-return profile; and
- Support the Group's decision-making process by providing reliable and timely risk information.

The Board of Directors establishes the Group's corporate risk management framework. The Risk Committee of the Board serves as a focal point for oversight regarding risk management. It reviews the Group's enterprise-wide risk governance framework, including risk management methodologies, policies, models, reporting and risk strategy. Group-wide risk management policies specify risk limits and authorities, reporting requirements, and procedures for referring risk issues to senior management. The Group regularly monitors its risks through analyses and reports, and through relevant risk modelling.

Insurance risk
Insurance risk is the inherent uncertainty as to the occurrence, amount and timing of insurance liabilities. The exposure is transferred to the Group through the underwriting process.

The Group assumes certain customer risks, and therefore must manage the transfer of risk including the establishment of limits for underwriting authority and the requirement for specific approvals for transactions involving new products or where established limits of size and complexity may be exceeded. The Group's underwriting strategy is to exploit the diversification of risks across industries and geographic regions in which the Group operates. The Group seeks to optimize shareholder value by achieving its mid-term return on equity goals. Doing so necessitates a prudent, stable underwriting philosophy that takes advantage of competitive strengths while avoiding risks with disruptive volatility. At the core of the Group's underwriting is a robust governance process. It includes strategy, establishment of goals, delegation of authorities, financial monitoring, underwriting reviews and remedial actions to facilitate continuous improvement. The Group has policies that provide the boundaries within which employees and managers carry out their underwriting duties and the Group's business.

The Group uses a variety of reserving and modeling methods to address the various insurance risks inherent in its insurance business.

As part of its overall risk management strategy, the Group cedes insurance risk through proportional, non-proportional and specific risk reinsurance treaties. The Group has centralized the management of treaty reinsurance for General Insurance. In 2007 the Group developed a concept to centralize the management of reinsurance for Life Insurance and started the implementation.

General insurance risk
General insurance risk includes the reasonable possibility of significant loss due to uncertainty in the frequency of the occurrence of the insured events as well as in the severity of the resulting claims. The following provides an overview of the risks inherent in the Group's main lines of business:

- Motor includes, but is not limited to, automobile physical damage, loss of the insured vehicle and automobile third party liability insurance;
- Property includes, but is not limited to, fire risks (e.g. fire, explosion and business interruption), natural perils (e.g. earthquake, windstorm and flood), engineering lines (e.g. boiler explosion, machinery breakdown and construction) and marine (cargo and hull);
- Liability includes, but is not limited to, general/public and product liability, excess and umbrella liability, professional indemnity, directors and officers liability and errors and omissions liability, including medical malpractice;
- Special lines include, but are not limited to, credit and surety, crime and fidelity, accident and health, and crop;
- Worker injury includes, but is not limited to, workers compensation and employers liability;

In addition to the specific risks insured, each line of business could expose the Group to losses that could arise from natural and man-made catastrophes.

The Group assesses natural catastrophe risk by modeling potential losses from its property policies located in the most hazard prone areas and adjusting for non-property related losses. These assessments principally address the risk of tornadoes, hail, windstorms, earthquake, and river floods. Man-made catastrophes include, but are not limited to, such risks as train collisions, hotel fires and terrorism. Man-made catastrophe risks present challenges for the Group to assess due to the high degree of uncertainty about what events might actually occur. The Group monitors potential exposures by analyzing certain accumulations in some geographic areas, using a number of assumptions about the potential characteristics of the threat.

The table below shows the Group's concentration of risk within the General Insurance business by region and line of business based on direct written premiums before reinsurance. The Group's exposure to general insurance risks varies significantly by geographic region and may change over time. Premiums ceded to reinsurers (including retrocessions) amounted to USD 5,345 million and USD 5,488 million for the years ended December 31, 2007 and 2006, respectively. Reinsurance programs such as catastrophe covers are managed on a global basis.

General Insurance – Direct written premiums and policy fees by line of business and by region

Table 26.1

in USD millions, for the year ended December 31, 2007	Motor	Property	Liability	Special lines	Worker injury	Total
North America	1,895	3,548	4,574	1,476	2,323	13,816
Europe	7,035	5,233	2,609	1,820	636	17,333
International Businesses [1]	1,189	1,163	231	452	15	3,050
Total	**10,119**	**9,944**	**7,414**	**3,748**	**2,974**	**34,199**

[1] Including intercompany eliminations.

General Insurance – Direct written premiums and policy fees by line of business and by region

Table 26.2

in USD millions, for the year ended December 31, 2006	Motor	Property	Liability	Special lines	Worker injury	Total
North America	1,961	3,614	4,919	1,409	2,338	14,242
Europe	6,276	4,732	2,259	1,676	628	15,571
International Businesses [1]	769	1,265	183	575	12	2,804
Total	**9,006**	**9,612**	**7,361**	**3,660**	**2,978**	**32,617**

[1] Including intercompany eliminations.

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The table below shows the sensitivity of net income before tax and the sensitivity of net assets, considering the Group actual income tax rate, against an adverse development in the net loss ratio by one percentage point. Such an increase could arise from either higher frequency of the occurrence of the insured events or from an increase in the severity of the resulting claims or from a combination of frequency and severity. The sensitivities do not indicate a probability of such an event and do not consider any non-linear effects of reinsurance. Based on the assumptions applied in the presentation of the sensitivity analysis in the table below, each additional percentage point increase in the loss ratio would lead to a linear impact on net income before tax and net assets applying the assumptions as for this table. In addition, the Group monitors insurance risk by evaluating extreme scenarios, taking also non-linear effects of reinsurance contracts into account.

Insurance risk sensitivity for the Group's General Insurance business

Table 26.3

in USD millions, for the year ended December 31, 2007	Global Corporate [1]	North America Commercial [1]	Europe General Insurance [1]	International Business [1]
+1% in net loss ratio				
Net income before tax	(48)	(96)	(130)	(24)
Net assets	(36)	(72)	(98)	(18)

[1] Parentheses around numbers represent a decrease in net income before tax and net assets.

Insurance risk sensitivity for the Group's General Insurance business

Table 26.4

in USD millions, for the year ended December 31, 2006	Global Corporate [1]	North America Commercial [1]	Europe General Insurance [1]	International Business [1]
+1% in net loss ratio				
Net income before tax	(49)	(95)	(117)	(22)
Net assets	(36)	(70)	(86)	(16)

[1] Parentheses around numbers represent a decrease in net income before tax and net assets.

Life insurance risk

The risks associated with Life insurance include, but are not limited to:

- Biometric risk, which includes adverse mortality and morbidity experience. Mortality risk can relate to either policyholders living longer than expected (longevity) or dying sooner than expected. This is because some products pay out if the person dies, other products pay regular amounts whilst the policyholder remains alive.
- Policyholder behavior risk, which includes persistency experience. Poor persistency rates may lead to fewer policies remaining on the books to help cover fixed expenses and reduce the future positive cash flows from the business written. Poor persistency can impact all types of products.
- Risk due to movements in financial markets, i.e. investment returns and interest rate risk which are managed as part of market risk.
- Risk due to adverse development of expenses.

The table below shows the Group's concentration of risk within the Global Life business by region and line of business based on direct written premiums and policy fees on a gross basis. The Group's exposure to life insurance risks varies significantly by geographic region and line of business and may change over time.

Table 26.5

Life Insurance – Direct written premiums and policy fees by line of business and by region

in USD millions, for the year ended December 31, 2007	Individual [2]	Group	Accident and health	Unit-linked [3]	Total
United States	387	–	11	271	669
Europe [4]	4,553	1,546	9	2,096	8,204
International Businesses [1]	316	78	113	143	650
Total	**5,257**	**1,624**	**133**	**2,510**	**9,523**

[1] Including intercompany eliminations.
[2] Including individual annuity and individual life policies.
[3] Including policy fees of USD 1.9 billion (United States USD 271 million, Europe USD 1.5 billion and International Businesses USD 143 million).
[4] Including fees charged to policyholders relating to the recovery of policyholder taxes, which amount to a USD 128 million credit.

Table 26.6

Life Insurance – Direct written premiums and policy fees by line of business and by region

in USD millions, for the year ended December 31, 2006	Individual [2]	Group	Accident and health	Unit-linked [3]	Total
United States	368	–	–	260	628
Europe [4]	4,612	1,822	1	2,491	8,926
International Businesses [1]	273	68	105	153	599
Total	**5,253**	**1,890**	**106**	**2,904**	**10,153**

[1] Including intercompany eliminations.
[2] Including individual annuity and individual life policies.
[3] Including policy fees of USD 2.3 billion (United States USD 256 million, Europe USD 1.9 billion and International Businesses USD 153 million).
[4] Including fees charged to policyholders relating to the recovery of policyholder taxes, which amount to a USD 320 million charge.

The main risks in each line of business are as follows:

- Individual annuity includes, but is not limited to, longevity and interest rate risks arising on personal annuity insurance contracts. Individual life includes, but is not limited to, mortality, morbidity and interest rate risks arising on personal life insurance contracts.
- Group inludes, but is not limited to, mortality, morbidity, longevity and interest rate risks arising on commercial death, disability and annuity insurance contracts.
- Accident and Health includes, but is not limited to, mortality, morbidity and interest rate risks arising on accident and health insurance contracts.
- Unit-linked includes, but is not limited to, mortality risks. However, on unit-linked products, the interest rate or equity market risk is largely passed on to the policyholder.

In addition to the specific risks listed above, all these lines of business expose the Group to lapse, surrender and expense risks.

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At a Group level certain life insurance contracts contain guarantees for which liabilities have been recorded for additional benefits and minimum guarantees, primarily in the subsidiary Kemper Investors Life Insurance Company which has written variable annuity contracts that provide annuitants with certain guarantees related to minimum death and income benefits. The determination of IFRS liabilities for these contracts is based on SOP 03-1 "Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts" and involves a range of scenarios and assumptions, including those regarding expected market rates of return and volatility, contract surrender rates, annuitization elections and mortality experience. The assumptions used are consistent with those used in determining estimated gross profits for purposes of amortizing deferred policy acquisition costs. The carrying value of these liabilities does not represent their fair value.

Refer to note 8 for additional information on reserves for insurance contracts.

The Group reports sensitivities of Life insurance contracts on Embedded Value and New Business Value to changes in economic and operating risk factors. The operating factors include, but are not limited to, discontinuance rates, expenses, mortality and morbidity. The Embedded Value methodology adopted by the Group is based on a "bottom up" market consistent approach to allow explicitly for market risks. Refer to the Embedded Value Report for more information on the sensitivities of Life insurance contracts to economic and operating risk factors.

Credit risk

Credit risk is the risk associated with a loss or potential loss from a counterparty failing to fulfill its financial obligations related to, but not limited to the investment portfolio of debt securities, reinsurance assets, loans, receivables and derivatives. To assess counterparty credit risk, the Group relies on the ratings assigned by external rating agencies, qualified third parties, such as asset managers, and internal rating assessments. The Group maintains counterparty credit risk databases, recording external and internal sources of credit intelligence.

Credit risk relating to debt securities

The Group is exposed to credit risk from third party counterparties where the Group holds securities in those entities. The table below shows the credit risk exposure on debt securities, by credit rating.

Debt securities by rating of issuer

Table 26.7

as of December 31	**2007**		2006	
	USD millions	**% of total**	USD millions	% of total
Rating				
AAA	78,073	63.1%	77,130	61.0%
AA	15,318	12.4%	17,082	13.5%
A	21,925	17.7%	24,097	19.1%
BBB	6,954	5.6%	6,857	5.4%
BB and below	549	0.4%	630	0.5%
Unrated	943	0.8%	639	0.5%
Total	**123,762**	**100.0%**	**126,435**	**100.0%**

The overall average rating of the Group's debt securities portfolio is AA+. As of December 31, 2007 the largest concentration in the Group's debt securities portfolio is in government and supranational debt securities at 40.4%. A total of USD 42,522 million or 57.7% of the non-government and non-supranational debt securities are secured. As of December 31, 2006, 39.7% of the Group's debt portfolio was invested in governments and supranationals and a total of USD 44,641 million or 58.6% of the non-government and non-supranational debt securities were secured.

In accordance with the Group's investment policy, investment grade securities comprise 98.8% of the Group's debt securities, and 63.1% are rated AAA as of December 31, 2007. As of December 31, 2006, investment grade securities comprised 99.0% of our debt securities, and 61.0% were rated AAA. US subprime mortgage-backed securities comprise USD 288 million or 0.2% of the Group investments, with the majority, 78.3%, of the positions rated AAA.

The Group's investment policy prohibits speculative grade investments, unless specifically authorized and under exceptional circumstances. The Group identifies and implements appropriate corrective action on investments expected to be downgraded to below investment grade.

Credit risk relating to reinsurance assets

The reinsurance assets include reinsurance recoverables of USD 26,977 million and USD 20,108 million as of December 31, 2007 and 2006, respectively, which are the reinsurer's share of reserves for insurance contracts, and receivables arising from ceded reinsurance of USD 1,372 million and USD 1,445 million as of December 31, 2007 and 2006, respectively. Bad debt allowances on reinsurance receivables amount to USD 239 million and USD 204 million as of December 31, 2007 and 2006, respectively.

As part of its overall risk management strategy, the Group cedes insurance risk through proportional, non-proportional and specific risk reinsurance treaties. While these cessions mitigate insurance risk, the recoverables from reinsurers and receivables arising from ceded reinsurance expose the Group to credit risk.

The Group typically cedes new business to authorized reinsurers with a minimum rating of BBB. The premiums ceded to reinsurers that are below investment grade or not rated relate mainly to former transactions, pools and captives.

Reinsurance assets in the table below are shown before taking into account the fair value of credit default swaps, bought by the Group to mitigate credit risks with some of its larger reinsurers, and other collaterals such as cash or letters of credit from banks rated at least 'A', which are easily convertible into cash and deposits received under ceded reinsurance contracts. The increase of reinsurance assets in 2007 can be attributed to the reinsurance of a portfolio of immediate pension annuities followed by a part VII transfer as disclosed in note 1. Until regulatory approval of the portfolio transfer, the corresponding assets (corporate and government bonds) are being kept in a segregated account, managed by a third-party asset manager.

The average credit quality of the reinsurance assets (including receivables, but after deduction of collateral) was 'A' as of December 31, 2007 (2006: 'A-'). For credit risk assessment purposes collateral has been taken into account at nominal value as an approximation for fair value.

Table 26.8

Reinsurance premiums ceded and reinsurance assets by rating of reinsurer

for the years ended December 31	**2007**				2006			
	Premiums ceded		**Reinsurance assets**		Premiums ceded		Reinsurance assets	
	USD millions	**% of total**	**USD millions**	**% of total**	USD millions	% of total	USD millions	% of total
Rating								
AAA	234	1.8%	542	1.9%	272	4.6%	606	2.8%
AA	9,203	69.8%	18,149	64.6%	1,817	31.4%	8,045	37.7%
A	1,796	13.5%	5,956	21.2%	1,768	30.5%	7,572	35.5%
BBB	670	5.1%	1,320	4.7%	618	10.7%	2,761	12.9%
BB	215	1.6%	461	1.6%	149	2.6%	189	0.9%
B	15	0.1%	162	0.6%	119	2.1%	221	1.0%
Unrated	1,064	8.1%	1,520	5.4%	1,051	18.1%	1,955	9.2%
Total	**13,197**	**100.0%**	**28,110** [1]	**100.0%**	**5,794**	**100.0%**	**21,349**	**100.0%**

[1] The fair value of the collaterals received amount to USD 16,702 million at December 31, 2007 and USD 8,974 million at December 31, 2006.

Credit risk relating to mortgage loans and mortgage loans given as collateral

Mortgage loans and mortgage loans given as collateral expose the Group to credit risk. The Group's mortgage loan portfolios are principally European-based with the largest portfolios in Germany, Switzerland and the UK. The portfolios' loss experience benefits positively from the diversification of having many loans within each portfolio as well as being underwritten using conservative lending criteria. Loans are secured by first mortgages only and maximum mortgage loan to property value ratios (LTV) are applied. The Group undertakes economic research on the three principal markets and closely monitors the portfolios' performance in terms of impairments and losses.

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Credit risk relating to other loans

The credit risk arising from other loans and policyholders' collateral is assessed and monitored together with the fixed income securities portfolio. 85.3% of the reported loans are to government or supranational institutions, of which the majority, 99.0%, are owed by the German Central Government or the German Federal States. The table below shows the composition of the loan portfolio by rating class. A total of USD 11,457 million or 88.6% of loans are secured as of December 31, 2007. As of December 31, 2006, a total of USD 10,965 million or 86.8% of loans were secured.

Other loans by rating of issuer

Table 26.9

as of December 31	2007		2006	
	USD millions	**% of total**	USD millions	% of total
Rating				
AAA	8,396	64.9%	7,150	56.6%
AA	2,709	21.0%	3,475	27.5%
A	7	0.0%	6	0.0%
BBB	1	0.0%	1	0.0%
Unrated	1,823	14.1%	2,002	15.9%
Total	**12,936**	**100.0%**	**12,634**	**100.0%**

Credit risk relating to receivables

The Group's credit risk exposure to receivables from third party agents, brokers and other intermediaries arises where they collect premiums from customers to be paid to the Group or pay claims to customers on behalf of the Group. Receivables from ceded reinsurance form part of the reinsurance assets and are managed accordingly. The Group has policies and standards to manage and monitor credit risk from intermediaries with a focus in day-to-day monitoring of the largest positions. As part of these standards the Group requires that intermediaries maintain segregated cash accounts for policyholder money. Additionally, the Group requires intermediaries to satisfy minimum requirements in terms of their capitalization, reputation and experience as well as providing short-dated business credit terms.

Credit risk relating to derivatives

For derivatives, such as interest rate or currency swaps, forward contracts and purchased options, the replacement value of the outstanding derivatives represents a credit risk to the Group. In addition there is a potential exposure arising from possible changes in the replacement value. The Group regularly monitors credit risk exposures arising from derivative transactions. Outstanding positions with external counterparties are managed through an approval process embedded in derivative programs.

To limit credit risk, derivative financial instruments are typically executed with counterparties rated A- or better by an external rating agency. In addition almost all derivative counterparties have a Credit Support Annex in place, which requires them to post collateral when the derivative position is beyond an agreed threshold.

Aging analysis of financial assets

The table below provides an aging analysis of financial assets.

Table 26.10

Analysis of financial assets

in USD millions, as of December 31, 2007	Debt securities – Group	Mortgage loans – Group	Mortgage loans given as collateral – Group	Other loans	Receivables [1]	Total
Neither past due nor impaired financial assets	**123,601**	**12,624**	**2,209**	**12,933**	**9,573**	**160,940**
Aging of past due but not impaired financial assets:						
1 – 90 days	–	–	–	–	1,658	1,658
91 – 180 days	–	5	–	–	172	177
181 – 365 days	–	24	5	–	144	173
over 365 days	–	78	23	–	266	367
Past due but not impaired financial assets	–	107	28	–	2,240	2,375
Financial assets impaired	**242**	**21**	**7**	**4**	**215**	**489**
Gross carrying value	**123,843**	**12,752**	**2,244**	**12,937**	**12,028**	**163,804**
Less: impairment	81	34 [2]	1	1	315 [2]	432
Net carrying value	**123,762**	**12,718**	**2,243**	**12,936**	**11,713**	**163,372**

[1] Excluding receivables arising from ceded insurance and impairments thereon.
[2] Represents allowance for impairments.

Table 26.11

Analysis of financial assets

in USD millions, as of December 31, 2006	Debt securities – Group	Mortgage loans – Group	Mortgage loans given as collateral – Group	Other loans	Receivables [1]	Total
Neither past due nor impaired financial assets	**126,420**	**10,661**	**2,394**	**12,634**	**8,506**	**160,615**
Aging of past due but not impaired financial assets:						
1 – 90 days	–	58	4	–	1,780	1,842
91 – 180 days	–	16	6	–	109	131
181 – 365 days	–	17	5	–	116	138
over 365 days	–	65	12	–	258	335
Past due but not impaired financial assets	–	156	27	–	2,263	2,446
Financial assets impaired	**28**	**11**	**7**	**1**	**181**	**228**
Gross carrying value	**126,448**	**10,828**	**2,428**	**12,635**	**10,950**	**163,289**
Less: impairment	13	22 [2]	2	1	264 [2]	302
Net carrying value	**126,435**	**10,806**	**2,426**	**12,634**	**10,686**	**162,987**

[1] Excluding receivables arising from ceded insurance and impairments thereon.
[2] Represents allowance for impairments.

Refer to note 20 for additional information on debt securities and loans and note 14 for additional information on receivables.

Credit risk concentration

The Group routinely monitors and limits credit exposures by individual counterparty and related counterparties by the aggregated exposure across the various types of credit risk. The Group's exposure from counterparties' parents companies and subsidiaries across such sources of credit risk as reinsurance assets, various types of investments, certain insurance products, derivatives and treasury instruments is then aggregated. Best estimates, based on statistics and experience, are used to assign loss-given-default percentages and loss dependency factors reflecting e.g. double default events. The aggregated exposure information is compared with the Group's limits. The limits vary based on the underlying rating category of the counterparty. There was no exposure in excess of the limits at December 31, 2007. The Group Chief Risk Officer regularly reports the largest exposures by rating category to the Risk Committee of the Board.

Market risk

The Group's exposure to market risk includes, but is not limited to, changes in interest rates, equity prices, real estate markets, and currency exchange rates, as these changes can affect the Group's net income and the value of the Group's assets and liabilities. The Group has policies and limits to manage market risk. The Group aligns its strategic asset allocation to the Group's risk-taking capacity.

The Group regularly measures and manages its market risk exposure. The Group has established limits on its concentration in investments by single issuers and certain asset classes as well as on asset/liability mismatches. The Group's Asset Liability Management and Investment Committee sets the Group's Strategic Asset Allocation, determines boundaries for tactical asset allocation and manages the Group's asset/liability exposure. The Group oversees the activities of local Asset Liability Management and Investment Committees and regularly assesses financial market risks both at a Group and at a local business level. Risk assessment includes quantification of the contributions to financial market risk from all major risk drivers.

Risk reviews include the analysis of the following aspects:

- Management of the interest rate risk per major maturity bucket;
- Efficiency of the asset allocation relative to the actual risk level; and
- Compliance of the aggregated positions with risk limits.

The economic effect of extreme market moves is routinely examined and considered when setting the asset allocation.

The Group uses derivative financial instruments to limit market risks arising from changes in foreign currency exchange rates, interest rates, equity prices and credit quality from its assets and liabilities and its commitments to third parties. The Group enters into derivative financial instruments mostly for economic hedging purposes and, in limited circumstances, the instruments may also meet the definition of an effective hedge for accounting purposes. Derivatives that are part of the effective accounting hedges include cross currency interest rate swaps in fair value hedges and cross currency swaps in cash flow hedges of its borrowings in order to mitigate its exposure to foreign currency and interest rate risk. Also included are interest rate swaps in cash flow hedges of the Group's exposure in future cash flows due to changes in interest rates associated with forecast transactions such as the purchase of debt instruments related to Life Insurance policies. Derivatives are complex financial transactions; therefore, the Group addresses the risks arising from derivatives through a stringent policy that requires approval of a derivative program before transactions are initiated, and by subsequent monitoring of open positions.

For additional information on derivative financial instruments and hedge accounting refer to note 7.

Risk from equity securities and real estate

The Group is exposed to various risks resulting from price fluctuations on equity securities, real estate and capital markets. Risks arising from equity securities and real estate could affect the Group's liquidity, reported income, net assets and regulatory capital position. The exposure to real estate includes, but is not limited to, equity real estate assets, such as direct holdings in real estate, listed real estate company shares and funds, as well as exposure through non-quoted indirect real estate, and debt real estate securities such as commercial and residential mortgages, commercial mortgage-backed securities and mezzanine debt. Also, returns on unit-linked contracts, whether classified as insurance or investment contracts, may be exposed to risks from equity and real estate, but are at the risk of policyholders. However, the Group is exposed to market movements in so far as they impact the amount of fees assessed against the policyholder.

The Group manages its risks from equity securities and real estate as part of the overall investment risk management process by applying limits as expressed in its policies and guidelines.

Refer to note 16 for additional information on equity securities and real estate held for investment.

Interest rate risk

Interest rate risk is the risk of loss resulting from changes in interest rates, including changes in the shape of yield curves. The Group's exposures to interest rate risk include, but are not limited to, interest rate risk from debt securities, reserves for insurance contracts, liabilities for investment contracts, and borrowings. Changes in interest rates affect the Group's held-to-maturity floating rate debt securities and unhedged floating rate borrowings through fluctuations in interest income and interest expense. Changes in interest rates affect the Group's held-for-trading debt securities and fair value hedged borrowings through periodic recognition of changes in their fair values through the income statement. Changes in interest rates affect the Group's available-for-sale debt securities through periodic recognition of changes in their fair values through shareholders equity.

Returns on unit-linked contracts, whether classified as insurance or investment contracts, are at the risk of the policyholder, however, the Group is exposed to fluctuations in so far as they impact the amount of fee income received.

Sensitivities analysis

The table below shows the estimated impacts on Group investments and own used real estate of a one percentage point increase in yield curves and a separate 10% decline in all stock markets after consideration of hedges in place, as of December 31, 2007 and 2006, respectively. This is in line with management's monitoring of its asset base in the markets in which the Group operates. The sensitivities of these two separate but instantaneous shocks are shown for both, net income before tax and net assets, using the Group actual income tax rate. The table excludes sensitivities on unit-linked assets, as policyholders bear the investment risk.

The sensitivity analysis is presented on the basis of IFRS and does not take into account actions that might be taken to mitigate losses, as the Group uses an active strategy to manage these risks. This strategy may involve changing the asset allocation e.g. through the selling and buying of assets.

The sensitivities show the effects of a change of certain risk factors, while other assumptions remain unchanged. The sensitivities do not consider the correlation between the volatility of risk factors. The two scenarios assume a concurrent movement of all stock markets and an unrelated parellel shift of all interest rates in different currencies.

The major markets where the Group invests are the US and Europe. The major interest rate exposures are to US dollar and euro denominated assets and liabilities. The sensitivities do not indicate a probability of such events and do not necessarily represent the Group's view of expected future market changes. Debt securities are primarily exposed to interest rate risk while equity securities are primarily exposed to equity market risk. Debt securities can also be affected by spread-widening due to changes in credit quality. Additional impairments as a result of such changes are not considered in the following analysis.

General Insurance reserves are generally not discounted, or not discounted with market rates; therefore, interest rate risks on these reserves are not considered to be significant, and thus not disclosed.

The sensitivities provided for Global Life's business in the following table are on Group investments and own used real estate only and thus exclusive of the impact on insurance liabilities. The Embedded Value Report details the sensitivity of the value of the Life business to financial market movements. In modeling these exposures, where appropriate, allowance has been made for dynamic actions that would be taken by management or by policyholders. For contracts with financial options and guarantees, such as some participating business, movements in financial markets can change the nature and value of these benefits. The dynamics of these liabilities are captured so that this exposure is quantified, monitored, managed and where appropriate, mitigated. The assumptions on policyholder behavior, such as lapses, included in the sensitivity analysis for Global Life may be different from actual behavior. Therefore, the actual impact may deviate from the analysis. Refer to the Embedded Value Report for more information.

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The table on sensitivities for the rest of the businesses include Farmers, Other Businesses and Corporate Functions. To the extent those segments include life insurance contracts, the related sensitivities are included in the Embedded Value Report.

Sensitivities for the Group's General Insurance business

Table 26.12

in USD millions, as of December 31	**2007** [1]	2006 [1]
1% increase in the interest rate yield curves		
Total investments	(2,412)	(1,542)
Net assets	(1,816)	(1,127)
Net income before tax	–	–
10% decline in stock markets		
Total investments	(534)	(349)
Net assets	(402)	(255)
Net income before tax	(2)	(1)

[1] Negative values indicate a decrease of the balance. Positive values indicate an increase of the balance.

Sensitivities for the Global Life business

Table 26.13

in USD millions, as of December 31	**2007** [1]	2006 [1]
1% increase in the interest rate yield curves		
Total investments	(3,670)	(3,637)
Net assets	(2,764)	(2,658)
Net income before tax	(272)	(384)
10% decline in stock markets		
Total investments	(590)	(637)
Net assets	(445)	(466)
Net income before tax	63	(173)

[1] Negative values indicate a decrease of the balance. Positive values indicate an increase of the balance.

Note that the positive impact on net income before tax from the equity shock on the Global Life business results from investments classified as trading. These investments include derivative positions that are held for hedging purposes. The market value of such derivative instruments can increase if equity markets fall.

Sensitivities for the rest of the businesses

Table 26.14

in USD millions, as of December 31	**2007**	
	2007 [1]	2006 [1]
1% increase in the interest rate yield curves		
Total investments	(726)	(522)
Net assets	(547)	(382)
Net income before tax	(296)	(201)
10% decline in stock markets		
Total investments	(357)	(295)
Net assets	(269)	(216)
Net income before tax	(84)	(217)

[1] Negative values indicate a decrease of the balance. Positive values indicate an increase of the balance.

Currency risk

Currency risk is the risk of loss resulting from changes in exchange rates. The Group operates internationally and therefore is exposed to the financial impact arising from changes in the exchange rates of various currencies. The Group's reporting currency is the US dollar, but its assets, liabilities, income and expenses are denominated in many currencies, with significant amounts in the euro, Swiss franc, British pound sterling, as well as the US dollar.

On local balance sheets there is the risk that a currency mismatch may lead to fluctuations in a balance sheet's accounting net asset value, either through income or directly through equity. The Group manages this risk by matching foreign currency positions on local balance sheets within prescribed limits. The Group does not take speculative positions on foreign currency market movements. Foreign currency is a centrally managed risk, with hedging coordinated at the Corporate Center. As a result, the monetary currency risk exposure is considered immaterial, as disclosed in note 3.

As the Group has chosen the US dollar as its presentation currency, differences arise when functional currencies are translated into the presentation currency.

Using constant exchange rates from one year to the next, the Group's 2007 net income attributable to shareholders would have been lower by USD 199 million (applying 2006 exchange rates to the 2007 result). In 2006 the result would have been lower by USD 21 million (applying 2005 exchange rates to the 2006 results).

The table below shows the approximate effect of an instantaneous depreciation of the US dollar compared with the euro, Swiss franc and British pound sterling, respectively, by 10% on net income before tax, net assets, reserves for insurance contracts and liabilities for investment contracts upon translation of the net assets into the presentation currency of the Group. The impact on net assets is primarily driven by currency translation adjustments. An appreciation of the US dollar would have the opposite impact. The sensitivities do not include dependencies among the currencies, but rather show isolated exchange rate movements. The effect is indicative of how the Group's financial statements would be impacted by exchange rate movements. The scenarios do not indicate a probability of such shifts and do not represent the Group's view of expected future currency exchange rate movements.

Sensitivities to exchange rate movements

Table 26.15

in USD millions, for the years ended December 31	2007			2006		
	General Insurance [1]	Global Life [1]	Rest of the businesses [1]	General Insurance [1]	Global Life [1]	Rest of the businesses [1]
Euro						
Impact on net income before tax	93	50	10	90	42	(3)
Impact on net assets	301	420	(119)	265	341	(116)
Impact on reserves for insurance contracts and liabilities for investment contracts	1,190	7,562	57	1,048	6,741	61
Swiss franc						
Impact on net income before tax	51	21	3	70	23	(46)
Impact on net assets	(201)	110	(170)	(215)	152	(105)
Impact on reserves for insurance contracts and liabilities for investment contracts	890	1,692	61	763	1,846	76
British pound sterling						
Impact on net income before tax	47	26	5	91	57	(5)
Impact on net assets	147	395	61	157	434	(12)
Impact on reserves for insurance contracts and liabilities for investment contracts	1,170	8,671	64	1,081	9,009	86

[1] Negative values indicate a decrease of the balance. Positive values indicate an increase of the balance.

Refer to note 3 for additional information on foreign currency translation and transactions.

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Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient liquid financial resources to meet its obligations when they fall due, or would have to incur excessive costs to do so. Maintaining sufficient available liquid assets to meet the Group's obligations as they fall due is an important part of the Group's financial management practice. For this purpose the Group has established Group liquidity management policies and specific guidelines as to how local businesses have to plan, manage and report their local liquidity.

At Group level, similar guidelines apply and detailed liquidity forecasts based on the local businesses' input as well as the Group's own forecasts are regularly performed. As part of its liquidity management, the Group also maintains sufficient cash and cash equivalents to meet expected out flows. In addition, the Group maintains a liquidity buffer and committed borrowing facilities as well as access to diverse funding sources to cover contingencies. A credit downgrade could impact the Group's commitments and guarantees, thus potentially increasing the Group's liquidity needs. These contingencies are also included in the Group's liquidity management. Refer to note 20 for additional information on credit facilities.

The table below provides an analysis of the maturity of reserves for insurance contracts net of reinsurance based on expected cashflows without considering the surrender values as of December 31, 2007 and 2006. Reserves for unit-linked contracts amounting to USD 70,075 million and USD 66,008 million at December 31, 2007 and 2006, respectively, are not included in the table below, as policyholder can generally surrender their contracts at any time, at which point the underlying unit-linked assets would be liquidated. Risks from the liquidation of unit-linked assets are borne by the policyholders of unit-linked contracts.

Maturity schedule of reserves for insurance contracts

Table 26.16

in USD millions, as of December 31, 2007	Reserves for losses and loss adjustment expenses, net	Future life policyholders' benefits, net	Policyholders' contract deposits and other funds, net	Total
< 1 year	15,590	6,232	1,520	23,342
1 to 5 years	23,185	18,220	2,009	43,414
6 to 10 years	8,393	16,421	1,687	26,501
11 to 20 years	5,424	14,283	2,313	22,020
> 20 years	2,120	15,871	8,182	26,173
Total	**54,712**	**71,027**	**15,711**	**141,450**

Maturity schedule of reserves for insurance contracts

Table 26.17

in USD millions, as of December 31, 2006	Reserves for losses and loss adjustment expenses, net	Future life policyholders' benefits, net	Policyholders' contract deposits and other funds, net	Total
< 1 year	15,236	6,940	1,638	23,814
1 to 5 years	20,998	18,420	2,059	41,477
6 to 10 years	7,136	15,339	1,369	23,844
11 to 20 years	5,400	13,232	1,708	20,340
> 20 years	2,043	21,086	8,903	32,032
Total	**50,813**	**75,017**	**15,677**	**141,507**

Refer to note 8 for additional information on reserves for insurance contracts.

The table below provides an analysis of the maturity of liabilities for investment contracts based on expected cash-flows as of December 31, 2007 and 2006. The policyholders of unit-linked investment contracts can generally surrender their contracts at any time at which point the underlying unit-linked assets would be liquidated. Risks from the liquidation of unit-linked assets are borne by the policyholders of unit-linked investment contracts.

Table 26.18

Maturity schedule of liabilities for investment contracts

in USD millions, as of December 31, 2007	Liabilities related to unit-linked investment contracts	Liabilities related to investment contracts (amortised cost)	Liabilities related to investment contracts with DPF	Total
< 1 year	5,550	75	273	5,898
1 to 5 years	7,063	–	1,672	8,735
6 to 10 years	8,870	2	1,106	9,978
11 to 20 years	11,323	1	1,123	12,447
> 20 years	15,381	38	2,007	17,426
Total	**48,187**	**116**	**6,181**	**54,484**

Table 26.19

Maturity schedule of liabilities for investment contracts

in USD millions, as of December 31, 2006	Liabilities related to unit-linked investment contracts	Liabilities related to investment contracts (amortised cost)	Liabilities related to investment contracts with DPF	Total
< 1 year	3,518	81	303	3,902
1 to 5 years	6,840	18	1,732	8,590
6 to 10 years	7,955	11	1,253	9,219
11 to 20 years	9,881	9	1,342	11,232
> 20 years	16,075	2	1,685	17,762
Total	**44,269**	**121**	**6,315**	**50,705**

Refer to notes 15 and 20, respectively, for information on the maturities of collateralized loans and total debt issued. The majority of the Group's other financial liabilities, listed in note 18, are due within 12 months, with the exception of USD 1,284 million and USD 667 million, with a maturity of more than 12 months, at December 31, 2007 and 2006, respectively.

The Group has entered into commitments that are disclosed in note 24. These are in addition to the liabilities shown in the table above. Parts of these commitments may be called at any time and in any amount, based on various criteria.

Effective interest rates

The table below shows the ranges for weighted average effective interest rates for selected balance sheet statement captions.

The ranges for the liabilities for investment contracts and future policyholder benefit reserves represent the weighted average of the minimum and maximum effective interest rate across the Group's Life business.

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Effective interest rates on selected assets and liabilities

Table 26.20

for the years ended December 31	2007	2006
Debt securities	4.6%	4.4%
Liabilities for investment contracts (amortized cost)	3.6-8.0%	3.6-8.0%
Future policyholders' benefits reserves	2.3-4.6%	2.3-4.8%
Debt related to capital markets and banking activities	8.3%	7.3%
Senior and subordinated debt	6.5%	6.0%

27. Capital management

The Group endeavours to ensure that all of its regulated subsidiaries meet local regulatory capital requirements at all times. Furthermore, the Group's capital management strategy is to manage efficiently the capital base and structure commensurate with our risks and growth opportunities while maximizing long-term total shareholder value using the Group's internal risk based capital model (RBC) calibrated to an 'AA' level. In addition to cash dividends, other components of the Group's capital management program may, from time to time, include share buy-backs or special dividends to optimize shareholder return. Similarly, share issuances may be used to meet capital needs including growth opportunities as they emerge.

a) Regulatory minimum capital requirements and compliance

In each country in which the Group operates the local regulator specifies the minimum amount and type of capital that each of the regulated subsidaries must hold in addition to their liabilities. The Group targets this minimum requirement plus an adequate buffer to ensure each of its regulated subsidiaries meets the local capital requirements at all times. The Group has differing requirements depending on the country in which it operates. The two main territories are Europe (both European Union (EU) and non-EU countries) and the US.

Insurance enterprises in EU member countries are required to maintain minimum solvency margins according to the existing Solvency I legislation. Solvency I capital is calculated as a fixed percentage of premiums, claims, reserves and/or net amounts at risk. The required minimum solvency margin for general insurers is the greater of 16 percent of premiums written for the year or 23 percent of a three-year average of claims incurred, subject to the first tranche (EUR 50 million) of premiums being at 18 percent and the first tranche (EUR 35 million) of claims at 26 percent. In these calculations, premiums and claims for certain liability lines are increased by 50 percent. A reduction is given for reinsurance based on reinsurance claims recoveries over three years as a percentage of gross claims in those years, limited to a maximum of 50 percent. Life insurance companies are required to maintain a minimum solvency margin generally of 4 percent of insurance reserves, but reduced to 1 percent of insurance reserves for life insurance where the credit and market risks are carried by policyholders, plus 0.3 percent of the amount at risk under insurance policies. The same minimum capital requirements are applicable for insurance enterprises operating in Switzerland. In certain European countries further requirements may apply.

In 2007 the European Commission proposed a new directive on Solvency II which will include a new solvency regime and reflects the latest developments in prudential supervision, actuarial methods and risk management. Solvency II will introduce economic risk-based solvency requirements which will be more risk-sensitive and more sophisticated and a new regime where all risks and their interactions are considered. As part of the risk management system, all insurance and reinsurance undertakings will be required to have, as an integral part of their business strategy, a regular process for assessing their overall solvency needs with reference to their specific risk profile. The Commission aims to have the new system in operation in 2012.

Some countries have already introduced, or are introducing, an economic risk-based capital assessment to be prepared by each local company of the Group and reviewed by the local regulator. In the UK this test is known as Pillar 2. In Switzerland, the new Insurance Supervisory Law (VAG) which came into effect on January 1, 2006 includes the Swiss Solvency Test (SST). Under SST, risk-bearing and target capital have to be calculated based on a risk-based capital model for groups, conglomerates, reinsurers and small companies. Groups, conglomerates and reinsurers have to use company specific internal models, which must be approved by the Federal Office of

Private Insurance (FOPI). In order to comply with future SST requirements, Zurich has continued to build on its existing internal risk based capital model (RBC) and shared it with FOPI. In 2007, Zurich conducted a field test for each Swiss legal entity as required.

In the US, required capital is determined to be the 'company action level risk based capital' based on the National Association of Insurance Commissioners risk based capital model. This is a method of measuring the minimum amount of capital approriate for an insurance company to support its overall business operations in consideration of its size and risk profile. The calculation is based on applying factors to various asset, premium, claim, expense and reserve items, with the factors determined as higher for those items with greater underlying risk and lower for less risky items.

The Group's banking operations, based in Europe, have been subject to the Basel I capital regime up to December 31, 2007, and adopted Basel II from January 1, 2008. Under Basel I, required capital is calculated as the sum of a fixed percentage of the banking operations' risk weighted assets and capital required for the impact of market risk exposures. There is a further requirement to maintain sufficient capital to support large exposures. Under Basel II, required capital is calculated on a risk based approach. As of December 31, 2007, the Group's banking operations were in compliance with applicable regulatory capital adequacy requirements and management also expects to be in compliance with Basel II requirements.

The Group endeavours to pool risk and capital as much as possible and, in so doing, benefits in regimes where diversification benefits are recognized (eg. US, UK and Switzerland).

The Group continues to be subject to Solvency I requirements based on the Swiss Insurance Supervisory Law. The Group's Solvency I as at December 31, 2007 and 2006 was as follows:

Table 27

In USD millions, as of December 31	**2007**	2006
Eligible equity		
Shareholders' equity and minority interest	29,177	26,105
Subordinated debt [1]	1,580	1,419
Deferred policy acquisition costs net of present value of profits of acquired insurance contracts	(2,614)	(2,309)
Dividends, share buy-back and nominal value reduction [2]	(3,867)	(2,306)
Goodwill and other intangible assets	(3,855)	(2,309)
Total eligible equity	**20,421**	**20,599**
Total required solvency capital	**12,498**	**11,797**
Excess margin	**7,923**	**8,802**
Solvency ratio	**163%**	**175%**

[1] Under guidelines issued by FOPI during 2007, only 25% of all subordinated debt issuances are admissible, except for the issuance by Zurich Finance (UK) p.l.c., of which 50% is admissible.
[2] Amount for dividend reflects the proposed dividend for the respective financial year, not yet approved by the Annual General Meeting. Includes amount authorized by Board of Directors for share buy-back program.

From the Group's perspective, local regulatory requirement for business operations are added to the requirement for insurance businesses. For some of the Group's holding companies, which do not have local regulatory requirements, the Group uses 8% of assets as a capital requirement.

As of December 31, 2007, the Group and all its subsidiaries were substantially in compliance with applicable regulatory capital adequacy requirements.

In conjunction with the considerations set out above, the Group seeks to maintain the balance between higher returns on equity, which may be possible with higher levels of borrowing, and the advantages and security provided by a sound capital position.

An important influence on the capital levels is the payment of dividends and share buy-backs. On February 14, 2007 the Board of Zurich Financial Services AG authorized a share buy-back program. 3,432,500 fully paid shares, with a nominal value CHF 0.10, were bought back during 2007 at an average price of CHF 364 per share, with a total cost of USD 1 billion. A proposal to cancel these repurchased shares will be submitted to the shareholders at the Annual General Meeting in 2008.

b) Dividend restrictions

Zurich Financial Services is not subject to legal restrictions on the amount of dividends it may pay to its shareholders other than under the Swiss Code of Obligations. The Swiss Code of Obligations provides that dividends may only be paid out of freely distributable reserves or retained earnings and that 5 percent of annual retained earnings must be allocated to the general legal reserve until such reserve in the aggregate has reached 20 percent of the paid-in share capital and therefore the earnings allocated to those reserves are restricted. As of December 31, 2007, the amount of the general legal reserve exceeded 20 percent of the paid-in share capital of the Group. Similarly, the company laws of many countries in which the Group's subsidiaries operate may restrict the amount of dividends payable by such subsidiaries to their parent companies.

Other than by operation of the restrictions mentioned above, the ability of the Group's subsidiaries to pay dividends may be restricted or, while dividend payments as such may be legally permitted, may be indirectly influenced by minimum capital and solvency requirements imposed by insurance, bank and other regulators in the countries in which the subsidiaries operate as well as by other limitations existing in some countries such as foreign exchange control restrictions.

In the US, restrictions on the payment of dividends that apply to insurance companies may be imposed by the insurance laws or regulations of an insurer's state of domicile. For general insurance subsidiaries, dividends are generally limited over a 12-month period to 10 percent of the previous year's policyholders' surplus or previous year's net income. For life, accident and health insurance subsidiaries, dividends are generally limited over a 12-month period to 10 percent of the previous year's policyholders' surplus or the previous year's net gain from operations. Dividends paid in excess of statutory limitations require prior approval from the Insurance Commissioner of the insurer's state of domicile.

28. Related party transactions

In the normal course of business, the Group enters into various transactions with related companies, including various reinsurance and cost-sharing arrangements. These transactions are not considered material to the Group, either individually or in aggregate. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions.

The table below sets out related party transactions reflected in the consolidated income statements and consolidated balance sheets.

Related party transactions included in the consolidated financial statements

Table 28.1

in USD millions	2007	2006
Consolidated income statements for the years ended December 31		
Net earned premiums and policy fees	9	–
Net investment income	16	89
Other expense	(3)	(4)
Losses and loss adjustment expenses	(8)	(6)
Consolidated balance sheets as of December 31		
Policyholders' collateral and other loans	15	16
Other receivables	6	6
Reserves for losses and loss adjustment expenses	(3)	(3)
Accrued liabilities	–	(2)

The table below summarizes related transactions with key personnel reflected in the consolidated financial statements. Key personnel includes Directors of Zurich Financial Services, Directors of Zurich Insurance Company and Members of the Group Executive Committee.

Related party transactions – key personnel

Table 28.2

in USD millions, for the years ended December 31	2007	2006
Remuneration of key personnel of the Group		
Cash compensation, current benefits and fees	34	30
Post-employment benefits	4	4
Share based compensation	23	16
Total remuneration of key personnel	**61**	**50**

Outstanding loans and guarantees granted to Members of the Group Executive Committee amounted to USD 1 million and USD 4 million for the years ended December 31, 2007 and 2006. No outstanding loans or guarantees were granted to the Directors of Zurich Financial Services or Zurich Insurance Company for either of the years ended December 31, 2007 and 2006. The terms "Directors" and "Members of the Group Executive Committee" in this context include the individual as well as members of their respective households. The above figures include the fees paid to members of the Board of Directors of Zurich Financial Services and Zurich Insurance Company, which were USD 3.1 million and USD 3.2 million, in 2007 and 2006 respectively.

No provision for non-repayment has been required in 2007 and 2006 for the loans or guarantees made to members of the Group Executive Committee.

Information required by art. 663b^{bis} and art. 663c paragraph 3 of the Swiss Code of Obligation is disclosed in the Finanical Statements of the Holding Company.

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29. Farmers Exchanges

Farmers Group, Inc. (FGI) and its subsidiaries provide certain non-claims related management services to the Farmers Exchanges. In addition, the Group has the following relationships with the Farmers Exchanges.

a) Surplus note and certificates of contribution issued by the Farmers Exchanges
As of December 31, 2007 and 2006, FGI and other Group companies held the following surplus note and certificates of contribution issued by the Farmers Exchanges. Originally these were purchased by FGI in order to supplement the policyholders' surplus of the Farmers Exchanges.

Table 29

Surplus Notes

in USD millions, as of December 31	**2007**	2006
6.15% surplus note, due December 2013	88	88
6.15% certificates of contribution, due December 2013	523	523
6.15% certificates of contribution, due August 2014	296	296
Various other certificates of contribution	23	23
Total	**930**	**930**

Conditions governing payment of interest and repayment of principal are outlined in the surplus note and certificates of contribution. Generally, repayment of principal may be made only when the issuer has an appropriate amount of surplus, and then only after approval is granted by the issuer's governing board and the appropriate state insurance regulatory department in the US. In addition, payment of interest may generally be made only when the issuer has an appropriate amount of surplus and then only after approval is granted by the appropriate state insurance regulatory department in the US.

b) Quota share reinsurance treaties with the Farmers Exchanges
The Farmers Exchanges cede risk through quota share reinsurance treaties to Farmers Reinsurance Company (Farmers Re), a wholly owned subsidiary of FGI, and, to Zurich Insurance Company (ZIC).

Effective January 1, 2004, Farmers Re assumes annually USD 200 million and ZIC assumes USD 800 million of gross written premiums under an Auto Physical Damage (APD) Quota Share reinsurance agreement with the Farmers Exchanges. In addition, Farmers Re and ZIC assume a quota share percentage of ultimate net losses sustained by the Farmers Exchanges in their APD lines of business. The agreement, which can be terminated after 30 days notice by any of the parties, also provides for the Farmers Exchanges to receive a ceding commission of 18.0 percent of premiums, with additional experience commissions that depend on loss experience. This experience commission arrangement limits Farmers Re and ZIC's potential underwriting gain on the assumed business to 2.5 percent of premiums assumed.

Effective January 1, 2006, the Farmers Exchanges modified the terms of the APD agreement with Farmers Re and ZIC. The new agreement provides for annual ceded premiums of USD 1 billion of gross written premiums with 20.0 percent assumed by Farmers Re and 80.0 percent assumed by ZIC, a 25.8 percent ceding commission for acquisition expenses, and an 8.2 percent ceding commission for unallocated loss adjustment expense. The agreement also includes provisions for additional experience commissions that will depend on loss experience and recoveries below a specified ratio for each year. This experience commission arrangement limits Farmers Re and ZIC's potential underwriting gain on the assumed business to 2.0 percent of premiums assumed plus 20.0 percent of the underwriting gain resulting from a combined ratio under 98.0 percent. The agreement, which can be cancelled after 90 days notice by any of the parties, has a termination date of December 31, 2008.

Effective December 31, 2004, Farmers Re and ZIC entered into a 12.0 percent All Lines Quota Share reinsurance treaty under which they each assume a percentage of all lines of business written by the Farmers Exchanges, prospectively. Under this treaty, which amended the 10.0 percent All Lines Quota Share reinsurance treaty in effect since December 31, 2002, Farmers Re and ZIC assume a 2.4 percent and 9.6 percent respective quota share of the premiums written and the ultimate net losses sustained in all lines of business written by the Farmers Exchanges after the APD reinsurance agreement has been applied. Underwriting results assumed are subject to a maximum combined ratio of 112.5 percent and a minimum combined ratio of 93.5 percent. In addition, under this treaty the Farmers Exchanges' catastrophe losses are subject to a maximum of

USD 800 million. Farmers Re and ZIC assumed USD 19 million and USD 77 million, respectively, of maximum annual catastrophe losses. This reinsurance agreement, which can be terminated after 60 days notice by any of the parties, also provides for the Farmers Exchanges to receive a provisional ceding commission of 22.0 percent of premiums for acquisition expenses, 8.8 percent of premiums for unallocated loss adjustment expenses and 5.3 percent of premiums for other expenses with additional experience commissions potentially payable depending on loss experience.

Effective December 31, 2005, the 12.0 percent All Lines agreement was amended and the quota share participation ratio was reduced to 6 percent. As a result, Farmers Re and ZIC assume a 1.2 percent and 4.8 percent respective quota share of the premiums written and the ultimate net losses sustained in all lines of business written by the Farmers Exchanges after the APD reinsurance agreement has been applied. In addition, under this treaty the Farmers Exchanges' catastrophe losses are subject to a maximum of USD 800 million. Farmers Re and ZIC may assume USD 10 million and USD 38 million, respectively, of the maximum Farmers Exchanges' catastrophe losses subject to under this treaty.

Effective December 31, 2007, the All Lines agreement was amended and the quota share participation ratio was reduced by 16.7 percent to 5.0 percent. As a result, Farmers Re and ZIC assume a 1.0 percent and 4.0 percent respective quota share of the premiums written and the ultimate net losses sustained in all lines of business written by the Farmers Exchanges after the APD reinsurance agreement has been applied. In addition, under this treaty the Farmers Exchanges' catastrophe losses were changed from USD 800 million to a maximum of USD 1 billion. Farmers Re and ZIC may assume USD 10 million and USD 40 million, respectively, of the maximum Farmers Exchanges' catastrophe losses subject to under this treaty.

For the year ended December 31, 2007, Group companies assumed USD 731 million of gross written premiums (USD 740 million in 2006) from the Farmers Exchanges under the All Lines Quota Share reinsurance agreement.

c) Other transactions between Zurich Financial Services and the Farmers Exchanges

The Farmers Exchanges have been charged by Corporate Center for various services throughout the year in the amount of less than USD 1 million.

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30. Segment information

Table 30.1

Income statements by business segment

in USD millions, for the years ended December 31

	General Insurance		Global Life	
	2007	2006	**2007**	2006
Revenues				
Direct written premiums and policy fees	34,199	32,617	9,523	10,153
Assumed written premiums	1,451	1,506	117	100
Gross written premiums and policy fees	35,650	34,123	9,640	10,254
Less premiums ceded to reinsurers [1]	(5,345)	(5,488)	(8,002)	(543)
Net written premiums and policy fees	30,305	28,635	1,638	9,710
Net change in reserves for unearned premiums	(574)	(218)	(5)	(5)
Net earned premiums and policy fees	29,731	28,417	1,633	9,706
Farmers management fees and other related revenues	–	–	–	–
Net investment result on Group investments	3,913	3,650	4,741	4,774
Net investment income on Group investments	3,662	3,203	4,226	4,104
Net capital gains/(losses) on Group investments and impairments	250	448	514	670
Net investment result on unit-linked investments	–	–	6,479	10,640
Net gain/(loss) on divestments of businesses	13	(5)	74	28
Other income	644	369	1,073	947
Total revenues	34,300	32,431	14,000	26,094
Intersegment transactions	(987)	(1,215)	(242)	(262)
Benefits, losses and expenses				
Losses and loss adjustment expenses, net of reinsurance	20,916	19,867	90	88
Life insurance death and other benefits, net of reinsurance	50	47	10,385	10,034
(Decrease)/increase in future life policyholders' benefits, net of reinsurance	–	(1)	(9,781)	(1,467)
Insurance benefits and losses, net of reinsurance [1]	20,966	19,913	694	8,655
Policyholder dividends and participation in profits, net of reinsurance	11	7	7,771	11,904
Underwriting and policy acquisition costs, net of reinsurance	5,358	4,927	1,640	1,448
Administrative and other operating expense	3,130	3,111	1,678	1,583
Amortization and impairments of intangible assets	96	88	143	114
Interest expense on debt	310	296	17	13
Interest credited to policyholders and other interest	268	211	585	583
Total benefits, losses and expenses	30,138	28,553	12,528	24,300
Net income/(loss) before income taxes	**4,162**	**3,878**	**1,472**	**1,794**
Income tax benefit/(expense) attributable to policyholders				
Income tax expense attributable to shareholders				
Net income attributable to minority interests				
Net income/(loss) attributable to shareholders				
Supplementary segment information				
Additions and capital improvements of property/equipment and intangible assets	1,026	213	343	236
Significant non-cash expenses:				
Depreciation and impairments of property and equipment	89	76	45	47
Amortization and impairments of intangible assets	96	88	143	114

[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.

Farmers Management Services		Other Businesses		Corporate Functions		Eliminations		Total	
2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
–	–	381	359	6	7	11	3	44,119	43,139
–	–	1,969	1,970	160	183	(344)	(454)	3,353	3,305
–	–	2,350	2,329	166	190	(333)	(451)	47,472	46,444
–	–	(32)	(30)	(152)	(183)	333	451	(13,197)	(5,794)
–	–	2,318	2,298	14	7	–	–	34,275	40,651
–	–	82	81	1	–	–	–	(495)	(142)
–	–	2,401	2,380	15	7	–	–	33,780	40,509
2,266	2,133	–	–	–	–	–	–	2,266	2,133
134	206	1,213	1,031	1,309	886	(1,221)	(1,113)	10,089	9,434
167	153	1,025	906	731	646	(1,221)	(1,113)	8,591	7,899
(33)	53	188	125	578	240	–	–	1,498	1,536
–	–	663	947	–	–	–	–	7,142	11,587
–	–	33	(66)	(2)	–	–	–	118	(43)
62	5	167	177	898	776	(1,075)	(893)	1,767	1,381
2,462	2,344	4,477	4,469	2,220	1,669	(2,296)	(2,006)	55,163	65,002
(52)	(29)	(329)	(204)	(686)	(296)	2,296	2,006	–	–
–	–	1,174	1,310	–	2	(25)	(37)	22,155	21,230
–	–	362	363	18	15	23	35	10,837	10,494
–	–	196	19	(32)	(69)	2	2	(9,614)	(1,517)
–	–	1,733	1,692	(14)	(52)	–	(1)	23,378	30,207
–	–	761	994	–	–	–	–	8,543	12,906
–	–	592	603	–	1	–	–	7,589	6,980
1,161	1,044	241	300	1,051	1,085	(1,047)	(860)	6,214	6,263
53	45	–	1	10	9	–	–	302	257
9	1	264	236	1,317	1,162	(1,233)	(1,100)	685	608
–	–	111	162	9	6	(16)	(45)	957	916
1,224	1,091	3,701	3,989	2,373	2,210	(2,296)	(2,006)	47,668	58,136
1,238	**1,254**	**776**	**481**	**(153)**	**(541)**	**–**	**–**	**7,495**	**6,866**
								83	(416)
								(1,870)	(1,732)
								(83)	(98)
								5,626	**4,620**
610	137	13	9	142	40	–	–	2,135	636
54	50	3	5	30	25	–	–	221	202
53	45	–	1	10	9	–	–	302	257

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Assets and liabilities by business segment

Table 30.2

in USD millions, as of December 31

	General Insurance		Global Life	
	2007	2006	**2007**	2006
Total Group Investments	84,996	78,718	95,740	101,755
Cash and cash equivalents	10,896	11,499	3,713	4,514
Equity securities	7,011	6,188	8,250	8,632
Debt securities	60,005	54,477	54,939	63,334
Real estate held for investment	2,744	2,478	4,408	4,023
Mortgage loans	1,453	1,182	9,203	8,399
Other loans	1,975	2,009	13,296	12,315
Investments in associates	24	27	134	46
Other investments	887	859	1,795	492
Investments for unit-linked contracts	–	–	106,355	98,696
Total investments [1]	84,996	78,718	202,094	200,452
Reinsurers' share of reserves for insurance contracts [1]	13,149	13,702	9,555	1,785
Deposits made under assumed reinsurance contracts	68	73	–	–
Deferred policy acquisition costs	3,306	2,959	11,547	10,113
Deferred origination costs	–	–	1,003	815
Goodwill	706	168	635	488
Other related intangible assets	–	–	780	775
Other assets [1]	15,652	14,692	8,155	8,260
Total assets after consolidation of investments in subsidiaries	**117,876**	**110,313**	**233,769**	**222,688**
Liabilities for investment contracts	–	–	54,736	50,953
Reserves for losses and loss adjustment expenses, gross	63,383	59,241	6	131
Reserves for unearned premiums, gross	15,428	14,582	157	142
Future life policyholders' benefits, gross	97	89	77,422	73,832
Policyholders' contract deposits and other funds, gross	1,024	930	14,173	14,117
Reserves for unit-linked contracts, gross	–	–	54,337	50,376
Reserves for insurance contracts, gross	79,932	74,843	146,096	138,597
Debt related to capital markets and banking activities	–	–	–	–
Senior debt	5,673	4,684	239	448
Subordinated debt	2,311	2,349	72	–
Other liabilities	16,291	18,397	20,758	21,133
Total liabilities	**104,207**	**100,273**	**221,901**	**211,131**
Supplementary segment information				
Reserves for losses and loss adjustment expenses, net	51,935	47,386	6	103
Reserves for unearned premiums, net	13,721	12,712	154	137
Future life policyholders' benefits, net	97	89	68,019	72,197
Policyholders' contract deposits and other funds, net	1,006	914	14,026	13,999
Reserves for unit-linked contracts, net	–	–	54,337	50,376
Reserves for insurance contracts, net	66,759	61,102	136,542	136,812

[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.

Farmers Management Services		Other Businesses		Corporate Functions		Eliminations		Total	
2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
2,311	3,522	18,758	18,404	18,560	18,269	(26,764)	(24,993)	193,600	195,676
264	560	4,862	3,736	8,459	8,697	(14,250)	(11,568)	13,943	17,438
–	–	2,063	2,531	1,265	988	–	–	18,589	18,339
83	1,256	7,396	7,055	1,769	1,815	(430)	(1,501)	123,762	126,435
172	182	197	200	42	39	–	–	7,563	6,921
–	–	2,095	1,255	–	–	(33)	(30)	12,718	10,806
1,714	1,450	1,999	3,256	4,872	4,782	(10,921)	(11,179)	12,936	12,634
–	–	76	76	4	4	–	–	238	153
79	75	69	296	2,151	1,944	(1,130)	(715)	3,851	2,951
–	–	15,738	15,631	–	–	–	–	122,092	114,327
2,311	3,522	34,495	34,035	18,560	18,269	(26,764)	(24,993)	315,693	310,003
207	205	6,399	7,192	107	99	(2,440)	(2,875)	26,977	20,108
–	–	1,323	1,985	2	2	(34)	(38)	1,359	2,022
–	–	89	124	–	–	(1)	1	14,941	13,197
–	–	–	–	–	–	–	–	1,003	815
385	–	–	–	5	5	–	–	1,730	660
1,024	1,024	–	–	–	–	–	–	1,804	1,799
1,337	1,356	1,380	2,056	1,793	2,664	(2,482)	(2,852)	25,836	26,176
5,266	**6,108**	**43,687**	**45,392**	**20,468**	**21,039**	**(31,721)**	**(30,757)**	**389,344**	**374,781**
–	–	–	–	–	–	(251)	(248)	54,485	50,705
–	–	6,084	7,127	114	110	(1,697)	(2,073)	67,890	64,535
–	–	381	500	43	41	(68)	(107)	15,941	15,158
–	–	3,017	2,823	415	437	(657)	(678)	80,293	76,503
–	–	3,489	3,887	–	–	–	–	18,687	18,934
–	–	15,738	15,631	–	–	–	–	70,075	66,008
–	–	28,708	29,969	572	587	(2,423)	(2,858)	252,886	241,138
–	–	3,385	3,578	–	–	(1,722)	(1,689)	1,663	1,889
–	–	622	614	18,397	17,594	(22,102)	(20,435)	2,830	2,906
180	180	99	98	5,588	4,953	(2,780)	(2,772)	5,470	4,808
1,480	2,221	5,002	6,224	1,745	2,011	(2,443)	(2,755)	42,834	47,231
1,660	**2,401**	**37,817**	**40,483**	**26,302**	**25,145**	**(31,721)**	**(30,757)**	**360,167**	**348,677**
–	–	2,733	3,288	43	44	(7)	(6)	54,712	50,814
–	–	339	418	6	8	–	–	14,221	13,275
(207)	(205)	2,698	2,493	415	437	7	6	71,028	75,018
–	–	662	746	–	–	17	17	15,711	15,676
–	–	15,738	15,631	–	–	–	–	70,075	66,008
(207)	(205)	22,169	22,576	465	488	17	17	225,745	220,790

Consolidated Financial Statements

Gross written premiums and policy fees, total revenues and total assets by geographical segment

Table 30.3

in USD millions	Gross written premiums and policy fees for the years ended December 31		Total revenues for the years ended December 31		Total assets as of December 31	
	2007	2006	**2007**	2006	**2007**	2006
North America	17,461	17,825	18,490	18,279	70,600	69,407
Europe	26,728	25,823	29,926	40,308	275,828	259,921
International Businesses	3,855	3,475	3,918	3,717	14,434	13,567
Central Region	1,295	1,276	4,457	4,057	54,237	56,518
Eliminations	(1,867)	(1,955)	(1,628)	(1,359)	(25,754)	(24,632)
Total	**47,472**	**46,444**	**55,163**	**65,002**	**389,344**	**374,781**

Additions and capital improvements of property/equipment and intangible assets by geographical segment

Table 30.4

in USD millions, for the years ended December 31	Property and equipment		Intangible assets	
	2007	2006	**2007**	2006
North America	137	89	562	98
Europe	131	141	1,125	238
International Businesses	17	18	9	4
Central Region	58	37	97	12
Total	**343**	**284**	**1,792**	**352**

Report of Group Auditors

Report of Group auditors

To the General Meeting of Zurich Financial Services, Zurich

As auditors of the Group, we have audited the consolidated financial statements (income statement, statement of total recognized income and expenses, balance sheet, statement of cash flows, statement of changes in equity and notes on pages 91 to 200) of Zurich Financial Services for the year ended December 31, 2007.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards and with the International Standards on Auditing, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

R Marshall　　M Humphreys

Auditor in charge

Zurich, February 13, 2008

Significant Subsidiaries

Significant subsidiaries

as of December 31, 2007

	Domicile	Segment[1]	Voting rights %	Ownership interest %	Nominal value of common stock (in local currency millions)	
Australia						
Zurich Australia Limited	Sydney	Life Insurance	100	100	AUD	0.5
Zurich Australian Insurance Limited	Sydney	General Insurance	100	100	AUD	6.6
Zurich Financial Services Australia Limited	Sydney	General Insurance	100	100	AUD	22.8
Austria						
Zürich Versicherungs-Aktiengesellschaft	Vienna	General Insurance	99.98	99.98	EUR	12
Bermuda						
B G Investments Ltd.	Hamilton	Corporate Functions	100	100	USD	0.3
Centre Group Holdings Limited	Hamilton	Other Businesses	100	100	USD	0.3
CMSH Limited	Hamilton	Other Businesses	100	100	USD	0.3
ZCM Holdings (Bermuda) Limited	Hamilton	Other Businesses	100	100	USD	137
ZG Investments Ltd.	Hamilton	Corporate Functions	100	100	USD	0.01
ZG Investments II Ltd.	Hamilton	Corporate Functions	100	100	USD	0.01
ZG Investments III Ltd.	Hamilton	Corporate Functions	100	100	USD	0.01
ZG Investments IV Ltd.	Hamilton	Corporate Functions	100	100	USD	0.01
Zurich International (Bermuda) Ltd.	Hamilton	Other Businesses	100	100	USD	9.9
Chile						
Chilena Consolidada Seguros de Vida S.A.	Santiago	Life Insurance	98.95	98.95	CLP	24,484.0
Cyprus						
Dalegate Ltd.[2]	Nicosia	General Insurance	100	100	CYP	0.01
Germany						
BONNSECUR GmbH & Co. Liegenschaften Deutscher Herold KG	Bonn	Life Insurance	85.02	85.02	EUR	170
DA Deutsche Allgemeine Versicherung Aktiengesellschaft	Oberursel	General Insurance	100	100	EUR	24.5
Deutscher Herold Aktiengesellschaft[3]	Bonn	Life Insurance	77.83	77.83	EUR	18.4
Zürich Beteiligungs-Aktiengesellschaft (Deutschland)	Frankfurt / Main	General Insurance	100	100	EUR	152.9
Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft	Bonn	Life Insurance	85.02	85.02	EUR	68.5
Zurich Service GmbH	Bonn	Life Insurance	100	100	EUR	3.25
Zurich Versicherung Aktiengesellschaft (Deutschland)	Frankfurt / Main	General Insurance	95.17	95.17	EUR	142.2

[1] The segments are defined in the notes to the consolidated financial statements, note 1, basis of presentation.
[2] Dalegate Ltd. holds 66% of Zurich Retail Insurance Company Ltd. in Russia (formerly OOO Nasta Insurance Company). The Group has agreed to a path to acquire the remaining 34% ownership.
[3] In addition buy out options exist which allow the minority shareholders to sell another 17.17 percent of the shares of Deutscher Herold Aktiengesellschaft to the Group.

Significant Subsidiaries

Significant subsidiaries (continued) as of December 31, 2007	Domicile	Segment	Voting rights %	Ownership interest %	Nominal value of common stock (in local currency millions)	
Ireland						
Eagle Star Life Assurance Company of Ireland Limited	Dublin	Life Insurance	100	100	EUR	17.5
Orange Stone Holdings	Dublin	Other Businesses	100	100	USD	1,609.6
Zurich Financial Services EUB Holdings Limited	Dublin	Other Businesses	100	100	GBP	0.001
Zurich Insurance Ireland Ltd.	Dublin	General Insurance	100	100	EUR	4.6
Italy						
Zurich Investments Life S.p.A.	Milan	Life Insurance	100	100	EUR	34
Zurich Life Insurance Italia S.p.A.	Milan	Life Insurance	100	100	EUR	25.9
Portugal						
Zurich – Companhia de Seguros S.A.	Lisbon	General Insurance	100	100	EUR	10
South Africa						
Zurich Insurance Company South Africa Limited [4]	Bryanston	General Insurance	73.61	73.61	ZAR	3
Spain						
Zurich España, Compañía de Seguros y Reaseguros, S.A.	Barcelona	General Insurance	99.89	99.89	EUR	33.6
Zurich Vida, Compañía de Seguros y Reaseguros, S.A. – Sociedad Unipersonal	Madrid	Life Insurance	100	100	EUR	50.4
Switzerland						
Assuricum Company Limited	Zurich	Corporate Functions	100	100	CHF	610
Genevoise, Life Insurance Company Ltd	Geneva	Life Insurance	100	100	CHF	17
Zurich Group Holding	Zurich	Corporate Functions	100	100	CHF	1,600.0
Zurich Insurance Company	Zurich	Corporate Functions	100	100	CHF	825
Zurich Life Insurance Company Ltd	Zurich	Corporate Functions	100	100	CHF	60
"Zurich" Investment Management AG	Zurich	Corporate Functions	100	100	CHF	10
United Kingdom						
Allied Dunbar Assurance p.l.c.	Swindon, England	Life Insurance	100	100	GBP	0.05
Allied Zurich Limited	Swindon, England	Corporate Functions	100	100	GBP	378.1
Eagle Star Holdings Limited	Swindon, England	Corporate Functions	100	100	GBP	0.05
Eagle Star Insurance Company Limited	Fareham, England	Other Businesses	100	100	GBP	50
Zurich Assurance Ltd	Swindon, England	Life Insurance	100	100	GBP	236.1
Zurich Employment Services Limited	Swindon, England	Life Insurance	100	100	GBP	9

[4] Listed on the Johannesburg Stock Exchange. On December 31, 2007, the company had a market capitalization of ZAR 411.5 m (ISIN Number 000006243).

Significant subsidiaries (continued)

as of 31 December 2007

	Domicile	Segment	Voting rights %	Ownership interest %	Nominal value of common stock (in local currency millions)	
Zurich Financial Services (UKISA) Limited	Swindon, England	Corporate Functions	100	100	GBP	1,492.1
Zurich International (UK) Limited	Fareham, England	General Insurance	100	100	GBP	40
Zurich International Life Limited	Douglas, Isle of Man	Life Insurance	100	100	GBP	55.6
Zurich Specialties London Limited	Fareham, England	Other Businesses	100	100	GBP	150
United States of America						
Farmers Group, Inc.	Reno, Nevada	Farmers Management Services	97.91	100	USD	0.001
Farmers New World Life Insurance Company	Mercer Island, WA	Life Insurance	97.91	100	USD	6.6
Farmers Reinsurance Company	Los Angeles, CA	Other Businesses	97.91	100	USD	5
Kemper Corporation	Schaumburg, IL	Other Businesses	100	100	USD	220
Kemper Investors Life Insurance Company	Bellevue, WA	Other Businesses	100	100	USD	2.5
ZFS Finance (USA) LLC V [5]	Wilmington, DE	Corporate Functions	100	100	USD	–
ZFUS Services, LLC [5]	Wilmington, DE	Farmers Management Services	100	100	USD	–
Zurich American Insurance Company (and subsidiaries)	New York, NY	General Insurance	100	100	USD	5
Zurich Finance (USA), Inc.	Wilmington, DE	Corporate Functions	100	100	USD	0.000001
Zurich Holding Company of America, Inc.	Dover, DE	Corporate Functions	100	100	USD	0.6

[5] This entity is a LLC that has no share capital.

Embedded Value Report

Embedded Value Report – Life Insurance

1. Overview

Zurich Financial Services Group (the Group) has reported Embedded Value (EV) in respect of the twelve months ended December 31, 2007 together with comparative figures for the twelve months ended December 31 2006 in line with the European Embedded Value Principles issued by the CFO Forum, for the companies and business reported in its Global Life segment (covered business). Certain other life businesses are included in Other Businesses segment and have been excluded from the EV. This report primarily relates to Global Life, but information relating to the Other Businesses is given in section 2.h below.

The EV methodology adopted by the Group is based on a "bottom-up" market consistent approach to allow 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 line with the European Embedded Value Principles, the EV is broken down into the following components:

- shareholders' net assets, including free surplus and required capital allocated to covered business; and
- the value of business in-force.

The adoption of the European Embedded Value Principles does not affect the basis of reporting the local statutory results, the regulatory capital position or the dividend paying capacity of the Group. EV is derived from the local statutory, regulatory and IFRS financial statements of the Group's Global Life entities and is presented net of minority interests. However new business value is shown before deduction of minorities.

EV information in this supplement includes:

- Summary of Embedded Value results;
- Geographical analysis of Embedded Value results;
- Embedded Value methodology; and,
- Embedded Value assumptions.

The process for preparing the EV information as of December 31, 2007 as well as the new business value and the analysis of movement have been subject to limited external review by PricewaterhouseCoopers AG. Their Statement of External Review is set out in section 6.

Embedded Value Report

2. Summary of Embedded Value results

a) Basis of current and future presentation and comparability

To align EV reporting with the IFRS accounts, from 2007 relevant results have been translated to the Group presentation currency, US dollar, using average exchange rates for the period. Valuations are translated at end-of-period exchange rates. A similar approach was applied to the comparative results for the period ended December 31, 2006.

From 2007, new business value has been calculated separately for each quarter using assumptions, both operating and economic, as of the start of the relevant quarter. In consequence, the new business strain has also been calculated on a quarterly discrete basis. The comparative new business results for 2006 have not been restated to this basis.

b) Embedded Value of Global Life

Embedded Value

Table 2.1

in USD millions, as of December 31	**2007**	2006[1]
Shareholders' net assets	6,982	6,224
Value of business in-force	8,953	7,868
Embedded Value	**15,935**	**14,092**

[1] Comparative 2006 figures for Switzerland have been restated. More details can be found in section 2g.

Shareholders' net assets are based on local statutory accounting. The EV is adjusted to reflect shareholders' interest in the market value of net assets after the exclusion of goodwill and other necessary actuarial adjustments.

Value of business in-force is the present value of future projected profits from covered business, and can be defined as the certainty equivalent value of business in-force less frictional costs, time value of options and guarantees, and cost of non market risk. Further details of the methodology used in the calculation of these items are given in section 4.

In the consolidated financial statements, an allowance is made for IAS19 Employee Benefits deficits. This adjustment has not been made in the detailed EV described in the remainder of the Embedded Value Report. If the adjustment had been made the EV as of December 31, 2007 would have been lower by USD 85 million at USD 15.9 billion. Similarly the EV as of December 31, 2006 would have been lower by USD 223 million at USD 13.9 billion.

Value of business in-force

Table 2.2

in USD millions, as of December 31	**2007**	2006[1]
Certainty equivalent value of business in-force	10,705	9,681
Frictional costs	(771)	(696)
Time value of options and guarantees	(476)	(529)
Cost of non market risk	(505)	(589)
Value of business in-force	**8,953**	**7,868**

[1] Comparative 2006 figures for Switzerland have been restated. More details can be found in section 2g.

A breakdown of the EV results by geographical region is set out in section 3 below. A definition of the EV components is given in section 4.

Frictional costs are applied to the total capital held by the covered business. As of December 31, 2007 total capital is the sum of:

- USD 3.7 billion of minimum solvency margin required by regulation;
- USD 1.1 billion of any additional solvency margin that life business units consider is in practice required; and,
- USD 2.2 billion of free surplus.

The sum of the first two items above is referred to as "required capital" elsewhere in this document.

c) New business

New business value is the value added by new business written, calculated at the point of sale, without any value from future new business sales.

Frictional costs are applied to the minimum solvency margin required to be held in respect of new business.

New business volumes, gross of minorities

Table 2.3

in USD millions, for the years ended December 31	2007	2006
Annual premiums	1,854	1,432
Single premiums	10,929	10,680
New business annual premium equivalent (APE)[1]	2,947	2,500
Present value of new business premiums (PVNBP)[2]	23,781	20,598

[1] APE is taken as new annual premiums plus 10% of single premiums.
[2] PVNBP is equal to new single premiums plus the present value of annual premiums.

New business margin, gross of minorities

Table 2.4

in USD millions, for the years ended December 31	2007		2006	
	after tax	before tax[1]	after tax	before tax[1]
New business value	**729**	**1,021**	**539**	**774**
New business margin (as % APE)	24.7%	34.6%	21.6%	31.0%
New business margin (as % PVNBP)	3.1%	4.3%	2.6%	3.8%

[1] In certain countries, particularly in the UK, where life insurance companies pay tax in respect of both policyholders and shareholders, the results shown in the above table are before shareholders' tax but after deducting policyholders' tax.

New business value, after tax gross of minorities

Table 2.5

in USD millions, for the years ended December 31	2007	2006
Certainty equivalent new business value	856	645
Frictional costs	(54)	(33)
Time value of options and guarantees	(2)	(23)
Cost of non market risk	(71)	(50)
New business value, after tax	**729**	**539**

EV is shown net of minority holdings. Where the Group has a majority interest in a subsidiary company, the new business value and the premium information are shown gross of minority holdings. The minorities' share of new business value mostly relates to life entities in Germany.

The new business value after tax, the annual premium equivalent and present value of new business premiums net of minority holdings are shown in the following table:

New business value, after tax net of minorities

Table 2.6

in USD millions, for the years ended December 31	2007	2006
New business value, after tax	725	514
New business annual premium equivalent (APE)	2,927	2,394
Present value of new business premiums (PVNBP)	23,603	19,647

Embedded Value Report

d) Analysis of movement in Embedded Value

The following table provides an analysis of the movement in the EV for the covered business from December 31, 2006 (opening EV) to December 31, 2007 (closing EV). The analysis is shown separately for shareholders' net assets and the value of business in-force, and includes amounts transferred between these components.

Analysis of movement in Embedded Value

Table 2.7

in USD millions, for the year ended December 31, 2007

	Shareholders' net assets [1]	Value of business in-force [1]	Total
Opening Embedded Value	6,224	7,868	14,092
Expected transfer from value of business in-force to shareholders' net assets, after tax	1,070	(1,070)	–
Expected return on in-force business and shareholders' net assets, after tax	274	615	889
New business value, after tax	(669)	1,398	729
Operating variance, after tax	412	(136)	277
Total operating profit, after tax	**1,087**	**808**	**1,895**
Economic variance, after tax	26	(109)	(83)
Embedded Value profit, after tax	1,113	699	1,811
Dividends and capital movements	(703)	52	(651)
Foreign currency translation effects	349	334	683
Closing Embedded Value after foreign currency translation effects	**6,982**	**8,953**	**15,935**

[1] Comparative 2006 figures for Switzerland have been restated. More details can be found in section 2g.

The following table provides an analysis of the components which comprise the value of business in-force.

Analysis of movement in Value of business in-force

Table 2.8

in USD millions, for the year ended December 31, 2007

	Certainty equivalent value of business in-force	Frictional costs	Time value of options and guarantees	Cost of non market risk	Value of business in-force
Opening Embedded Value	9,681	(696)	(529)	(589)	7,868
Expected transfer from value of business in-force to shareholders' net assets, after tax	(1,109)	38	0	0	(1,070)
Expected return on in-force business and shareholders' net assets, after tax	537	(6)	68	17	615
New business value, after tax	1,526	(54)	(2)	(71)	1,398
Operating variance, after tax	(443)	36	96	176	(136)
Total operating profit, after tax	**510**	**13**	**163**	**122**	**808**
Economic variance, after tax	(22)	(4)	(73)	(11)	(109)
Embedded Value profit, after tax	488	10	90	112	699
Dividends and capital movements	109	(38)	(14)	(5)	52
Foreign currency translation effects	427	(47)	(22)	(23)	334
Closing Embedded Value after foreign currency translation effects	**10,705**	**(771)**	**(476)**	**(505)**	**8,953**

Total operating profit after tax consists of the following:

- **Expected transfer from value of business in-force to shareholders' net assets, after tax** shows the profits expected to emerge during the period in respect of business that was in-force at the beginning of the period. The net effect is zero, as the reduction in value of business in-force is offset by the increase in shareholders' net assets. The expected profits do not include changes in solvency margin over the period.

- **Expected return on in-force business and shareholders' net assets, after tax** is calculated as the expected change in the EV resulting from a projection of the assets and liabilities over the period based on expected "real world" returns. Further details are given below in section 5.a "Expected return for the analysis of movement".
- **New business value, after tax** reflects the value added by new business written during the period. This item is valued at the point of sale, using the revised methodology described in section 4.g. The reduction in shareholders' net assets shown in respect of new business (i.e. new business strain) excludes the solvency margin set up in respect of new business. Including the solvency margin, new business strain during 2007 was USD 0.9 billion.
- **Operating variance, after tax** is the difference between actual experience during the period and that expected based on the operating assumptions. It also includes the impact of changes in assumptions in respect of future operating experience.

The other components of the movement in EV are:

Economic variance, after tax arises from the differences between the actual investment returns in the period and the expected investment returns based on economic assumptions as of the start of year, and allows for the change in future economic assumptions between the start and end of the period. It also includes the impact of legal, tax and regulatory changes in the period.

Dividends and capital movements reflect dividends paid by the covered business to the Group and capital received from the Group. Capital movements can also relate to value of business in-force in respect of acquisitions and disposals, or corporate restructuring.

Foreign currency translation effects represent the impact of currency movements to end-of-period exchange rates.

e) Reconciliation of IFRS net assets to Embedded Value for covered life business

Reconciliation of Global Life IFRS net assets to Embedded Value

Table 2.9

in USD billions, as of December 31	Total	
	2007	2006
Goodwill	0.6	0.5
Intangible assets [1]	3.5	2.9
Tangible assets	7.8	8.2
Global Life IFRS net assets	**11.9**	**11.6**
Adjustments to Global Life IFRS net assets for Embedded Value		
Minorities	(0.2)	(0.2)
Reserves and investments valuation differences	(0.7)	(2)
Intangible assets [1]	(3.5)	(2.9)
Goodwill	(0.6)	(0.5)
IAS 19 Employee Benefit related items	0.1	0.2
Certainty equivalent value of business in-force	10.8	9.7
Frictional costs	(0.8)	(0.7)
Time value of options and guarantees	(0.5)	(0.5)
Cost of non market risk	(0.5)	(0.6)
Embedded Value	**16.0**	**14.1**

[1] Intangible assets are defined as deferred policy acquisition and origination costs and other intangible assets less front end fees.

Embedded Value Report

f) Sensitivities
A number of sensitivities have been produced to indicate the sensitivity of the EV and the new business value to changes in certain assumptions. These are in line with the CFO Forum's Additional Guidance on European Embedded Value Disclosures issued in October 2005.

Sensitivities

Table 2.10
In USD millions

	Change in Embedded Value	Change in new business value
Actual Value	15,935	729
Economic sensitivities		
100 basis points increase in risk free yield curve	(393)	(16)
100 basis points decrease in risk free yield curve	190	10
10% fall in equity and property market values	(676)	n/a
100 basis points increase in risk discount rate	(902)	(131)
10% increase in implied volatilities for equities and properties	(189)	(26)
10% increase in implied volatilities for risk free yields	(372)	74
Operating sensitivities		
10% decrease in voluntary discontinuance rates	420	88
10% decrease in maintenance expenses	319	37
10% decrease in initial expenses and commissions	n/a	112
5% improvement in mortality and morbidity for assurances	218	25
5% improvement in mortality for annuities	(76)	(1)
Frictional costs applied to 150% of minimum solvency margin	348	(27)

The key assumption changes represented by each of these sensitivities are as follows:

Economic sensitivities
- 100 basis points increase and decrease in the risk free yield curve across all durations;
- 10% fall in equity and property market values (EV only, this is not applicable for new business);
- 100 basis points increase in the discount rates (e.g. a discount rate of 6% p.a. would increase to 7% p.a.);
- 10% increase in implied equity and property volatilities (e.g. 15% p.a. would increase to 25% p.a.);
- 10% increase in implied risk free volatilities (e.g. 15% p.a. would increase to 25% p.a.).

Operating sensitivities
- 10% decrease in voluntary discontinuance rates (e.g. a base assumption of 5% p.a. would decrease to 4.5% p.a.);
- 10% decrease in maintenance expenses (e.g. a base assumption of USD 30 p.a. would decrease to USD 27 p.a.);
- 10% decrease in initial expenses and commissions (new business values only);
- 5% improvement in mortality and morbidity assumptions for assurances (e.g. if the base mortality assumption for assurances was 90% of a particular table this would decrease to 85.5%);
- 5% improvement in mortality assumptions for annuities (e.g. if the base mortality assumption for annuities was 90% of a particular table this would decrease to 85.5%);
- Frictional costs applied to 150% of minimum solvency margin, rather than to total capital for in-force business or minimum solvency margin for new business.

In each sensitivity calculation, all other assumptions remain unchanged except where they are directly affected by the revised conditions. The results include any impact of the assumption change on the time value of options and guarantees.

The 100 bps increase in risk free yield curve reduces the value of some products, such as term assurance, with fixed cash flows which are discounted at higher rates. This reduction is partially offset by the increase in the value of other products, such as those with profit sharing, due to the higher assumed investment returns on investment of net cash flows. The former effect is particularly apparent in the US where this sensitivity leads to a decrease in value. This is only partially offset by positive effects particularly in Germany.

The sensitivity to a 1% p.a. increase in discount rates represents an increase in the discount rates used to discount projected shareholder profits, with no change to the assumed investment returns. This moves away from market consistent methodology and hence is not strictly pertinent under a market consistent approach. For stochastic modeling, the increase in discount rates applies to each year in each projected simulation.

g) Restatement of comparative 2006 figures for Switzerland

Comparative 2006 shareholders' net assets and value of business in force have been restated for Switzerland due to a model refinement to include the impact of unrealized gains on equity and property, and certain miscellaneous reserves, which were previously reported as part of the shareholders' net assets and are now included in the value of the business in force. The overall EV remains the same, with a movement of USD 952 million between the shareholders' net assets and the value of business in-force. The table below gives an overview of the previously reported and the restated comparative figures.

Embedded Value

Table 2.11
in USD millions

	2006 as previously reported	2006 restated
Shareholders' net assets	7,176	6,224
Value of business in-force	6,916	7,868
Embedded Value	**14,092**	**14,092**

Value of business in-force

Table 2.12
in USD millions

	2006 as previously reported	2006 restated
Certainty equivalent value of business in-force	8,761	9,681
Frictional costs	(728)	(696)
Time value of options and guarantees	(529)	(529)
Cost of non-market risk	(589)	(589)
Value of business in-force	**6,916**	**7,868**

h) Life business included in Other Businesses

The Group writes life business in Kemper Investors Life Insurance Company and in Centre operations, which are not managed in Global Life. The main products written by these businesses are:

- Variable annuity contracts that provide annuitants with guarantees related to minimum death and income benefits;
- Disability business; and,
- Bank owned life insurance business.

Embedded Value Report

The Group has estimated the EV of these businesses based on the same principles as the covered business, including deductions for time value of options and guarantees, frictional costs and cost of non market risks, but using more approximate models. The results are set out as follows:

Estimated Embedded Value of life businesses in Other Businesses

Table 2.13

in USD billions, as of December 31	**2007**	2006
Shareholders' net assets	1.4	1.2
Value of business in-force	0.9	0.9
Time value of options and guarantees	(0.3)	(0.3)
Cost of non market risk	(0.4)	(0.3)
Embedded Value	**1.6**	**1.5**

3. Geographical analysis of Embedded Value

EV results for 2007 and 2006 are translated from local currency using different exchange rates. The comments in this section relate to business issues only and not to movements in exchange rates.

a) Geographical analysis of Embedded Value

Geographical analysis of Embedded Value

Table 3.1
in USD millions, as of December 31, 2007

	Shareholders' net assets [1]		Value of business in-force [1]		Total	
	2007	2006	**2007**	2006	**2007**	2006
United States	645	652	1,787	1,675	2,432	2,326
United Kingdom	2,383	2,536	2,498	2,597	4,880	5,133
Germany	1,410	960	676	336	2,087	1,296
Switzerland	256	125	1,639	1,445	1,895	1,570
Rest of Europe	1,471	1,277	1,825	1,391	3,297	2,667
International Businesses	817	675	527	424	1,344	1,099
Global Life	**6,982**	**6,224**	**8,953**	**7,868**	**15,935**	**14,092**

[1] Comparative 2006 figures for Switzerland have been restated. More details can be found in section 2g.

Geographical analysis of value of business in-force – 2007

Table 3.2a
in USD millions, as of December 31, 2007

	United States	United Kingdom	Germany	Switzer-land	Rest of Europe	Inter-national Businesses	Total
Certainty equivalent value of business in-force	2,207	2,832	1,079	1,795	2,105	686	10,705
Frictional costs	(112)	(154)	(322)	(20)	(84)	(79)	(771)
Time value of options and guarantees	(163)	(94)	(39)	(81)	(90)	(9)	(476)
Cost of non market risk	(144)	(86)	(42)	(55)	(106)	(71)	(505)
Value of business in-force	**1,787**	**2,498**	**676**	**1,639**	**1,825**	**527**	**8,953**

Geographical analysis of value of business in-force – 2006

Table 3.2b
in USD millions, as of December 31, 2006

	United States	United Kingdom	Germany	Switzer-land [1]	Rest of Europe	Inter-national Businesses	Total [1]
Certainty equivalent value of business in-force	2,031	3,120	690	1,638	1,638	563	9,681
Frictional costs	(114)	(191)	(236)	(9)	(78)	(68)	(696)
Time value of options and guarantees	(127)	(84)	(88)	(136)	(86)	(7)	(529)
Cost of non market risk	(116)	(248)	(30)	(48)	(84)	(63)	(589)
Value of business in-force	**1,675**	**2,597**	**336**	**1,445**	**1,391**	**424**	**7,868**

[1] Comparative 2006 figures for Switzerland have been restated. More details can be found in section 2g.

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Frictional Costs
Frictional costs have changed between 2006 and 2007 broadly in line with shareholders' net assets and reflect changes in the economic conditions.

- In the **UK,** the level of frictional costs however reduced as a result of the reinsurance of a major part of its closed book of annuity business and a reduction in the corporate tax rate from 2008 onwards.
- In **Switzerland**, the frictional costs reduced by USD 32m due to the reclassification described in section 2g.

Time value of options and guarantees
The change in the time value of options and guarantees from 2006 to 2007 reflects the following:

- In the **US,** the increase was mainly related to the lower market yield curve in 2007, which increased the overall exposure to market risk on interest and surrender guarantees from universal life and interest sensitive deferred annuity business.
- In the **UK,** the increase was due to increased equity implied volatilities, which increased the time value of options and guarantees for unit-linked business. For with profits business, management has in place an investment matching strategy which includes the use of derivative hedging and which mitigates the time value of options and guarantees in both 2007 and 2006.
- In **Germany,** the significant reduction reflects the increase in the risk free yield curve and the reduction of interest rate implied volatilities over the period. The average interest guarantee in respect of the conventional business is similar to the 2006 level while the ten year risk free rate increased from 4.2% in 2006 to 4.7% for 2007. The time value of options and guarantees is mainly related to guaranteed minimum interest rates as well as guaranteed surrender values and annuity options.
- In **Switzerland,** the reduction follows from improved investment conditions due to the higher yield curve and lower implied volatilities. The reduction is also due to a refinement in the modeling of unrealized capital gains.
- In **Rest of Europe**, the increase due to currency translation effects is partly offset by lower implied volatilities for the Euro interest rates and an increase in the risk free rates. Most of the countries in Rest of Europe have profit sharing rules with guarantees on maturity and surrender similar to those in Germany, or in the case of Ireland, similar to those in the UK.
- In **International Businesses**, the time value of options and guarantees has increased slightly. The time value of options and guarantees relates mostly to business in Hong Kong, where the decrease in risk free rates and the increase in interest rate implied volatilities resulted in increased costs attached to the maturity guarantees provided. The unit linked and protection products written in this region have no significant time value of options and guarantees.

Cost of non market risk
The decrease in the cost of non market risk from 2006 to 2007 reflects the following:

- In the **US**, the increase is due to the revision of the persistency assumption for one of the major blocks of term assurance business.
- In the **UK**, the significant reduction is due to the removal of the longevity risk associated with the closed book of annuity business as a result of the reassurance of the major part.
- In **Germany**, higher interest rates have reduced shareholder exposure to risks such as longevity experience due to higher profit sharing.
- In **Switzerland**, the increase reflects higher volumes of business in-force.
- In **Rest of Europe**, the increase reflects higher volumes of business in-force as well as the revision of the persistency assumptions in Zurich International Solutions and Spain.
- In **International Businesses**, the increase was broadly in line with the growth of business in-force and the revision of the persistency and mortality assumptions in Hong Kong.

b) New business

Summary of new business results

New business volumes

Table 3.3

in USD millions, for the years ended December 31	Annual premiums		Single premiums		APE		PVNBP	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
United States	110	105	84	80	119	113	1,053	1,039
United Kingdom	338	253	5,883	5,668	926	820	8,087	7,192
Germany	526	466	445	968	570	563	5,292	4,970
Switzerland	70	63	336	269	104	90	989	810
Italy	43	16	763	866	119	102	1,011	951
Spain	16	20	507	610	66	81	619	744
Ireland	167	114	1,334	963	301	210	2,240	1,593
ZIS	342	231	1,115	873	453	319	2,861	2,033
Other Europe	28	26	115	120	39	38	316	314
International Businesses	215	138	347	264	249	164	1,314	951
Global Life	**1,854**	**1,432**	**10,929**	**10,680**	**2,947**	**2,500**	**23,781**	**20,598**

New business value, after tax

Table 3.4

in USD millions, for the years ended December 31	New business value, after tax		New business margin, after tax			
			as % APE		as % PVNBP	
	2007	2006	**2007**	2006	**2007**	2006
United States	108	59	90.8%	52.0%	10.2%	5.7%
United Kingdom	121	100	13.1%	12.2%	1.5%	1.4%
Germany	184	133	32.3%	23.7%	3.5%	2.7%
Switzerland	33	35	31.4%	38.8%	3.3%	4.3%
Italy	22	22	18.3%	21.2%	2.2%	2.3%
Spain	14	17	20.8%	21.1%	2.2%	2.3%
Ireland	69	49	23.0%	23.2%	3.1%	3.1%
ZIS	93	65	20.4%	20.5%	3.2%	3.2%
Other Europe	1	7	2.1%	19.7%	0.3%	2.4%
International Businesses	85	52	34.0%	31.6%	6.5%	5.5%
Global Life	**729**	**539**	**24.7%**	**21.6%**	**3.1%**	**2.6%**

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New business value, before tax[1]

Table 3.5

in USD millions, for the years ended December 31	New business value, before tax		New business margin, before tax			
			as % APE		as % PVNBP	
	2007	2006	**2007**	2006	**2007**	2006
United States	184	111	155.0%	97.8%	17.5%	10.7%
United Kingdom	174	143	18.8%	17.4%	2.2%	2.0%
Germany	292	220	51.1%	39.0%	5.5%	4.4%
Switzerland	42	46	40.9%	51.1%	4.3%	5.6%
Italy	33	33	27.3%	32.5%	3.2%	3.5%
Spain	22	26	33.3%	31.4%	3.6%	3.4%
Ireland	78	55	26.0%	26.2%	3.5%	3.5%
ZIS	93	65	20.4%	20.5%	3.2%	3.2%
Other Europe	2	8	4.4%	22.2%	0.5%	2.7%
International Businesses	101	67	40.7%	41.1%	7.7%	7.1%
Global Life	**1,021**	**774**	**34.6%**	**31.0%**	**4.3%**	**3.8%**

[1] In certain countries particularly the UK, where life insurance companies pay tax in respect of both policyholders and shareholders, the results shown in the above table are before shareholders' tax and after allowing for policyholders' tax.

Analysis of new business components

Geographical analysis of new business value, after tax 2007

Table 3.6a

in USD millions, for the year ended December 31, 2007	United States	United Kingdom	Germany	Switzerland	Rest of Europe	International Businesses	Total
Certainty equivalent new business value	138	149	194	41	228	106	856
Frictional costs	(10)	(4)	(24)	(2)	(6)	(8)	(54)
Time value of options and guarantees	(3)	(14)	20	(2)	(3)	(0)	(2)
Cost of non market risk	(18)	(9)	(6)	(5)	(20)	(13)	(71)
New business value	**108**	**121**	**184**	**33**	**198**	**85**	**729**

Geographical analysis of new business value, after tax 2006

Table 3.6b

in USD millions, for the year ended December 31, 2006	United States	United Kingdom	Germany	Switzerland	Rest of Europe	International Businesses	Total
Certainty equivalent new business value	74	142	129	49	184	67	645
Frictional costs	(2)	(1)	(17)	(2)	(5)	(7)	(33)
Time value of options and guarantees	(3)	(32)	24	(9)	(3)	(0)	(23)
Cost of non market risk	(10)	(10)	(3)	(4)	(15)	(8)	(50)
New business value	**59**	**100**	**133**	**35**	**160**	**52**	**539**

- In the **US**, the new business value increased mostly due to a restructure of the reinsurance programs for protection business. The proportion of interest sensitive business in new business is lower than for the existing business portfolio, and hence the time value of options and guarantees is small.
- In the **UK**, there was an increase in new business value, as a result of a number of initiatives to improve the profitability of new investment contracts sold. This resulted in a decrease in the time value of options and guarantees arising from death guarantees on investment contracts sold in 2007. The benefits emerging from the revision of the business model in prior years, and increased sales of high margin corporate pensions business, also added to the new business value.
- In **Germany,** there was an increase in new business value, driven by the change in economic conditions and the reduction of investment guarantees offered on new business. The new business written in 2007 has reduced the time value of options and guarantees for the business written in prior years and this produces the positive time value for new business. Improved efficiencies of the administration service companies and the reduction in the corporate tax rate from 2008 onwards increased the new business margin further.
- In **Switzerland,** there was a decrease in new business value mainly due to investments in marketing initiatives. The increase in risk free rates compared with the prior year led to a reduction in the cost of options and guarantees.
- In **Rest of Europe**, there was an increase in new business value primarily attributable to increased volumes of business sold by Zurich International Solutions and in Ireland. This was however partly offset by the impact of an increase in the risk free rates over 2007.
- In **International Businesses**, there was an increase in value as a result of profitable new business sold in Hong Kong and Chile. This business has limited financial options and guarantees.

c) Geographical analysis of movement in Embedded Value

Geographical analysis of movement in Embedded Value

Table 3.7

in USD millions, for the year ended December 31, 2007	United States	United Kingdom	Germany	Switzer-land	Rest of Europe	Inter-national Businesses
Opening Embedded Value, as previously reported	2,326	5,133	1,296	1,570	2,667	1,099
Operating profit expected from in-force business and shareholders' net assets, after tax	159	315	59	135	165	55
New business value, after tax	108	121	184	33	198	85
Operating variance, after tax	19	25	41	187	40	(34)
Total operating profit, after tax	**286**	**461**	**283**	**354**	**404**	**106**
Economic variance, after tax	(48)	(172)	95	(6)	(9)	57
Embedded Value profit, after tax	237	289	378	349	395	163
Dividends and capital movements	(131)	(613)	235	(153)	(3)	14
Foreign currency translation effects	0	71	178	130	238	67
Closing Embedded Value after foreign currency translation effects	2,432	4,880	2,087	1,895	3,297	1,344

- In the **US**, operating profit includes a significant contribution from new business value. The operating profit increased as a result of a revision to the expense projection assumptions as well as a revision of the counterparty risk allowance for re-insurance. This increase was partly offset by the revision of the persistency assumption for one of the major blocks of term assurance business. Term assurance is a significant portion of the US business and its value is sensitive to the persistency and mortality assumptions adopted. These assumptions are monitored on a regular basis to ensure they reflect the emerging experience. Economic variance reflects the reduction in the risk free rate, particularly at shorter durations, and the increase in interest rate volatilities in the US economy. This resulted in an increase in interest rate guarantees provided on historical blocks of universal life and deferred annuity business.

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- In the **UK**, operating profit includes an increase of USD 176 million due to de-risking the business through the reinsurance of a major portion of the closed book of annuity business in advance of an intended Part VII transfer of the business. This transaction enabled increased dividends to be paid. The contribution from new business value, improved measurement of death guarantees on a significant block of investment contracts, favorable mortality experience and the revision of mortality assumptions in line with the improved experience, increased operating profit. These improvements were partly offset by USD 112 million due to expenses incurred in the development of a new administration system. A revision of the persistency, expense and annuitant longevity assumptions decreased operating profit. The economic variance reflects the increase in the risk free yield curve and equity implied volatilities as well as the under-performance of the equity and property markets over the year. This was partly offset by a reduction in the corporate tax rate from 2008 onwards.
- In **Germany**, operating profit includes a significant contribution from new business value. In addition improved efficiencies from outsourcing the administration services increased shareholder value. Economic variance reflects the strong increase in the risk free yield curve and a reduction in Euro interest rate volatilities compared with 2006. The impact of a change in legislation requiring an increase in policyholders' share of statutory profits from hidden reserves is also reflected in economic variance.
- In **Switzerland**, the operating profit was increased by a refinement in the modeling of unrealized capital gains and better than expected persistency experience. The economic variance reflects the reduction in unrealized gains which was partly offset by the impact of the increase in the risk free yield curve and a reduction in interest rate volatilities.
- In **Rest of Europe**, principally Zurich International Solutions and Ireland, operating profits include a significant contribution from new business value. The operating profit was also increased by a refinement in the recognition of the clawback of initial commission payments and the level of commission in advance assets held in Zurich International Solutions, and improved mortality experience and the revision of the mortality assumptions in line with the improved experience in Spain. This was partly offset by a revision of the persistency assumptions in Zurich International Solutions and Spain. Operating profits were also partly reduced due to increased expense projection assumptions in Spain. Economic variance reflects a reduction in the market value of fixed interest assets following the increase in interest rates in the Euro zone. This was however partly offset by the growth of unit-linked funds in Zurich International Solutions and Italy, as well as a reduction of taxation in Italy.
- In **International Businesses**, operating profit includes a significant contribution from new business value in particular from Hong Kong and Chile. The revision of the persistency assumptions for Hong Kong in line with experience and an increase in the expense assumption for Australia however decreased operating profits. Economic variance reflects the increase in the risk free yield curve, particularly in Chile, during 2007.

Return on opening Embedded Value

Geographical analysis of return on opening EV – annualized

Table 3.8

in USD millions, for the year ended December 31, 2007	United States	United Kingdom	Germany	Switzer-land	Rest of Europe	Inter-national Businesses	Total
After tax operating return on opening EV	12.3%	9.0%	21.9%	22.6%	15.1%	9.6%	13.4%
Adjustments for foreign currency translation effects and dividends	–	(0.2%)	(1.9%)	(0.4%)	(0.5%)	(0.1%)	(0.3%)
Adjusted operating return on opening EV	**12.3%**	**8.8%**	**20.0%**	**22.2%**	**14.7%**	**9.5%**	**13.1%**
After tax return on opening EV	10.2%	5.6%	29.2%	22.2%	14.8%	14.8%	12.9%
Adjustments for foreign currency translation effects and dividends	–	(0.1%)	(2.5%)	(0.4%)	(0.5%)	(0.2%)	(0.3%)
Adjusted return on opening EV	**10.2%**	**5.5%**	**26.7%**	**21.8%**	**14.3%**	**14.6%**	**12.5%**
After tax expected return on opening EV	6.8%	6.1%	4.5%	8.6%	6.2%	5.0%	6.3%
Adjustments for foreign currency translation effects and dividends	–	(0.1%)	(0.4%)	(0.1%)	(0.2%)	(0.1%)	(0.2%)
Adjusted expected return on opening EV	**6.8%**	**6.0%**	**4.1%**	**8.5%**	**6.0%**	**5.0%**	**6.1%**

In **Germany** the adjustments for foreign currency translation effects and dividends line reflects a change in shareholder structure of the service companies, which has increased EV at the beginning of the year.

4. Embedded Value methodology

EV represents the shareholders' interests in the entities included in Global Life as set out in the Group's consolidated IFRS Financial Statements. EV excludes any value from future new business. The Group has adopted the methodology for its EV based on the European Embedded Value Principles issued by the CFO Forum in May 2004, selecting a "bottom-up" market consistent approach. The following sets out the principles adopted and definitions used in that approach.

a) Covered business
Covered business includes all business written by companies that are included in Global Life, in particular:

- life and critical illness insurance;
- savings business (with profit, non-profit and unit-linked);
- pensions and annuity business; and,
- long-term health and accident insurance.

For certain smaller companies, no EV has been calculated but these companies have been included in the EV at their shareholders' equity value, as calculated in accordance with IFRS. The contribution from these companies to the EV is approximately 2%.

b) Calculation of Embedded Value
EV presented in this document is derived through calculations which are performed separately for each business unit. Enhanced models to produce market consistent valuations have been developed by each of the Group's life businesses.

c) Reporting of Embedded Value
In line with the European Embedded Value Principles, the EV is broken down into the following components:

- shareholders' net assets, including free surplus and required capital; and,
- the value of business in-force.

The results are disclosed in a format that the Group considers to be appropriate for the market consistent methodology adopted.

d) Shareholders' net assets
Shareholders' net assets represent the market value of net assets held in respect of the covered business, and consist of the required capital and free surplus. The level of required capital reflects the amount of capital considered by the Directors to be appropriate to manage the business. The free surplus comprises the market value of shareholders' net assets allocated to the covered business in excess of the assets backing the required capital.

The shareholders' net assets are based on local statutory and regulatory accounting. Adjustments are made to the EV where appropriate, for example in respect of any unrealized gains attributable to shareholders. Any such adjustments are made consistently with the calculation of the value of business in-force.

e) Value of business in-force
The value of business in-force is the present value of future projected profits from the covered business, and it is defined as the certainty equivalent value of business in-force less frictional costs, time value of options and guarantees, and cost of non market risk. These components are explained below.

Certainty equivalent value is the value calculated using discount rates consistent with those applied to the underlying cash flows in the capital markets. It includes the intrinsic value but excludes the time value of options and guarantees which is allowed for separately, as described below.

Frictional costs reflect a deduction for the cost of holding shareholder capital. Under the Group's market consistent framework, these frictional costs represent tax in respect of future investment income on total available capital plus investment management costs. In Germany, they also include the policyholders' share of investment income on the capital.

The application of frictional costs to the total capital of each life business is in line with the Group's holistic approach to the EV. The tax and costs in respect of total capital will in practice have to be met, and it is appropriate therefore that this is allowed for in the EV. For the purpose of these calculations, required capital is assumed to run down in line with existing business. Free surplus is also assumed to run down in line with existing business except where there are specific plans for the earlier distribution of the free surplus.

For any life business where part of the capital requirements can be met by free assets other than shareholders' net assets, the frictional costs allow only for the amount of capital supported by shareholders.

The allowance for frictional costs is included both in the value of business in-force, and in the new business value. For new business, frictional costs are applied to the minimum solvency margin required to be held in respect of that business.

No allowance is made for "agency costs" as these are considered to be subjective and depend on the view of each shareholder.

Time value of options and guarantees represents additional costs in excess of the intrinsic value of options and guarantees which are already allowed for in the certainty equivalent value. These are based on the variability of investment returns which need to be allowed for explicitly under the European Embedded Value Principles. The time value has been calculated on a market consistent basis using stochastic modeling techniques, and making allowance for expected management and policyholder behavior.

For products with significant guarantees, the time value has been calculated on a market consistent basis by deducting the average present value of shareholder cash flows using 1,000 stochastic economic simulations from the certainty equivalent value (both for the value of business in-force and for new business value). For most products, the average value has been calculated using Monte Carlo simulations. For a small number of products, the time value of options and guarantees has been derived using closed form solutions.

Where appropriate, the calculation of the time value of options and guarantees makes allowance for:

- dynamic actions that would be taken by Management under different economic simulations, for example to implement a life business' investment strategy; and
- dynamic policyholder behavior, for example changes in surrender behavior as interest rates rise or fall, or take-up rates of guaranteed annuity options.

Cost of non market risk is an explicit additional deduction from the value of in-force business, over and above the frictional costs, reflecting an allowance for the impact on shareholder value of variability in insurance, business and operational risks.

The Group's approach to the cost of non market risk is based on a valuation of the potential impacts on shareholder value of variance in certain best estimate assumptions to allow explicitly, at product level, for insurance (mortality, longevity and morbidity), business and operational risk.

The mortality, morbidity, persistency and expense assumptions used to calculate the value of business in-force and new business value are best estimates based on recent past experience. To the extent that the impact on shareholder value of variations in experience around the best estimate is symmetrical (for example, where the loss on a 10% increase in expenses is equal and opposite to the profit on a 10% reduction), and not correlated with investment markets, no further allowance for non market risk would be required. In such circumstances, the risk is considered to be diversifiable, and financial markets do not charge a risk premium for diversifiable risks.

However, in certain cases this symmetry does not hold, and the Group considers that it is appropriate to make explicit allowance for this within the EV.

Currently, no consensus exists in the market as to the best way to allow for non market risk, and this issue will be kept under review as best practice emerges. In the meantime, the allowance made in the EV represents Management's view of an appropriate adjustment for the costs of non market risk taking into account the different risk profiles in its life businesses.

f) New business

New business covers new contracts sold during the reporting period and includes recurring single premiums; new premiums written during the period on existing contracts; and variations to premiums on existing contracts where these premiums and variations have not previously been assumed as part of business in-force. Where recurring single premiums are projected over time to derive the corresponding new business value, they are

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treated as annual premium for the volume definition. Group Life business which is valued with a renewal assumption of the contracts is treated as annual premium.

The new business is valued as at point of sale. Explicit allowance is made for frictional costs, time value of options and guarantees, and cost of non market risk. New business value is valued consistently with new business volumes.

The value generated by new business written during the period is the present value of the projected stream of after tax distributable profits from that business.

In certain profit sharing funds, the new business written can affect the time value of options and guarantees for business written in prior years, and this effect is taken into account in the new business value.

g) New business methodology enhancement
The methodology for the new business value calculation has been enhanced so that the quarterly new business is valued on a discrete basis. From 2007, new business value has been calculated separately for each quarter using assumptions, both operating and economic, as of the start of the relevant quarter. New business strain is also calculated on a quarterly discrete basis, meaning that it takes account only of cash flows during that quarter and makes no allowance for any subsequent reduction in strain during the remainder of the period. Once calculated, the new business value will not change in local currency terms. Comparative results for 2006 have not been restated for this change.

h) Asset and liability data used
For 2007, the Group has adopted a combination of approaches for obtaining the asset and liability data and for performing the EV calculations.

- The majority of the Group's EV, has been calculated using a "hard close" approach. This means that all asset as well as liability data reflect the actual position as of the valuation date.
- Spain has used asset and liability data as of November 30 with adjustments made to asset data to reflect the change in swap curves between November 30 and December 31. New business value allows for all business written to December 31.
- Germany has used initial asset and liability data as of September 30, which have been projected to December 31 allowing for expected investment performance, new business, and policy movements. Adjustments have been made to the projected data to reflect actual positions such as policyholder bonus reserves as of December 31. New business value has been adjusted to allow for all business written to December 31.

i) Market consistent discounting
The Group has adopted a "bottom-up" market consistent approach for the projection and discounting of future cash flows in the calculation of the EV. As a result, the risks inherent in the cash flows are allowed for in a way that is consistent with the way the market is expected to allow for such risks.

In principle, this method values each cash flow using a discount rate consistent with that applied to such a cash flow in the capital markets. For example, an equity cash flow is valued using an equity risk discount rate, and a bond cash flow is valued using a bond discount rate. If a higher return is assumed for equities, the equity cash flow is discounted at this higher rate.

In practice, the Group has applied a computational method known as a "risk neutral" approach. This involves projecting the assets and liabilities using a distribution of asset returns where all asset types, on average, earn the same risk free rate.

The risk free yield curve assumptions are based on the swap curve in each major currency (US dollars, Euros, British pounds sterling and Swiss francs).

For liabilities where payouts are either independent or move linearly with markets, deterministic techniques (referred to as "certainty equivalent") have been used. In such cases, the projection and discounting are based on the same risk free yield curve.

j) Economic scenario generator
For 2007, all operations have used actual yield curves observable as of December 31 for the calculation of the certainty equivalent value of business in-force.

The calculations of the time value of options and guarantees are based on stochastic simulations using an Economic Scenario Generator ("ESG") provided by Barrie & Hibbert. The outputs ("simulations") have been calibrated to conform to the economic parameters specified by the Group. The approaches used to prepare these simulations are described below.

- For all business except Spain, the simulations used for calculation of time value of options and guarantees reflect the actual yield curves observable as of December 31, 2007 and implied volatilities quoted by a number of investment banks as of December 31.
- For Spain the simulations used for calculation of time value of options and guarantees reflect the yield curves observable as of November 30 and implied volatilities quoted by a number of investment banks as of November 30.

Simulations are produced for the economies in the US, UK, Switzerland and the Euro-Zone. In each economy, risk free nominal interest rates are modeled using a LIBOR market model. The excess return on other asset classes relative to the total returns on risk free assets are then modeled using a multi-factor lognormal model. Hong Kong uses US dollar simulations as their principal liabilities are US dollar denominated. Chile uses closed form solutions rather than simulations. The other operations not mentioned above have no significant options and guarantees. Further details are set out under "Economic assumptions" in section 5.

k) Corporate Center costs
Corporate Center costs that relate to covered business have been allocated to the relevant companies and included in the projected expenses.

l) Holding companies
Holding companies that belong to Global Life have been consolidated in the EV at their local statutory net asset value. Related expenses are small and so have been excluded from the projection assumptions. Holding companies outside Global Life are not included in the EV of the covered business.

m) Consolidation adjustments
Where a reassurance arrangement exists between two life companies in Global Life, the value of the reassurance is shown in the EV of the ceding company. This has no material impact on the reported results.

EV is shown net of minority holdings. Where the Group has a majority interest in a subsidiary company, the new business value and the premium information are shown gross of minority holdings. The minorities' share of new business value is eliminated through "operating variance, after tax".

n) Debt
Where a loan exists between a company in Global Life and a Group company not within Global Life, the loan is valued for EV purposes consistently with the value shown in the Group's IFRS financial statements.

o) "Look through" principle – Service companies
There are some companies within Global Life that provide administration and distribution services. These are valued on a "look through" basis. The results do not include any Group service companies outside Global Life.

In the UK, a multi-tie distribution company (Openwork) has replaced the former tied distribution network. This is included in the EV on a "look through" basis. After allowance for certain one-off expenses, profits and losses are attributed to new business value. Certain future revenue streams, mainly renewal commissions on business sold, are discounted and contribute to the new business value and to the value of business in-force.

In Germany, the majority of distribution and administration is provided by service companies. These are valued on a "look through" basis. These companies also provide limited services to companies outside Global Life, and the present value of the profits and losses on these services are included in the EV and the new business value.

In Switzerland, an investment management company provides asset management services to external pension schemes written in foundations and other pension funds. The present value of the net asset management fees, after tax, is included in the EV and the new business value.

p) Employee pension schemes
For 2007 reporting, the Group adopted the Statement of Recognized Income and Expense (SoRIE) option under IAS 19 Employee Benefits to recognize actuarial gains and losses arising from defined benefit pension and other defined benefit post-retirement plans as a liability. The adjustment to the EV for the IAS 19 Employee Benefits

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deficits is noted in section 2.b. The actuarial and economic assumptions used for this adjustment are consistent with that used for the equivalent allowance made in the Group's Consolidated IFRS Financial Statements.

As previously reported, expense assumptions for each life business include expected pension scheme costs in respect of future service entitlements.

q) Employee share options

The costs of share options granted to employees are not included in the EV, other than to the extent that they are allowed for in the local statutory accounts upon which the shareholders' net assets are based. Further information on the costs of share options is given in the Group's IFRS financial statements.

r) Change in legislation or solvency regime.

The impacts of changes in legislation or solvency regime are included in economic variance for the purpose of the analysis of movement.

s) Conversion to Group presentation currency

To align embedded value reporting with the Group's consolidated IFRS Financial Statements, relevant results have been converted to Group presentation currency, US dollar, using average exchange rates for the period. This applies to new business value, new business volumes (APE and PVNBP) and comparative figures for 2006. This approach has also been applied to the analysis of movement. Previously these results were converted to Group presentation currency, US dollar, using start of year exchange rates. Valuations continue to be converted at end-of-period exchange rates.

5. Embedded Value assumptions

Projections of future shareholder cash flows expected to emerge from covered business are determined using best estimate operating assumptions. These assumptions, including mortality, morbidity, persistency and expenses, reflect recent experience and are actively reviewed. Allowance is made for future improvements in annuitant mortality based on experience and externally published data. Favorable changes in operating experience are not anticipated until the improvement has been observed – in particular for expenses.

Future economic assumptions, for example, investment returns and inflation, are based on period end conditions and assumed risk discount rates are consistent with these. For new business, from 2007, the future economic (and operating) assumptions are based on start of the relevant quarter assumptions.

a) Economic assumptions

Market consistent framework
The Group has adopted a computational method known as "risk neutral". With this method the key economic assumptions are:

- the risk free rates;
- the implied volatilities of different assets; and,
- the way that different asset returns are correlated with each other.

Expected asset returns in excess of the risk free rate have no bearing on the calculated EV other than the expected return for the analysis of movement.

Choice of "risk free yield curve"
The risk free yield curve is derived from mid-market swap rates applicable to each economy as of December 31, 2007. This curve was used to extract forward reinvestment yields that are used for all asset classes.

These yield curves are consistent with the assumptions used by investment banks to derive their option prices, and hence their use ensures consistency with the derivation of implied volatilities. They also have the advantage that they are available for most of the markets in which the Group operates.

The following table shows the risk free yield curves, expressed as annualized spot rates, used at various terms for the main economies covered by the EV. These have been derived from interest rate swaps, and extrapolated where necessary.

The risk free yield curves as of September 31, 2007 were derived using a similar procedure. The assumptions as of September 31, 2007 are required to determine the new business value for policies written during the fourth quarter of 2007.

Risk free yield curves – Annualized spot rates

Table 5.1

as of December 31, 2007	1 Year	2 Year	5 Year	10 Year	20 Year	40 Year
Economy						
United States	4.2%	3.8%	4.2%	4.8%	5.1%	5.1%
United Kingdom	5.7%	5.2%	5.1%	5.0%	4.7%	4.5%
Euro Zone	4.7%	4.5%	4.6%	4.7%	5.0%	4.9%
Switzerland	3.0%	2.9%	3.1%	3.4%	3.7%	3.7%

Risk free yield curves – Annualized spot rates

Table 5.2

as of September 30, 2007	1 Year	2 Year	5 Year	10 Year	20 Year	40 Year
Economy						
United States	4.9%	4.6%	4.9%	5.3%	5.5%	5.6%
United Kingdom	6.2%	5.7%	5.6%	5.4%	5.0%	4.7%
Euro Zone	4.7%	4.5%	4.5%	4.7%	4.9%	4.9%
Switzerland	3.0%	2.9%	3.2%	3.5%	3.8%	3.8%

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Domestic yield curves are also used for businesses in other countries, except Hong Kong and Argentina which use US dollar, as their liabilities are principally US dollar denominated.

Implied asset volatility
The volatility statistics shown below are based on analysis of the ESG output data, and hence show the economic projection assumptions produced by the ESG for the four main currencies.

The following table shows the annualized implied volatilities of equity indices used in the EV calculation, derived from the simulations used in the calculation. These figures are based on at-the-money-forward European options on capital indices, consistent with traded options in the market.

At-the-money-forward equity implied volatility (capital index)

Table 5.3
as of December 31, 2007

	1 Year	2 Year	5 Year	10 Year	20 Year	40 Year
Index						
United States (S&P 500)	23.0%	23.3%	24.7%	26.4%	28.6%	32.1%
United Kingdom (FTSE 100)	23.9%	25.4%	26.3%	27.5%	28.1%	29.2%
Euro Zone (Eurostoxx)	20.7%	23.4%	26.5%	27.6%	28.8%	29.3%
Switzerland (SMI)	20.5%	21.5%	22.4%	23.5%	24.2%	25.0%

At-the-money-forward equity implied volatility (capital index)

Table 5.4
as of September 30, 2007

	1 Year	2 Year	5 Year	10 Year	20 Year	40 Year
Index						
United States (S&P 500)	20.3%	22.0%	23.7%	26.1%	28.9%	32.5%
United Kingdom (FTSE 100)	21.5%	22.3%	23.8%	26.0%	26.9%	29.1%
Euro Zone (Eurostoxx)	22.8%	24.7%	26.8%	28.2%	29.5%	30.4%
Switzerland (SMI)	18.9%	20.3%	21.4%	22.6%	23.6%	24.3%

Interest volatility can be described by the implied volatility of interest rate swaptions. Swaption implied volatilities vary both by the term of the option and also the term of the underlying swap contract. The following tables show swaption implied volatilities, based on the simulations used for the EV calculation:

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

Table 5.5

as of December 31, 2007	1 year option	2 year option	5 year option	10 year option	20 year option	40 year option
US dollar						
1 year swap	24.4%	23.6%	22.4%	20.7%	16.4%	13.7%
2 year swap	23.9%	23.1%	21.9%	20.3%	16.1%	13.6%
5 year swap	22.3%	21.6%	20.6%	19.1%	15.1%	13.4%
10 year swap	20.0%	19.4%	18.7%	17.4%	13.7%	13.1%
20 year swap	17.0%	16.4%	16.0%	15.0%	11.8%	12.4%
British pound sterling						
1 year swap	16.5%	15.1%	14.6%	13.6%	12.3%	11.2%
2 year swap	16.0%	14.7%	14.3%	13.3%	12.1%	11.1%
5 year swap	14.9%	13.8%	13.5%	12.7%	11.7%	10.9%
10 year swap	13.5%	12.8%	12.6%	11.9%	11.2%	10.6%
20 year swap	12.2%	11.8%	11.7%	11.1%	10.6%	10.2%
Euro						
1 year swap	15.4%	14.8%	14.1%	13.7%	11.9%	10.5%
2 year swap	15.1%	14.5%	13.8%	13.5%	11.7%	10.4%
5 year swap	14.4%	13.8%	13.2%	12.9%	11.3%	10.1%
10 year swap	13.3%	12.8%	12.3%	12.3%	10.7%	9.7%
20 year swap	11.9%	11.5%	11.2%	11.4%	9.9%	9.1%
Swiss Franc						
1 year swap	22.0%	21.4%	19.5%	16.7%	13.1%	9.5%
2 year swap	21.2%	20.6%	18.8%	16.1%	12.6%	9.1%
5 year swap	18.9%	18.4%	16.9%	14.4%	11.4%	8.2%
10 year swap	15.9%	15.4%	14.2%	12.4%	9.7%	7.0%
20 year swap	12.0%	11.8%	11.2%	10.0%	7.6%	5.5%

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

Table 5.6

as of September 30, 2007	1 year option	2 year option	5 year option	10 year option	20 year option	40 year option
US dollar						
1 year swap	21.5%	20.4%	19.0%	17.4%	13.9%	12.8%
2 year swap	21.1%	20.0%	18.6%	17.0%	13.7%	12.6%
5 year swap	19.7%	18.7%	17.4%	15.9%	12.9%	12.1%
10 year swap	17.8%	16.9%	15.7%	14.4%	11.8%	11.4%
20 year swap	15.1%	14.4%	13.4%	12.4%	10.2%	10.4%
British pound sterling						
1 year swap	15.6%	14.6%	13.7%	12.4%	11.9%	12.0%
2 year swap	15.0%	14.1%	13.3%	12.2%	11.8%	11.9%
5 year swap	13.7%	13.0%	12.5%	11.7%	11.5%	11.6%
10 year swap	12.4%	11.9%	11.7%	11.2%	11.2%	11.3%
20 year swap	11.3%	11.1%	11.2%	11.0%	10.7%	10.7%
Euro						
1 year swap	13.5%	14.4%	13.2%	12.2%	11.4%	9.3%
2 year swap	13.3%	14.2%	13.0%	12.0%	11.2%	9.2%
5 year swap	12.7%	13.6%	12.5%	11.5%	10.8%	8.9%
10 year swap	11.9%	12.7%	11.7%	10.9%	10.2%	8.4%
20 year swap	10.7%	11.5%	10.7%	10.0%	9.2%	7.7%
Swiss Franc						
1 year swap	20.8%	20.2%	18.2%	15.9%	13.0%	9.8%
2 year swap	20.1%	19.6%	17.6%	15.4%	12.6%	9.6%
5 year swap	18.3%	17.9%	16.1%	14.1%	11.6%	8.8%
10 year swap	15.8%	15.5%	14.1%	12.5%	10.3%	7.8%
20 year swap	12.6%	12.5%	11.6%	10.4%	8.4%	6.4%

The model also makes assumptions regarding the volatility of property investments, estimated from relevant historic return data. Based on the actual simulations used, the following implied volatilities arise:

At-the-money-forward property implied volatility (capital index)

Table 5.7

as of December 31, 2007	1 Year	2 Year	5 Year	10 Year	20 Year	40 Year
Economy						
United States	15.5%	15.7%	16.1%	17.7%	20.4%	21.5%
United Kingdom	16.0%	15.5%	16.6%	16.9%	18.3%	19.3%
Euro Zone	15.2%	14.8%	15.2%	15.9%	18.5%	21.2%
Switzerland	15.0%	14.8%	15.2%	16.2%	17.4%	18.3%

At-the-money-forward property implied volatility (capital index)

Table 5.8

as of September 30, 2007	1 Year	2 Year	5 Year	10 Year	20 Year	40 Year
Economy						
United States	15.5%	15.5%	15.5%	17.1%	19.2%	22.1%
United Kingdom	16.2%	16.3%	17.6%	17.4%	17.8%	18.8%
Euro Zone	15.0%	14.8%	15.3%	15.5%	16.9%	19.9%
Switzerland	15.7%	15.5%	15.9%	16.9%	17.9%	18.9%

Inflation

Inflation assumptions have been derived from the yields on index linked bonds relative to the risk free yield curve, where index linked bonds exist. Elsewhere, a statistical approach based on past inflation has been used.

Appropriate allowance has been made for expense inflation to exceed the assumed level of price inflation as life company expenses include a large element of salary related expenses.

The following table shows price inflation assumptions for the stochastically modeled economies, derived from the simulations used in the EV:

Inflation assumptions (annualized forward inflation)

Table 5.9

as of December 31, 2007	1 Year	2 Year	5 Year	10 Year	20 Year	40 Year
Economy						
United States	2.5%	2.0%	2.2%	2.5%	2.6%	2.5%
United Kingdom	2.6%	2.3%	2.6%	3.0%	3.4%	3.8%
Euro Zone	2.4%	2.2%	2.1%	2.2%	2.3%	2.2%
Switzerland	0.9%	0.8%	0.8%	1.1%	1.6%	1.9%

Inflation assumptions (annualized forward inflation)

Table 5.10

as of September 30, 2007	1 Year	2 Year	5 Year	10 Year	20 Year	40 Year
Economy						
United States	2.1%	1.8%	2.1%	2.4%	2.6%	2.6%
United Kingdom	3.4%	2.9%	2.9%	3.1%	3.3%	3.9%
Euro Zone	1.9%	1.9%	2.0%	2.2%	2.2%	2.0%
Switzerland	1.0%	0.8%	0.9%	1.1%	1.5%	1.8%

Risk discount rate

Under the "risk neutral" approach, risk discount rates are based on the same risk free yield curves as those used to project the investment return.

For stochastic modeling, the risk discount rates are simulation specific and also vary by calendar year consistently with the projected risk free yields in each simulation.

"Expected return" for the analysis of movement – Investment return assumptions

The expected return for the analysis of movement is based on a projection from beginning of period to end-of-period. This requires assumptions regarding the investment returns expected to be achieved over the period on different asset classes. The investment return assumptions (for this purpose only) are based on the "real world" returns expected by the Group. The use of real world investment assumptions gives a more realistic basis for the expected return calculation and allows for the risk underlying each asset. Any under or over performance will be reported through economic variance.

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For fixed interest assets, the "real world" investment return assumptions are based on the gross redemption yield on the assets, less an allowance for defaults where appropriate, together with an adjustment to reflect the change over the year implied in the yield curve assumptions.

For equity and property assets, the investment return assumptions are based on the 10 year swap rate at the beginning of period plus a margin to reflect the additional risk associated with investment in these asset classes.

These assumptions have been set by asset class and separately for each sub-fund in each life business in order to best reflect the actual assets held.

Participating business
Rates of future bonus or crediting rates have been set at levels consistent with the risk neutral investment return assumptions and current bonus plans. In the UK, bonus rates have been set so as to exhaust any remaining assets in the relevant long-term funds. In other European life businesses and in the US, bonuses have been set to be consistent with the investment return assumptions and with the book value approach used by these life businesses in practice.

Taxation
Current tax legislation and rates have been assumed to continue unaltered, except where changes in future tax rates or practices have been announced.

Exchange rates
EV for December 31, 2007 and December 31, 2006 have been converted to the Group presentation currency; US dollar, using the respective balance sheet exchange rates. The rates can be found on page 13 of the Financial Supplement. The analysis of movements, including new business, has been translated at average exchange rates over the period.

b) Operating assumptions

Demographic assumptions
The assumed future mortality, morbidity and lapse rates have been derived from recent operating experience and relevant industry statistics. Where operating experience or industry statistics are limited, the assumptions are derived from a best estimate of future developments and are subject to regular review as more experience emerges. Where appropriate, surrender and option take-up rate assumptions that vary according to the investment simulation under consideration have been used, based on our assessment of likely policyholder behavior.

Expense assumptions
Management expenses have been analyzed between expenses related to acquisition of new business, the maintenance of in-force business and, where appropriate, one-off project costs. Future expense assumptions allow for expected levels of maintenance expenses. In addition, Corporate Center expenses relating to covered business have been allocated to business units and are reflected in assumed future expenses.

The maintenance expense assumptions allow for the expected cost of providing future service benefits in respect of the Group staff pension schemes. An adjustment to the EV is noted in section 2.b for pension scheme liabilities under IAS 19 and no allowance is made in the expense assumptions for any contributions as a result of past service benefits.

No allowance has been made for future productivity improvements in the expense assumptions.

None of the life companies included in the EV is considered to be in a "start-up" situation and so no allowance has been made for future development expenses.

Where service companies have been valued on a look through basis, the value of profits or losses arising from these services have been included in the EV and new business value.

c) Dynamic decisions
To reflect more realistically the outcome of stochastic simulations, the assumptions for each simulation make allowance for the behaviors of policyholders and management actions in response to the investment conditions modeled.

In many life businesses, policyholders can exercise an option against the life company in certain circumstances, such as to surrender a policy. This leads to an increase in the assumed lapse rates when interest rates rise (or a corresponding reduction when interest rates fall). This dynamic effect in relation to lapse rates has been allowed for in the stochastic models.

As investment conditions change, where a business unit's investment policy indicates that management would expect to alter the investment portfolio (e.g. the mix between equities and fixed interest for profit sharing sub-funds), this expected action has been included in the stochastic models.

6. Statement of External Review

Zurich Financial Services, Mythenquai 2, CH-8002 Zurich, Switzerland

Dear Sirs,

Independent report on Embedded Value methodology and assumptions

In accordance with our letter of engagement dated 7 January 2008, we have performed a limited assurance engagement on Zurich Financial Services' process for preparing Embedded Value Information for the year ended 31 December 2007 ("Embedded Value Information"), including methodology and assumptions.

The Board of Directors of Zurich Financial Services is responsible for the Embedded Value Information, including the methodology and the assumptions. Our responsibility is to provide conclusions on the subject matter based on our work.

We have reviewed the methodology and assumptions used for preparing the Embedded Value Information and the process of compilation of the Embedded Value Information.

Our engagement was carried out in accordance with International Standard on Assurance Engagements (ISAE) 3000.This standard requires that we comply with ethical requirements and plan and perform the engagement to obtain limited assurance on the subject matter of the review. In the engagement, we performed analytical procedures to assess whether the methodology and assumptions utilized are in accordance with the European Embedded Value ("EEV") principles. In addition we undertook procedures to assess the consistent application of the methodologies. We did not carry out an audit or review of the Embedded Value Information or of the models or of the underlying data.

In our opinion nothing has come to our attention which indicates that the methodology as applied by Zurich Financial Services does not comply with EEV principles and has not been implemented consistently, or that the assumptions determined by Zurich Financial Services are not reasonable to derive the Embedded Value Information.

Yours faithfully,

PricewaterhouseCoopers AG

R Marshall M Humphreys

Zurich, February 13, 2008

Embedded Value Report

Embedded Value – Global Life

Embedded Value Results – Global Life

in USD millions, for the years ended December 31	United States		United Kingdom	
	2007	2006	**2007**	2006
New business premiums including deposits, of which:	194	186	6,221	5,921
Annual premiums	110	105	338	253
Single premiums	84	80	5,883	5,668
New business annual premium equivalent (APE)	119	113	926	820
Present value of new business premiums (PVNBP)	1,053	1,039	8,087	7,192
Embedded value information:				
Opening Embedded Value, as previously reported	2,326	2,167	5,133	4,619
Operating profit expected from in-force business and shareholders' net assets, after tax	159	152	315	288
New business value, after tax	108	59	121	100
Operating variance, after tax	19	56	25	(321)
Total operating profit, after tax	**286**	**267**	**461**	**67**
Economic variance	(48)	(7)	(172)	(128)
Embedded Value profit/(loss), after tax	237	260	289	(61)
Dividends and capital movements	(131)	(100)	(613)	(51)
Foreign currency translation effects	0	0	71	626
Closing Embedded Value after foreign currency translation effects, of which:	**2,432**	**2,326**	**4,880**	**5,133**
Shareholders' net assets	645	652	2,383	2,536
Value of business in-force	1,787	1,675	2,498	2,597
Adjusted operating return on opening EV	12.3%	12.3%	8.8%	1.3%
Adjusted return on opening EV	10.2%	11.9%	5.5%	(1.2%)
Adjusted expected return on opening EV	6.8%	7.0%	6.0%	5.8%
New business margin, after tax (as % of APE)	90.8%	52.0%	13.1%	12.2%
New business margin, after tax (as % of PVNBP)	10.2%	5.7%	1.5%	1.4%

[1] Comparative 2006 figures for Switzerland have been restated. More details can be found in section 2g.

Germany		Switzerland[1]		Rest of Europe		International Businesses		Total[1]	
2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
971	1,434	406	332	4,429	3,838	562	402	12,783	12,112
526	466	70	63	595	407	215	138	1,854	1,432
445	968	336	269	3,834	3,431	347	264	10,929	10,680
570	563	104	90	979	750	249	164	2,947	2,500
5,292	4,970	989	810	7,047	5,636	1,314	951	23,781	20,598
1,296	846	1,570	1,045	2,667	2,017	1,099	987	14,092	11,680
59	39	135	91	165	116	55	64	889	750
184	133	33	35	198	160	85	52	729	539
41	54	187	66	40	57	(34)	71	277	(17)
283	**226**	**354**	**192**	**404**	**334**	**106**	**187**	**1,895**	**1,272**
95	156	(6)	97	(9)	62	57	(29)	(83)	150
378	382	349	289	395	396	163	157	1,811	1,422
235	(46)	(153)	143	(3)	(6)	14	(64)	(651)	(123)
178	114	130	93	238	261	67	19	683	1,112
2,087	**1,296**	**1,895**	**1,570**	**3,297**	**2,667**	**1,344**	**1,099**	**15,935**	**14,092**
1,410	960	256	125	1,471	1,277	817	675	6,982	6,224
676	336	1,639	1,445	1,825	1,391	527	424	8,953	7,868
20.0%	26.4%	22.2%	17.3%	14.7%	15.6%	9.5%	19.7%	13.1%	10.5%
26.6%	44.6%	21.8%	26.1%	14.3%	18.5%	14.6%	16.6%	12.5%	11.7%
4.1%	4.6%	8.5%	8.2%	6.0%	5.4%	5.0%	6.8%	6.1%	6.2%
32.3%	23.7%	31.4%	38.8%	20.3%	21.4%	34.0%	31.6%	24.7%	21.6%
3.5%	2.7%	3.3%	4.3%	2.8%	2.8%	6.5%	5.5%	3.1%	2.6%

Embedded Value Report

Embedded Value – Rest of Europe by country

Embedded Value Results – Rest of Europe

in USD millions, for the years ended December 31

	Italy	
	2007	2006
New business premiums including deposits, of which:	806	881
Annual premiums	43	16
Single premiums	763	866
New business annual premium equivalent (APE)	119	102
Present value of new business premiums (PVNBP)	1,011	951
Embedded Value information:		
New business value, after tax	22	22
Total operating profit, after tax	**63**	**4**
Adjusted operating return on opening EV	14.3%	1.1%
New business margin, after tax (as % of APE)	18.3%	21.2%
New business margin, after tax (as % of PVNBP)	2.2%	2.3%

	Spain		Ireland		ZIS		Other European Countries		Rest of Europe	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	523	630	1,501	1,077	1,457	1,104	142	146	4,429	3,838
	16	20	167	114	342	231	28	26	595	407
	507	610	1,334	963	1,115	873	115	120	3,834	3,431
	66	81	301	210	453	319	39	38	979	750
	619	744	2,240	1,593	2,861	2,033	316	314	7,047	5,636
	14	17	69	49	93	65	1	7	198	160
	37	**64**	**130**	**106**	**160**	**140**	**14**	**21**	**404**	**334**
	9.3%	24.1%	12.5%	13.0%	23.2%	25.9%	7.4%	14.6%	14.7%	15.6%
	20.8%	21.1%	23.0%	23.2%	20.4%	20.5%	2.1%	19.7%	20.3%	21.4%
	2.2%	2.3%	3.1%	3.1%	3.2%	3.2%	0.3%	2.4%	2.8%	2.8%

Holding Company

Principal activity and review of the year

Zurich Financial Services is the holding company of the Group with a listing on the SWX Swiss Exchange. Zurich Financial Services was incorporated on April 26, 2000, with a share capital of CHF 100,000. As of December 31, 2007, the shareholders' equity totaled CHF 17,352,291,968 (December 31, 2006: CHF 16,779,678,184).

Its principal activity is the holding of subsidiaries. Revenues consist mainly of dividends and interest. The net income of Zurich Financial Services was CHF 1,973,433,008 for 2007 (CHF 1,187,995,724 for 2006).

On February 14, 2007 the Board of Zurich Financial Services authorized a share buyback of up to CHF 1.25 billion over the course of 2007. As of June 30, 2007, 3,432,500 fully paid shares, with nominal value CHF 0.10, have been bought back at an average price of CHF 364.00 per share. A proposal to cancel all repurchased shares will be submitted to shareholders at the Annual General Meeting on April 3, 2008.

Zurich Financial Services Holding Company – Financial Statements

Income statements

in CHF thousands, for the years ended December 31	Notes	**2007**	2006
Revenues			
Interest income		217,530	222,442
Dividend income		1,911,973	1,000,000
Other financial income		20,380	1,138
Total revenues		2,149,883	1,223,580
Expenses			
Administrative expense	3	(12,497)	(10,892)
Other financial expense	4	(141,757)	(1,965)
Tax expense	5	(22,196)	(22,727)
Total expenses		(176,450)	(35,584)
Net income		**1,973,433**	**1,187,996**

Balance sheets

Assets

in CHF thousands, as of December 31	Notes	2007	2006
Non-current assets			
Investments in subsidiaries	6	10,953,361	10,662,917
Subordinated loans to subsidiaries		4,000,000	4,000,000
Total non-current assets		14,953,361	14,662,917
Current assets			
Cash and cash equivalents		1,960,745	1,771,345
Loans to subsidiaries		640,870	271,777
Own shares		1,140,448	–
Accrued income from third parties		3,526	550
Accrued income from subsidiaries		99,341	100,430
Total current assets		3,844,930	2,144,102
Total assets		**18,798,291**	**16,807,019**

Liabilities and shareholder's equity

in CHF thousands, as of December 31	Notes	2007	2006
Short-term liabilities			
Loans from subsidiaries		1,408,167	1,230
Other liabilities to subsidiaries		8,618	2,848
Other liabilities to third parties		22,281	23,050
Other liabilities to shareholders		167	213
Accrued liabilities		6,767	–
Total short-term liabilities		1,446,000	27,341
Shareholders' equity (before appropriation of available earnings)			
Share capital	8	14,555	14,475
Legal reserves:			
General legal reserve		9,523,631	9,345,159
Reserve for treasury stock	9	2,028,863	42,799
Free reserve		3,424,968	5,411,032
Retained earnings:			
Beginning of the year		1,966,213	1,443,217
Dividends paid		(1,579,371)[1]	(665,000)[2]
Beginning of the year, adjusted for appropriations		386,842	778,217
Net income		1,973,433	1,187,996
Retained earnings, end of year		2,360,275	1,966,213
Total shareholders' equity (before appropriation of available earnings)		17,352,292	16,779,678
Total liabilities and shareholders' equity		**18,798,291**	**16,807,019**

[1] Dividends paid in the year, proposed in association with the 2006 result
[2] Dividends paid in the year, proposed in association with the 2005 result

Notes to the financial statements

1. Basis of Presentation

Zurich Financial Services presents its financial statements in accordance with Swiss law.

We have changed our presentation for rounding numbers. All amounts in the notes are shown in Swiss franc thousands, rounded to the nearest thousand unless otherwise stated.

2. Summary of significant accounting policies

a) Exchange rates

Unless otherwise stated, assets and liabilities expressed in currencies other than Swiss francs are translated at year-end exchange rates. Revenues and expenses are translated using the exchange rate at the date of the transaction. Unrealized exchange losses are recorded in the statement of income and unrealized exchange gains are deferred until realized.

b) Investments in subsidiaries

Investments in subsidiaries are equity interests, which are held on a long-term basis for the purpose of the holding company's business activities. They are carried at a value no higher than their cost price less adjustments for impairment.

c) Own shares

Own shares are held at lower of cost or market value.

3. Administrative expense

Administrative expense consists mainly of directors' fees of CHF 3,745,570 (prior year CHF 2,936,941), see note 11 page 249, and overhead fees of CHF 7,000,000 (prior year CHF 8,000,000). With effect from January 1, 2007 the directors' fees paid for their work in connection with Zurich Financial Services and the Zurich Insurance Company were combined into a single fee.

4. Other financial expense

Other financial expense includes a CHF 109 million write-down in the value of own shares to market value.

5. Taxes

The tax expense consists of income, capital and other taxes.

6. Investments in subsidiaries

Investments in subsidiaries include a 57.7% interest in Zurich Group Holding with a carrying value of CHF 6,354,745,913 (prior year CHF 6,064,302,120) and a 100% interest in Allied Zurich Limited, with a carrying value of CHF 4,595,865,096 (prior year CHF 4,595,865,096). Allied Zurich Limited holds the remaining 42.3% interest in Zurich Group Holding. During 2007 Zurich Financial Services has purchased from Allied Zurich Limited, 0.7% of Zurich Group Holding's shares, for a value of CHF 290,443,793. Additionally, Zurich Financial Services holds 49,000 shares of Zurich Insurance Company with a book carrying value of CHF 2,750,190 (prior year CHF 2,750,190).

7. Commitments and contingencies

Zurich Financial Services has provided unlimited guarantees in support of various entities belonging to the Zurich Capital Markets group of companies and to Farmers Group Inc. In addition, Zurich Financial Services has agreed with the Superintendent of Financial Institutions, Canada, to provide additional capital in case the applicable capital adequacy tests for the Canadian business are not met and to provide assistance in case of liquidity issues.

Furthermore, Zurich Financial Services has entered into various support agreements and a guarantee for the benefit of certain of its subsidiaries. These contingencies amounted to CHF 5,501 million as of December 31, 2007 (CHF 4,061 million as of December 31, 2006).

Zurich Financial Services knows of no event that would require it to satisfy the guarantees or to take action under a support agreement.

8. Shareholders' equity

a) Issued share capital

As of December 31, 2007, Zurich Financial Services had 145,546,820 issued and fully paid registered shares of CHF 0.10 par value, amounting to a share capital of CHF 14,554,682.00. As of December 31, 2006, the share capital amounted to CHF 14,474,939.90, divided into 144,749,399 fully paid registered shares of CHF 0.10 par value.

The shareholders at the Annual General Meeting of April 3, 2007 approved the increase of the contingent share capital for the issuance of new registered shares to employees of the Group from CHF 75,755.60 by CHF 324,244.40 to a new maximum of CHF 400,000 by issuing up to 4,000,000 registered shares payable in full with a nominal value of CHF 0.10 each. During the year 2007, a total of 797,421 shares have been issued to employees. As a result, 145,546,820 fully paid shares with a nominal value of CHF 0.10 were issued as of December 31, 2007, amounting to a share capital of CHF 14,554,682.00.

In the previous year, the Board of Directors approved on February 15, 2006, the issuance of a maximum of 1,000,000 out of the 1,500,000 dividend-paying shares from the contingent share capital to employees. At the Annual General Meeting on April 20, 2006, shareholders approved a share capital reduction in the form of a nominal value reduction of each share from CHF 2.50 to CHF 0.10. At the effective date of the nominal value reduction on July 3, 2006, Zurich Financial Services had 144,565,255 issued and fully paid shares, including 558,300 shares issued out of the contingent capital. As a result of this reduction, the share capital was reduced by CHF 346,956,612 from CHF 361,413,137.50 to a new total of CHF 14,456,525.50. As of December 31, 2006 a total of 742,444 shares were issued to employees from contingent share capital. As a consequence, 144,749,399 fully paid shares with a nominal value of CHF 0.10 were issued as of December 31, 2006, amounting to a share capital of CHF 14,474,939.90.

b) Authorized share capital

Until June 1, 2008, the Board of Zurich Financial Services is authorized to increase the share capital by an amount not exceeding CHF 600,000 by issuing up to 6,000,000 fully paid registered shares with a nominal value of CHF 0.10 each. An increase in partial amounts is permitted. The Board determines the date of issue of such new shares, the issue price, type of payment, conditions for exercising pre-emptive rights, and the beginning of the dividend entitlement. The Board may issue such new shares by means of a firm underwriting by a banking institution or syndicate with subsequent offer of those shares to the current shareholders. The Board may allow the expiry of pre-emptive rights which have not been exercised, or it may place these rights as well as shares, the pre-emptive rights of which have not been exercised, at market conditions.

The Board is further authorized to restrict or withdraw the pre-emptive rights of shareholders and to allocate them to third parties if the shares are to be used for the take-over of an enterprise, or parts of an enterprise or of participations or if issuing shares for the financing including re-financing of such transactions; or for the purpose of expanding the scope of shareholders in connection with the quotation of shares on foreign stock exchanges.

c) Contingent share capital

Capital market instruments and option rights to shareholders:
The share capital of Zurich Financial Services may be increased by an amount not exceeding CHF 548,182.80 by the issuance of up to 5,481,828 fully paid registered shares with a nominal value of CHF 0.10 each (1) by exercising of conversion and/or option rights which are granted in connection with the issuance of bonds or similar debt instruments by Zurich Financial Services or one of its Group companies in national or international capital markets; and/or (2) by exercising option rights which are granted to the shareholders. When issuing bonds or similar debt instruments connected with conversion and/or option rights, the pre-emptive rights of the shareholders will be excluded. The current owners of conversion and/or option rights shall be entitled to subscribe for the new shares. The conversion and/or option conditions are to be determined by the Board.

The Board of Directors is authorized, when issuing bonds or similar debt instruments connected with conversion and/or option rights, to restrict or withdraw the right of shareholders for advance subscription in cases where such bonds are issued for the financing or re-financing of a takeover of an enterprise, of parts of an enterprise, or of participations. If the right for advance subscription is withdrawn by the Board, the convertible bond or warrant issues are to be offered at market conditions (including standard dilution protection provisions in accordance with market practice) and the new shares are issued at then current convertible bond or warrant issue conditions. The conversion rights may be exercisable during a maximum of 10 years and option rights for a

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maximum of 7 years from the time of the respective issue. The conversion or option price or its calculation methodology shall be determined in accordance with market conditions, whereby for shares of Zurich Financial Services the quoted share price is to be used as a basis.

Employee participation:
Subject to shareholder approval to increase the contingent share capital for the issuance of new registered shares to employees of the Group from CHF 75,755.60 by CHF 324,244.40 to a new maximum of CHF 400,000 by issuing up to a maximum of 4,000,000 registered shares payable in full with a nominal value of CHF 0.10 each, the Board of Directors of Zurich Financial Services decided on February 14, 2007, to allow the issuance of up to 4,000,000 shares out of the contingent share capital to employees of the Group. A respective proposal for the increase of the contingent share capital was made by the Board of Directors to the shareholders and was approved at the Annual General Meeting of April 3, 2007. Until December 31, 2007, 797,421 shares of this contingent share capital have been issued. Consequently, as of the same date, the remaining contingent capital, which can be issued to employees of Zurich Financial Services and Group companies, amounts to CHF 320,257.90 or 3,202,579 fully paid registered shares with a nominal value of CHF 0.10 each. The pre-emptive rights of the shareholders, as well as the right for advance subscription, are excluded. The issuance of shares or respective option rights to employees shall be subject to one or more regulations to be issued by the Board of Directors and shall take into account performance, functions, levels of responsibility and criteria of profitability. Shares or option rights may be issued to the employees at a price lower than that quoted on the stock exchange.

9. Reserve for treasury shares

This reserve fund corresponds to the purchase value of all Zurich Financial Services shares held by Group companies of Zurich Financial Services as shown in the table below.

Reserve for treasury shares

	Number of shares 2007	**Purchase value 2007** [1]	Number of shares 2006	Purchase value 2006 [1]
As of January 1	161,451	42,799	192,027	49,623
Additions during the year	5,907,200	2,057,251	110,000	35,008
Sales during the year	(229,497)	(71,186)	(140,576)	(41,448)
Decrease due to nominal value reduction of common stock				(384)
As of December 31	**5,839,154**	**2,028,863**	**161,451**	**42,799**
Average purchase price of additions, in CHF		348		318
Average selling price, in CHF		367		281

[1] in CHF thousands

10. Shareholders

The shares registered in the share ledger as of December 31, 2007, were owned by 107,660 shareholders of which 102,074 were private individuals holding 18.7% of the shares (or 11.7% of all outstanding shares), 2,124 were foundations and pension funds holding 7.1% of the shares (or 4.4% of all outstanding shares), and 3,462 were other legal entities holding 74.2% of the shares (or 46.3% of all outstanding shares).

According to the information available to us on December 31, 2007, no shareholder of Zurich Financial Services held more than 5% of the voting rights of the issued share capital.

Information required by art. 663c paragraph 3 of the Swiss Code of Obligation on the share and option holdings of the members of the Board of Directors and the members of the Group Executive Committee are disclosed in note 12.

11. Remuneration of the Board of Directors and the Group Executive Committee for 2007

This note sets out details of the compensation of the Board of Directors and of the members of the Group Executive Committee (GEC) in accordance with the information required by art. 663b^{bis} of the Swiss Code of Obligations, effective for the first time for the business year 2007. This information should be read in connection with the unaudited Remuneration Report, set out on pages 54 to 67, in which additional details of the remuneration principles and plans can be found.

The compensation paid to the Board of Directors is paid entirely by Zurich Financial Services, the holding company of the Group. The compensation paid to the members of the GEC is not paid by Zurich Financial Services but by the Group entities where they are employed. The compensation shown below includes the compensation of the members of the Board and the GEC received for all their functions in the Group. As the financial statement of the holding company is presented in Swiss francs, all figures are shown in Swiss francs, despite the fact that the fees paid by Zurich Financial Services to the Directors are defined in US dollars. To be consistent with the figures in the unaudited Remuneration Report the totals of the remuneration paid to the members of the Board and the GEC are also presented in US dollars, as set out in that report.

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Remuneration of Directors

The following table sets out the total fees paid to the Directors of Zurich Financial Services. All the Directors are also Directors of the Zurich Insurance Company and with effect from January 1, 2007 the fees paid for their work in connection with Zurich Financial Services and the Zurich Insurance Company were combined into a single fee. Further, in 2007 a fixed portion of the total fee was allocated towards the provision of sales-restricted Zurich Financial Services shares. The portion for the Chairman was set at USD 193,500 (CHF 234,616) and the portion for the other members at USD 68,500 (CHF 83,055). The overall fees are set out in the following table:

Directors' fees

	2007 [2]						
in CHF [1]	Basic Fee	Committee Fee [3]	Chair Fee [4]	US Residence Fee [5]	Total Fee	Of which paid in Cash [6]	Of which allocated in Shares [7,8]
M. Gentz, Chairman [9]	703,242	–	–	–	703,242	468,626	234,616
Ph. Pidoux, Vice Chairman [9]	400,120	–	–	–	400,120	317,065	83,055
Th. Escher, Member	248,560	48,499	–	–	297,059	214,004	83,055
R.E.J. Gilmore, Member [10, 11]	64,212	12,529	–	–	76,741	76,741	–
F. Kindle, Member	248,560	48,499	–	–	297,059	214,004	83,055
D.G. Mead, Member [10]	64,212	12,529	6,265	3,131	86,137	86,137	–
A. Meyer, Member	248,560	48,499	–	–	297,059	214,004	83,055
D. Nicolaisen, Member	248,560	48,499	24,249	12,125	333,433	250,378	83,055
V.L. Sankey, Member [12]	248,560	48,499	17,985	–	315,044	231,989	83,055
G. Schulmeyer, Member	248,560	48,499	36,374	12,125	345,558	262,503	83,055
T. de Swaan, Member	248,560	48,499	–	–	297,059	214,004	83,055
R. Watter, Member	248,560	48,499	–	–	297,059	214,004	83,055
Total in CHF [13]	**3,220,266**	**413,050**	**84,873**	**27,381**	**3,745,570** [1]	**2,763,459**	**982,111**
Total in USD	**2,655,918**	**340,666**	**70,000**	**22,583**	**3,089,167** [1]	**2,279,167**	**810,000**

[1] The total fees (including the portion allocated in shares) provided to Directors in 2007 by Zurich Financial Services amounted to CHF 3,745,570, calculated on the basis of the exchange rates at the dates of payment. This amount is reflected in the income statement of the holding company. As the fees of the Directors are actually defined in US dollars and the total of fees in US dollars amounts to USD 3,089,167, the average exchange rate for the year is USD/CHF 1.2125. All figures shown in Swiss francs in the above table have been translated from US dollars using this average exchange rate.
[2] The remuneration shown in the table does not include any business related expenses incurred in the performance of the members' services.
[3] Committee members receive a cash fee of USD 40,000 (CHF 48,499) for all Committees on which they serve, irrespective of the number. The Committees on which the members serve are set out in the unaudited Corporate Governance Report, on page 35.
[4] Committee chairs receive an annual fee of USD 20,000 (CHF 24,249) and the chair of the Audit Committee receives an additional USD 10,000 (CHF 12,125). The Committees on which the members serve and the chairs are set out in the unaudited Corporate Governance Report, on page 35.
[5] Directors who reside in the United States receive a fee of USD 10,000 (CHF 12,125) per annum.
[6] The cash fees are defined in US dollars, but paid in the actual currencies where the members reside, based on the relevant exchange rate at the dates of payment.
[7] Mr Gentz was allocated 617 shares and the other members 218 shares as per June 30, 2007. The share price (CHF 389.50) and the exchange rate (USD/CHF 1.2422) as of June 15, 2007, were adopted to calculate the number of shares based on the fixed portion of the fee allocated in shares for the respective members. Where the value of the allocated shares did not equal the value of the portion of the fee to be allocated in shares, the difference was paid in cash. The amounts shown in the table above reflect the equivalents in Swiss francs of the fixed amounts in USD of the portions of the fees to be allocated in shares, calculated based on the average exchange rate as set out in footnote 1 above.
[8] The shares allocated to the Directors are sales-restricted for three years.
[9] Neither the Chairman nor the Vice Chairman receive any additional fees for their Committee work.
[10] Mrs Gilmore and Mr Mead retired from the Board of Directors on April 3, 2007 and received pro rata fees for their Board work up to that date.
[11] In addition to the remuneration set out in the table, the company paid contributions for Mrs Gilmore into a group health insurance plan in the UK until her retirement in April 2007 at a cost of USD 631 (CHF 765).
[12] Mr Sankey became Chairman of the Remuneration Committee on April 3, 2007 following the retirement of Mr Mead. He received a pro rata fee for being Chair.
[13] In line with applicable laws, Zurich paid the company related portion of contributions to social security systems, which amounted to USD 68,439 (CHF 82,981) in 2007. Any personal contributions of the Directors to social security systems are included in the amounts shown in the table above.

The Directors' fees are not pensionable. None of the Directors received any benefits-in-kind or any other compensation than set out in the table above.

During 2007, two Directors gave up their function. No termination payments were made.

As of December 31, 2007, none of the Directors had outstanding loans, advances or credits.

No benefits (or waiver of claims) have been provided to former members of the Board during the year 2007. Neither had any former member of the Board outstanding loans, advances or credits as of December 31, 2007.

Also, no benefits (or waiver of claims) have been provided to related parties to Directors or related parties to former members of the Board during the year 2007. Neither had any related party to Directors or to former members of the Board outstanding loans, advances or credits as of December 31, 2007.

Remuneration of Group Executive Committee
The total remuneration of the members of the GEC for 2007 comprised the value of cash compensation, pensions, other remuneration and the value of the target equity grants made under the Group's Long-Term Incentive Plan in 2007. Overall compensation is set out in the following table:

Remuneration of Group Executive Committee

in CHF million [1]	2007 [2] All GEC members (incl. the highest paid) [3]	2007 [2] Highest paid Executive James J. Schiro Chief Executive Officer
Base compensation	13.5	1.8
Cash incentive awards earned for 2007	24.1	3.4
Service costs for pension benefits [4]	4.7	1.1
Value of other remuneration [5]	4.4	0.4
Value of the target performance share and restricted share grants [6]	13.0	2.7
Value of target performance option grants [6]	9.7	2.7
Total in CHF [7]	**69.4**	**12.1**
Total in USD as shown in the Remuneration Report	**57.6**	**10.3**

[1] The figures have been translated from US dollars into Swiss francs using the relevant exchange rates throughout the year.
[2] The remuneration shown in the table does not include any business related expenses incurred in the performance of the members' services.
[3] On the basis of 12 GEC members of whom ten served during the whole year 2007.
[4] The amounts reflect the total value of the pension benefits accruing to members of the GEC during 2007, calculated on the basis of the Service Costs for the company as assessed under IAS 19 accounting principles. Service Costs value the amount of the pension benefits accruing during the year and for defined contribution plans takes the amount of the company contribution paid during the year. Service Costs do not include the interest cost on accrued benefits, adjustments for actuarial gains and losses, nor the expected return on any assets held.
[5] Includes employee benefits, expatriate allowances, perquisites, benefits-in-kind and any other payments due under the employment contract. Benefits-in-kind have been valued using market rates.
[6] The share and share option grants will vest in the future according to achievement of defined performance conditions (for further details please refer to the unaudited Remuneration Report, p. 54–67). The value of the share and share options assumes that the grant will vest in the future at 100% of the target level with the valuation of the options based on the Black Scholes methodology as set out in note 23 to the consolidated financial statements, the valuation of the target performance share grants based on the share price at the day prior to the grants (CHF 355.75) and the valuation of the restricted share grants based on the share price at the date of the grants.
[7] In line with applicable laws where the executives are employed, Zurich paid the company related portion of contributions to social security systems, which amounted to USD 2.6 million (CHF 3.1 million) in 2007. Since the contributions are based on full earnings, whereas benefits are capped, there is not a direct correlation between the costs paid to the social security system and the benefits received by the executives.

As of December 31, 2007, the total of loans, advances or credits outstanding for GEC members was CHF 1,091,000 (USD 910,000). These loans represent mortgage loans, the terms of which are similar to those available to all employees in Switzerland. Mortgage loans are issued with 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 CHF 1,500,000 (USD 1,250,000). As at December 31, 2007, the highest mortgage loan was held by Mr. Lehmann (currently Group Chief Risk Officer), in the amount of CHF 791,000 (USD 660,000) which had an overall interest rate of 2.3%.

During 2007 one of the GEC members gave up his function. No termination payments were made.

No benefits (or waiver of claims) have been provided to former members of the GEC during the year 2007. Former members of the GEC are eligible to continue their mortgage loans following retirement on similar terms as when they were employed, in line with the terms available to employees in Switzerland as stated above. In this respect, one former member, Mr. Eckert, held an outstanding mortgage loan of CHF 3,000,000 (USD 2,500,000) as at December 31, 2007, with a reduced interest rate of 2.25% applying on the first CHF 1,500,000 (USD 1,250,000). Apart from this, no former members of the GEC had any outstanding loans, advances or credits as of December 31, 2007.

Also, no benefits (or waiver of claims) have been provided to related parties to GEC members or related parties to former members of the GEC during the year 2007. Neither had any related party to GEC members or to former members of the GEC outstanding loans, advances or credits as of December 31, 2007.

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12. Shareholdings of the Board of Directors and the Group Executive Committee as of December 31, 2007

This note sets out the share and share option holdings of the Directors and of the members of the Group Executive Committee (GEC), who held office at December 31, 2007, in accordance with the information required by art. 663c paragraph 3 of the Swiss Code of Obligations. This information is also included in the unaudited Remuneration Report, set out on pages 54 to 67, in which additional details can be found.

Shareholdings of Directors

Directors' shareholdings

Number of Zurich Financial Services shares as of December 31, 2007	Ownership of shares [1]
M. Gentz, Chairman	2,117
Ph. Pidoux, Vice Chairman	2,218
Th. Escher, Member	4,218
F. Kindle, Member	2,218
A. Meyer, Member	1,542
D. Nicolaisen, Member	218
V.L. Sankey, Member	1,388
G. Schulmeyer, Member	2,218
T. de Swaan, Member	218
R. Watter, Member	3,186
Total	**19,541**

[1] None of the Directors together with related parties to them held more than 0.5% of the voting rights as of December 31, 2007.

All interests are beneficial, include sales-restricted shares allocated to the members as part of their fee and shares held by related parties to the Directors.

None of the Directors, nor any related party to a Director, hold any share options or conversion rights over Zurich Financial Services shares as of December 31, 2007.

Share and share option holdings of the Group Executive Committee members

The following table sets out the actual share and share option holdings of the GEC members as of December 31, 2007. In addition to any shares acquired in the market, the numbers include vested shares, whether sales-restricted or not, and vested share options received under the Group's Long-Term Incentive Plan. However, the table does not include the share interests of the members of the GEC through their participation in the currently unvested performance shares, unvested restricted shares or unvested performance share options.

All interests are beneficial and include Zurich Financial Services shares or share options held by related parties to the GEC members. One vested option gives the right to one share with normal voting and dividend rights. Further details on the overall number of share options allocated under the Group's Long-Term Incentive Plan and the terms of the options are set out in the table "Summary of outstanding options".

Share and vested share option holdings of the GEC members

Number of shares and share options as of December 31, 2007 [1]	**Ownership of shares**	**Ownership of vested options over shares** [2]
J.J. Schiro, Chief Executive Officer [3]	64,790	173,516
J. Amore, Chief Executive Officer General Insurance	17,220	73,880
A. Court, Chief Executive Officer Europe General Insurance [4]	–	–
M. Greco, Designated Chief Executive Officer Global Life [5]	–	–
P. Hopkins, Chief Executive Officer Farmers Group, Inc	4,765	26,290
A. Lehmann, Chief Executive Officer North America Commercial	10,813	39,421
P. O'Sullivan, Vice Chairman and Chief Growth Officer	19,739	49,031
G. Riddell, Chief Executive Officer Global Corporate	8,752	28,446
M. Senn, Chief Investment Officer	2,553	3,719
P. van de Geijn, Chief Executive Officer Global Life	6,993	24,889
D. Wemmer, Chief Financial Officer	5,565	19,549
Total	**141,190**	**438,741**

[1] None of the GEC members together with related parties to them held more than 0.5% of the voting rights as at December 31, 2007, either directly or through share options.
[2] The distribution of the vested options according to the grants identified in the table "Summary of outstanding options" is shown in the table below.
[3] Includes an amount of 2,000 shares for Mr. Schiro which are held by family run charitable foundations.
[4] Joined the Group on January 15, 2007.
[5] Joined the Group on October 1, 2007.

The following table shows how the totals of the vested share options owned by the GEC members are distributed according to the grants identified in the table "Summary of outstanding options".

Zurich Financial Services Holding Company – Financial Statements

Distribution of vested share options

Number of vested share options as of December 31, 2007	2006	2005	2004	2003	2002	2001	**Total**
J.J. Schiro	29,108	71,994	24,198	32,589	15,627	–	173,516
J. Amore [1]	5,822	16,456	15,913	11,595	12,502	11,592	73,880
A. Court	–	–	–	–	–	–	–
M. Greco	–	–	–	–	–	–	–
P. Hopkins	4,367	10,284	3,779	4,746	1,718	1,396	26,290
A. Lehmann	4,367	9,874	8,632	10,363	3,961	2,224	39,421
P. O'Sullivan	5,064	12,342	11,647	15,084	2,587	2,307	49,031
G. Riddell	3,968	9,670	6,373	5,694	1,503	1,238	28,446
M. Senn	3,719	–	–	–	–	–	3,719
P. van de Geijn	4,409	10,754	9,726	–	–	–	24,889
D. Wemmer	3,719	7,710	2,628	3,290	1,231	971	19,549
Total	**64,543**	**149,084**	**82,896**	**83,361**	**39,129**	**19,728**	**438,741**

[1] The distribution of Mr. Amore's options for 2001 comprises 9,142 under grant b and 2,450 under grant a.

The following table sets out additional details of the options outstanding for members of the GEC as at December 31, 2007. Further details can be found in the unaudited Remuneration Report, pages 54 to 67.

Summary of outstanding 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
2007	–	142,690	142,690	355.75	2014
2006	64,543	76,359	140,902	308.00	2013
2005	149,084	46,269	195,353	206.40	2012
2004	82,896	–	82,896	213.25	2011
2003	83,361	–	83,361	120.50	2010
2002	39,129	–	39,129	331.10	2009
2001b	9,142	–	9,142	322.30	2012
2001a	10,586	–	10,586	492.55	2008
Total	**438,741**	**265,318**	**704,059**		

Proposed appropriation of available earnings

	2007	2006
Registered shares eligible for dividends		
Shares eligible as of December 31, 2007 and 2006, respectively	145,546,820	144,749,399

in CHF thousands	2007	2006
Appropriation of available earnings as proposed by the Board of Directors		
Net income	1,973,433	1,187,996
Balance brought forward	386,842	778,217
Retained earnings	2,360,275	1,966,213
Dividend	(2,183,202)[2]	(1,579,371)[1]
Transfer to general legal reserve	–	–
Balance carried forward	177,073 [2]	386,842 [1]

[1] These figures are based on the issued and outstanding share capital on April 9, 2007. The proposed dividend published in the Annual Report 2006 was CHF 1,592,243 thousand resulting in a balance carried forward of CHF 373,970 thousand. The difference is due to the purchase of treasury shares and the share buyback program and a resolution of the Board of Directors on February 14, 2007, according to which, contingent capital share for employees has been issued (as described in note 8).
Treasury shares and shares held for cancellation by Zurich Financial Services are not entitled to dividends.
[2] These figures are based on the issued and outstanding share capital as of December 31, 2007. They may change following a resolution of the Board of Directors dated February 14, 2007, according to which the remaining contingent capital shares for employees may be issued (as described in note 8).
Treasury shares and shares held for cancellation by Zurich Financial Services are not entitled to dividends.

The Board of Directors proposes a dividend of CHF 15.00 per share to the Annual General Meeting on April 3, 2008.

If this proposal is approved, a payment of CHF 9.75 per share, after deductions of 35% Swiss withholding tax, is expected to be paid starting from April 8, 2008, free of charge and in accordance with dividend payment instructions.

Zurich, February 13, 2008

On behalf of the Board of Directors of Zurich Financial Services

Manfred Gentz

Report of Statutory Auditors

Report of statutory auditors

To the General Meeting of Zurich Financial Services, Zurich

As statutory auditors, we have audited the accounting records and the financial statements (income statements, balance sheets and notes on page 244 to 254) of Zurich Financial Services for the year ended December 31, 2007.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings on page 255 comply with Swiss law and the Company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

M Humphreys C Stöckli

Auditor in charge

Zurich, February 13, 2008

Informations pour les actionnaires

Table des matières

Informations pour les actionnaires

Données relatives aux actions nominatives de Zurich Financial Services

Indicateurs clés

au 31 décembre	2007	2006
Nombre d'actions émises	145.546.820	144.749.399
Nombre d'actions donnant droit à dividende	145.546.820	144.749.399
Capitalisation boursière (en millions de CHF)	48.394	47.478
Capital autorisé, nombre d'actions	6.000.000	6.000.000
Capital conditionnel, nombre d'actions	5.481.828	6.239.384

Données par action

en CHF	2007	2006
Dividende brut	15.00 [1]	11.00
Bénéfice de base par action	46.88	39.74
Bénéfice dilué par action	46.37	39.52
Valeur comptable par action au 31 décembre	228.25	210.06
Valeur nominale par action	0.10	0.10
Cours de fin de période	332.50	328.00
Cours le plus haut de la période	393.25	330.50
Cours le plus bas de la période	296.00	251.75

[1] Dividende brut proposé sujet à l'approbation des actionnaires lors de l'Assemblée générale 2008; la date de paiement prévue est le 8 avril 2008.

Performance de l'action de Zurich (indexée) sur les dix dernières années

Source: Datastream

Historique dividende/ paiement

	Exercice	Montant brut en CHF par action nominative	Date de paiement
Dividende	2007	15.00[1]	8 avril 2008[1]
Dividende	2006	11.00	10 avril 2007
Dividende/réduction de la valeur nominale	2005	7.00	4 juillet 2006
Réduction de la valeur nominale	2004	4.00	4 juillet 2005
Réduction de la valeur nominale	2003	2.50	1er juillet 2004
Réduction de la valeur nominale	2002	1.00	15 juillet 2003

[1] Dividende brut proposé sujet à l'approbation des actionnaires lors de l'Assemblée générale 2008; la date de paiement prévue est le 8 avril 2008.

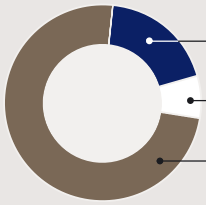
Négoce des actions

Les actions de Zurich Financial Services sont cotées à la SWX Swiss Exchange et elles sont négociées sur le segment «sous régulation de l'UE» de virt-x; symbole ticker: ZURN; le numéro de valeur suisse est le 1107539. Les opérations sur les actions de Zurich Financial Services sur virt-x s'effectuent en francs suisses. 100 pour cent de ces actions sont en cotation libre.

Programme de rachat d'actions en 2007

Zurich Financial Services a achevé le programme de rachat d'actions de 1,25 milliard de francs suisses annoncé le 15 février 2007. Entre le 22 février 2007 et le 2 juillet 2007, Zurich Financial Services a racheté 3.432.500 de ses actions nominatives via une seconde ligne de négoce de virt-x et à un prix moyen de 364 francs suisses (arrondis) par action. Le nombre d'actions rachetées représente 2,36 pour cent du capital-actions émis à la fin du mois de juin 2007. Zurich Financial Services soumettra une proposition à ses actionnaires lors de l'Assemblée générale 2008 afin de réduire le capital-actions à hauteur des actions rachetées et d'annuler ces dernières.

Actionnaires de Zurich Financial Services inscrits au registre des actions



Les actions inscrites au registre des actions au 31 décembre 2007 étaient détenues par 107.660 actionnaires, dont 102.074 étaient des particuliers avec 18,7 pour cent des actions nominatives (soit 11,7 pour cent de toutes les actions en circulation), 2.124 étaient des fondations et des fonds de pension avec 7,1 pour cent des actions nominatives (soit 4,4 pour cent de toutes les actions en circulation) et 3.462 d'autres entités légales avec 74,2 pour cent des actions nominatives (soit 46,3 pour cent de toutes les actions en circulation).

Selon les informations à notre disposition au 31 décembre 2007, seul Barclays Plc, 1 Churchill Place, Londres, Royaume-Uni, et ses filiales, ont dépassé le seuil de 3 pour cent en détenant 4,25 pour cent du capital-actions et des droits de vote de Zurich Financial Services inscrits au registre du commerce.

Service de dépôt de titres en Suisse

Zurich offre à ses actionnaires la possibilité de déposer gratuitement une série de titres de Zurich Financial Services chez S A G SIS Aktienregister SA, en Suisse. Le règlement relatif au dépôt des titres ainsi que le formulaire de demande d'ouverture d'un compte de gestion des titres peuvent être téléchargés depuis le site Internet de S A G: www.sag.ch.

Informations pour les actionnaires

Calendrier financier

Assemblée générale 2008

3 avril 2008

Dividende – jour de référence

7 avril 2008

Date ex-dividende

8 avril 2008[1]

Paiement du dividende

8 avril 2008[1]

Présentation des résultats pour les trois mois arrêtés au 31 mars 2008

15 mai 2008

Présentation des résultats semestriels 2008

13 août 2008

Présentation des résultats pour les neuf mois arrêtés au 30 septembre 2008

13 novembre 2008

[1] Date de paiement prévue, sujet à l'approbation des actionnaires lors de l'Assemblée générale 2008

Publications

Rapport de gestion 2007

Le Rapport de gestion contient des informations sur les produits, les services et la performance opérationnelle de Zurich, y compris un bref résumé des informations financières. Il est disponible en allemand, en français et en anglais.

Rapport financier 2007

Le Rapport financier contient des informations détaillées sur la performance, la structure d'entreprise et les organes exécutifs de Zurich de même que des rapports sur la gestion des risques, la gouvernance d'entreprise et les rémunérations. Il est disponible en allemand, en français et en anglais, la section financière n'étant disponible qu'en anglais.

Pour plus d'informations
www.zurich.com

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Registre des actions

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Zurich Financial Services, Suisse
Téléphone: +41 (0)44 625 22 55
E-mail: shareholder.services@zurich.com

Responsabilité d'entreprise

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Zurich Financial Services, Suisse
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E-mail: corporate.responsibility@zurich.com

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c/o S A G SIS Aktienregister SA
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Fax: +41 (0)62 205 39 71
Site Internet: www.sag.ch

American Depositary Receipts

Zurich Financial Services dispose d'un programme d'American Depositary Receipt avec The Bank of New York (BNY), une filiale de The Bank of New York Mellon. Pour toute information complémentaire, veuillez appeler le service aux actionnaires de BNY Mellon aux États-Unis +1-888-BNY-ADRs (1-888-269-2377) ou, en dehors des États-Unis, +1-212-815-3700. De l'assistance aux détenteurs d'ADR peut également être obtenue de The Bank of New York Mellon sous www.adrbny.com.

Glossaire

Agent
Une personne agissant en tant qu'indépendant pour une compagnie d'assurance, avec le titre d'agent exclusif ou sous contrat, ou pour différentes compagnies, avec le titre d'agent indépendant, autorisée à représenter ces compagnies devant les assurés. Dans l'assurance vie, un agent est également appelé un souscripteur vie et est alors responsable de la vente et du service liés aux polices.

American Depositary Receipt (ADR)
Également appelés actions AD. Ce sont des certificats libellés en dollars qui représentent des actions de sociétés non américaines créés principalement pour être utilisés par des investisseurs américains en tant qu'outils de placement dans des sociétés étrangères en utilisant la devise américaine.

Équivalent de primes annuelles (APE)
Nouvelles primes annuelles plus 10% des primes uniques. L'APE est une mesure standard dans la branche pour mesurer le volume des nouvelles affaires dans l'assurance vie.

Courtier
Similaire à un agent indépendant, toutefois sans la qualification de représentant légal. Les courtiers conseillent et placent les polices de leurs clients auprès des compagnies d'assurance contre commissions.

Bénéfice d'exploitation (BOP)
La mesure interne de Zurich pour évaluer la performance. Il reflète les ajustements pour les impôts, les plus et moins-values sur les placements (à l'exception de l'unité Marchés des capitaux et activités bancaires), la part des preneurs d'assurances aux résultats des placements dans les affaires vie, ainsi que des éléments significatifs attribuables à des circonstances spécifiques.

Segment opérationnel
Nous avons des segments primaires et secondaires. Nos segments primaires sont General Insurance, Global Life, Farmers Management Services, Other Businesses et Corporate Functions. Nos segments secondaires sont géographiques: North America, Europe, International Businesses et Central Region.

Ratio combiné
Une mesure cruciale de réussite pour une compagnie d'assurance. La somme du taux de sinistres, du taux de frais et du taux de participation des preneurs d'assurance aux excédents et bénéfices pour une compagnie d'assurance dommages ou une société de réassurance. Un ratio combiné inférieur à 100 indique généralement une souscription rentable. Un ratio combiné supérieur à 100 indique généralement une souscription non rentable. Une compagnie d'assurance présentant un ratio combiné supérieur à 100 peut être rentable dans la mesure où les résultats nets des placements dépassent les pertes techniques.

États financiers consolidés
Comprennent les actifs, les fonds étrangers, les fonds propres, les produits, les charges et les flux de trésorerie d'une société et de ses filiales. Les résultats des filiales acquises sont intégrés dès la date de l'acquisition. Les résultats des filiales qui ont été vendues au cours de la période de l'exercice sont compris jusqu'à la date de la cession. Tous les soldes significatifs, les bénéfices et les transactions entre les sociétés du groupe sont éliminés.

Canal de distribution
Une manière de fournir des produits et des services aux clients cibles, comme partie d'une stratégie commerciale déterminée. Nos canaux de distribution comprennent notre propre force de vente, des conseillers financiers indépendants, des franchisés, des courtiers, des banques, des associations et du marketing direct.

Valeur intrinsèque
Méthode de mesure de la rentabilité utilisée couramment par les compagnies d'assurance vie. Elle est égale à la valeur des actifs nets de la société plus la valeur actuelle du flux projeté des futurs bénéfices après impôts sur les contrats d'assurance en cours. En juillet 2006, Zurich a annoncé l'adoption des European Embedded Value principles qui utilisent une approche de marché «de bas en haut» cohérente afin d'autoriser sous forme explicite le risque du marché.

Taux de frais
Le taux des charges d’exploitation de l’assurance dommages ou de la réassurance (les frais d’acquisition, plus les frais d’administration des contrats, moins la commission de réassurance et la participation au bénéfice, plus les autres charges techniques) par rapport aux primes acquises nettes. Ces charges d’exploitation sont également appelées charges techniques.

Primes émises brutes et accessoires de primes (GWP)
La prime totale que nous facturons à nos clients pour de l’assurance, y compris certains accessoires de primes.

Compte de résultat
Le compte de résultat de Zurich résume les produits et les charges pour une période donnée. Il est également nommé compte d’exploitation ou compte de pertes et profits.

International Financial Reporting Standards (IFRS)
Autrefois IAS (International Accounting Standards). Il s’agit des normes comptables du groupe.

Principaux indicateurs de performance (KPIs)
Mesures quantifiables qui reflètent les facteurs clés de succès pour une organisation. Ils permettent de définir et de mesurer les progrès accomplis en direction d’objectifs organisationnels. Quelques-uns de nos KPIs sont: le rendement des fonds propres, le ratio combiné et le bénéfice d’exploitation pour nos opérations General Insurance, la marge bénéficiaire des nouvelles affaires, les rendements d’exploitation après impôts dérivés de la valeur intrinsèque et le bénéfice d’exploitation pour nos opérations Global Life.

Bénéfice net après impôts (NIAT)
De manière générale, il s’agit du total des produits (essentiellement les primes acquises, les produits de commissions et le résultat des placements) moins le total des charges moins l’impôt sur le bénéfice.

Primes émises nettes (NWP)
Primes émises brutes (GWP) moins la part cédée aux réassureurs.

Résultat technique net
Le bénéfice/(la perte) qui reste après avoir déduit les prestations d’assurance et les autres charges techniques des primes acquises nettes.

Marge bénéficiaire des nouvelles affaires
La valeur ajoutée par les nouvelles affaires au moment de la vente, divisée par les primes nouvelles affaires émises au cours de la période (mesurée sur une base d’équivalent de primes annuelles (APE)).

Valeur des nouvelles affaires
La valeur actuelle du flux projeté des bénéfices après impôts générée par les nouveaux contrats d’assurance vie vendus au cours de l’exercice.

Gestion de la performance
Processus qui relie la direction stratégique et les principaux facteurs clés de succès aux objectifs, aux actions, aux mesures, à l’évaluation de la performance et aux récompenses sur le plan organisationnel et individuel.

Rendement des fonds propres (ROE)
Le ROE indique aux actionnaires avec quelle efficacité leur argent est utilisé. Il indique également la position de la société face à ses concurrents. Le ROE est le montant, exprimé en pourcentage, du bénéfice net attribuable aux détenteurs d’actions ordinaires divisé par la moyenne des fonds propres attribuables aux actionnaires pour une période donnée.

Fonds propres attribuables aux actionnaires
Une mesure de la solidité du bilan. Egalement connus sous le nom de valeur nette, ils correspondent au total de l’actif de la société moins le total des fonds étrangers et des intérêts minoritaires. Ils comprennent les actions ordinaires et préférentielles après déduction de la réserve pour actions propres (actions émises qui ont été rachetées par la société), la réserve provenant de primes d’émission, les bénéfices non distribués (bénéfices cumulés de la société depuis sa fondation moins les dividendes) et les écarts de conversion cumulés non enregistrés dans le compte de résultat.

Zurich *Basics*
Les valeurs fondamentales et principes de base de Zurich. Les Zurich *Basics* constituent avec Les Règles Générales de Compliance des Employés de Zurich le code de conduite de notre groupe.

Le Zurich Way
Une approche unique de Zurich dans la commercialisation de nos produits et services ainsi que dans la performance de nos pratiques commerciales internes, conçue pour obtenir une croissance rentable en garantissant à nos clients une expérience cohérente et la meilleure de sa catégorie au niveau mondial.

Déclaration de déni et de précaution

Certaines des déclarations contenues dans ce document se réfèrent à l'avenir, y compris, mais sans se limiter à elles seules, des déclarations prospectives faisant état d'événements, de tendances, de plans ou d'objectifs futurs. Les déclarations concernant l'avenir comprennent des déclarations relatives à l'amélioration escomptée de notre bénéfice, à des objectifs de rendement des fonds propres, à des réductions de dépenses, aux conditions tarifaires, à la politique en matière de dividendes et aux améliorations dans le règlement des sinistres. Aucune fiabilité indue ne doit être accordée à de telles déclarations, puisque, de par leur nature, elles sont sujettes à des risques ainsi qu'à des incertitudes – connus ou inconnus – et qu'elles peuvent être influencées par d'autres facteurs pouvant modifier substantiellement les résultats réels ainsi que les plans et objectifs de Zurich Financial Services par rapport à ce qui a été exprimé ou sous-entendu dans les déclarations portant sur l'avenir (ou dans les résultats antérieurs). Des facteurs, tels que (i) les conditions économiques générales et les facteurs liés à la concurrence, en particulier sur nos marchés clés; (ii) la performance des marchés financiers; (iii) les niveaux des taux d'intérêts et ceux des taux de change des devises étrangères; (iv) la fréquence, la gravité, l'étendue et l'évolution des sinistres assurés; (v) les expériences en termes de mortalité et de morbidité; (vi) les taux de renouvellements et d'annulations de polices; (vii) les modifications de dispositions légales et de réglementations, ainsi que de politique des législateurs, peuvent avoir une influence directe tant sur les résultats des opérations de Zurich Financial Services que sur l'atteinte des objectifs de Zurich Financial Services. Zurich Financial Services n'assume aucune obligation de mise à jour publique ou de révision de l'une de ses déclarations se référant à l'avenir, qu'il s'agisse de refléter de nouvelles informations, des événements futurs, des circonstances ou d'autres éléments, quels qu'ils soient.

Cette communication est destinée exclusivement aux personnes qui (i) disposent d'une expérience professionnelle dans le domaine des placements ou (ii) tombent sous le coup de l'article 49 (2) (a) à (d) (high net worth companies, unincorporated associations, etc.) du Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (amendé) ou à toute personne légalement habilitée à en être informée (toutes ces personnes ci-après personnes concernées). Les personnes qui ne sont pas des personnes concernées au sens décrit plus haut ne peuvent agir sur la base de cette communication ni s'y fier. Tout placement ou activité de placement auquel cette communication se réfère n'est accessible qu'aux personnes concernées et ne sera proposé qu'aux personnes concernées.

Il faut noter que la performance passée ne constitue aucunement une indication fiable quant à la performance future.

Les personnes qui souhaitent un conseil doivent consulter un conseiller indépendant.

THIS COMMUNICATION DOES NOT CONTAIN AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES; SECURITIES MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES ABSENT REGISTRATION OR EXEMPTION FROM REGISTRATION, AND ANY PUBLIC OFFERING OF SECURITIES TO BE MADE IN THE UNITED STATES WILL BE MADE BY MEANS OF A PROSPECTUS THAT MAY BE OBTAINED FROM THE ISSUER AND THAT WILL CONTAIN DETAILED INFORMATION ABOUT THE COMPANY AND MANAGEMENT, AS WELL AS FINANCIAL STATEMENTS.

Le Rapport financier est publié en anglais, en allemand et en français. En cas de divergences entre la présente traduction et la version originale anglaise, cette dernière fait foi.

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