

2005

Zurich Financial Services Group



ZURICH

Financial
Supplement
2005

Annual Results Reporting 2005 Financial Supplement (unaudited)¹

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¹ Certain 2004 amounts have been restated for new and revised accounting standards as discussed in this Financial Supplement. Certain reclassifications have also been made to 2004 amounts to conform to the current presentation.

Operating
statements
by business
segment

in USD millions, for the years ended December 31

	General Insurance		Life Insurance		Farmers Management Services		Other Businesses		Corporate Functions		Eliminations		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Revenues														
Direct written premiums and policy fees	32,194	32,796	10,447	10,845	-	-	357	474	8	11	10	28	43,016	44,154
Assumed written premiums	1,207	1,059	88	103	-	-	2,647	4,230	174	128	(335)	(438)	3,781	5,082
Gross written premiums and policy fees	33,401	33,855	10,535	10,948	-	-	3,004	4,704	182	139	(325)	(410)	46,797	49,236
Less premiums ceded to reinsurers	(5,456)	(6,677)	(721)	(690)	-	-	(358)	(486)	(167)	(127)	325	410	(6,377)	(7,570)
Net written premiums and policy fees	27,945	27,178	9,814	10,258	-	-	2,646	4,218	15	12	-	-	40,420	41,666
Net change in reserves for unearned premiums	(376)	(241)	1	(1)	-	-	411	366	1	-	-	-	37	124
Net earned premiums and policy fees	27,569	26,937	9,815	10,257	-	-	3,057	4,584	16	12	-	-	40,457	41,790
Farmers management fees	-	-	-	-	2,058	1,985	-	-	-	-	-	-	2,058	1,985
Net investment income	2,738	2,320	6,481	6,343	152	119	757	713	614	498	(977)	(940)	9,765	9,053
Net capital gains/(losses) on investments and impairments	327	86	11,518	5,070	(1)	1	1,280	1,271	258	114	-	-	13,382	6,542
Net gain/(loss) on divestments of businesses	(17)	(16)	(7)	37	-	-	9	14	13	53	-	-	(2)	88
Other income	439	516	922	870	1	12	242	269	785	681	(863)	(592)	1,526	1,756
Total revenues	31,056	29,843	28,729	22,577	2,210	2,117	5,345	6,851	1,686	1,358	(1,840)	(1,532)	67,186	61,214
Intersegment transactions	(1,006)	(576)	(160)	(95)	(23)	(32)	149	(493)	(800)	(336)	1,840	1,532	-	-
Benefits, losses and expenses														
Losses and loss adjustment expenses, net of reinsurance	20,961	21,323	109	89	-	-	1,544	2,093	9	19	(17)	(31)	22,606	23,493
Life insurance death and other benefits, net of reinsurance	100	123	9,781	11,995	-	-	631	736	17	10	7	7	10,536	12,871
(Decrease)/increase in future life policyholders' benefits, net of reinsurance	7	9	(790)	(2,327)	-	-	(10)	86	68	(23)	2	3	(723)	(2,252)
Insurance benefits and losses, net of reinsurance	21,068	21,455	9,100	9,757	-	-	2,165	2,915	94	6	(8)	(21)	32,419	34,112
Policyholder dividends and participation in profits, net of reinsurance	4	9	13,655	7,643	-	-	773	1,100	-	-	-	-	14,432	8,752
Underwriting and policy acquisition costs, net of reinsurance	4,506	4,100	1,561	1,508	-	-	1,192	1,777	(6)	5	-	-	7,253	7,390
Administrative and other operating expenses	2,884	2,583	1,538	1,376	944	915	319	414	997	757	(822)	(551)	5,860	5,494
Amortization and impairments of intangible assets	93	106	105	212	46	92	2	12	8	8	-	-	254	430
Interest expense on debt	205	140	20	33	-	-	169	161	872	812	(820)	(784)	446	362
Interest credited to policyholders and other interest	204	154	716	755	-	-	212	248	114	25	(190)	(176)	1,056	1,006
Total benefits, losses and expenses	28,964	28,547	26,695	21,284	990	1,007	4,832	6,627	2,079	1,613	(1,840)	(1,532)	61,720	57,546
Net income/(loss) before income taxes	2,092	1,296	2,034	1,293	1,220	1,110	513	224	(393)	(255)	-	-	5,466	3,668
Income tax expense attributable to policyholders													(772)	(318)
Income tax expense attributable to shareholders													(1,364)	(778)
Net income attributable to minority interests													(116)	(106)
Net income attributable to shareholders													3,214	2,466
Business operating profit	1,914	1,241	1,079	934	1,221	1,109	441	229	(708)	(525)	-	-	3,947	2,988

Financial highlights (unaudited)

Assets and liabilities by business segment

in USD millions, as of December 31

	General Insurance		Life Insurance		Farmers Management Services		Other Businesses		Corporate Functions		Eliminations		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Total investments	74,401	71,623	174,428	179,957	3,588	3,037	32,523	36,711	19,225	17,095	(26,872)	(26,268)	277,293	282,155
Reinsurers' share of reserves for insurance contracts	13,974	14,753	1,561	1,609	202	199	6,291	6,368	73	84	(1,607)	(1,845)	20,494	21,168
Deposits made under assumed reinsurance contracts	45	190	9	24	-	-	2,488	3,122	6	7	(98)	(61)	2,450	3,282
Deferred policy acquisition costs	2,641	2,143	8,441	8,932	-	-	97	206	-	-	-	-	11,179	11,281
Deferred origination costs	-	-	690	736	-	-	-	-	-	-	-	-	690	736
Goodwill	152	164	448	514	-	-	-	60	5	6	-	-	605	744
Other related Intangible assets ¹	-	-	740	860	1,024	1,024	-	-	-	-	-	-	1,764	1,884
Other assets	12,673	14,286	9,008	11,097	1,070	950	2,797	3,933	2,113	1,566	(2,524)	(2,195)	25,137	29,637
Total assets after consolidation of investments in subsidiaries	103,886	103,159	195,325	203,729	5,884	5,210	44,196	50,400	21,422	18,758	(31,101)	(30,369)	339,612	350,887
Liabilities for investment contracts	-	-	41,244	39,502	-	-	-	-	-	-	(245)	(242)	40,999	39,260
Reserves for losses and loss adjustment expenses, gross	54,716	52,162	130	116	-	-	6,278	6,350	165	158	(864)	(1,021)	60,425	57,765
Reserves for unearned premiums, gross	12,973	13,293	125	146	-	-	448	880	33	48	(48)	(136)	13,531	14,231
Future life policyholders' benefits, gross	149	174	68,624	78,733	-	-	2,757	2,642	439	470	(677)	(669)	71,292	81,350
Policyholders' contract deposits and other funds, gross	862	1,038	13,854	14,603	-	-	4,288	7,197	-	-	(19)	(75)	18,985	22,763
Reserves for unit-linked contracts, gross	-	-	39,283	35,947	-	-	16,408	15,973	-	-	-	-	55,691	51,920
Reserves for insurance contracts, gross	68,700	66,667	122,016	129,545	-	-	30,179	33,042	637	676	(1,608)	(1,901)	219,924	228,029
Debt related to capital markets and banking activities	-	-	-	-	-	-	3,833	5,009	-	-	(1,694)	(1,129)	2,139	3,880
Senior debt	6,176	8,680	637	679	-	-	408	1,247	17,823	16,655	(22,111)	(23,906)	2,933	3,355
Subordinated debt	2,315	-	-	-	-	-	-	-	5,360	3,749	(3,068)	(1,233)	4,607	2,516
Other liabilities	16,329	18,521	21,453	23,459	1,778	1,367	6,780	9,058	1,805	2,045	(2,375)	(1,958)	45,770	52,492
Total liabilities	93,520	93,868	185,350	193,185	1,778	1,367	41,200	48,356	25,625	23,125	(31,101)	(30,369)	316,372	329,532
Equity														
Common shareholders' equity													21,330	19,419
Preferred securities													1,096	1,096
Shareholders' equity													22,426	20,515
Minority interests													814	840
Total equity													23,240	21,355
Total liabilities and equity													339,612	350,887

¹ Other related intangible assets consists of present value of profits of acquired insurance contracts and attorney-in-fact relationships.

Financial highlights (unaudited)

**Reconciliation of net
income before share-
holders' taxes and
business operating
profit by business
segment**

in USD millions, for the years ended December 31

	General Insurance		Life Insurance		Farmers Management Services		Other Businesses		Corporate Functions		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Net income/(loss) before shareholders' taxes	2,092	1,296	1,262	975	1,220	1,110	513	224	(393)	(255)	4,694	3,350
Adjusted for:												
Net capital (gains)/losses on investments and impairments, excluding capital markets and banking activities and certain securities held for specific economic hedging purposes	(327)	(86)	(11,518)	(5,070)	1	(1)	(1,168)	(1,107)	(193)	(114)	(13,205)	(6,378)
Policyholder allocation of net capital gains on investments and impairments	-	-	11,311	5,028	-	-	1,105	1,127	-	-	12,416	6,155
Net income attributable to minority interests	(37)	(30)	(21)	(12)	-	-	-	(1)	(58)	(63)	(116)	(106)
Net loss/(gain) on divestments of businesses	17	16	7	(37)	-	-	(9)	(14)	(13)	(53)	2	(88)
Foreign currency differences on intercompany investments	51	40	-	-	-	-	-	-	(51)	(40)	-	-
Restructuring provisions and other	118	5	38	50	-	-	-	-	-	-	156	55
Business operating profit	1,914	1,241	1,079	934	1,221	1,109	441	229	(708)	(525)	3,947	2,988

General Insurance (unaudited)

Customer segment reporting - overview

in USD millions, for the years ended December 31

	Global Corporate		North America Commercial		Europe General Insurance		International Businesses		Centrally Managed Businesses		Eliminations		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Gross written premiums and policy fees	6,526	6,818	12,511	12,772	12,184	12,258	2,871	2,765	275	297	(966)	(1,055)	33,401	33,855
Net earned premiums and policy fees	4,567	4,794	9,152	8,415	11,727	11,726	2,081	1,915	42	87	-	-	27,569	26,937
Insurance benefits and losses	4,110	3,700	7,270	8,456	8,285	8,089	1,247	1,131	156	79	-	-	21,068	21,455
Policyholder dividends and participation in profits	1	(1)	5	7	(2)	2	-	1	-	-	-	-	4	9
Total net technical expenses	794	804	2,451	1,794	2,715	2,749	711	648	45	57	4	(42)	6,720	6,010
Net underwriting result	(338)	291	(574)	(1,842)	729	886	123	135	(159)	(49)	(4)	42	(223)	(537)
Net investment income	410	392	901	607	1,105	954	156	124	232	281	(66)	(38)	2,738	2,320
Net capital gains/(losses) on investments and impairments	38	7	3	70	226	(22)	59	31	1	-	-	-	327	86
Net non-technical result	(52)	(117)	(198)	(62)	(386)	(304)	(12)	-	(172)	(86)	70	(4)	(750)	(573)
Net income/(loss) before income taxes	58	573	132	(1,227)	1,674	1,514	326	290	(98)	146	-	-	2,092	1,296
Business operating profit	25	585	223	(1,298)	1,509	1,564	256	244	(99)	146	-	-	1,914	1,241

Ratios, as % of net earned premiums and policy fees

Loss ratio	90.0%	77.2%	79.4%	100.5%	70.7%	69.0%	59.9%	59.1%	372.6%	91.4%	n/a	n/a	76.4%	79.7%
Expense ratio ¹	17.4%	16.7%	26.9%	21.4%	23.1%	23.5%	34.1%	33.9%	109.6%	65.4%	n/a	n/a	24.4%	22.3%
Combined ratio	107.4%	93.9%	106.3%	121.9%	93.8%	92.5%	94.0%	93.0%	482.2%	156.8%	n/a	n/a	100.8%	102.0%

¹ Including policyholder dividends and participation in profits.

Total investments, as of December 31

Cash and cash equivalents	20.2%	20.6%	17.9%	21.5%	8.7%	13.3%	16.4%	17.2%	95.8%	91.5%	n/a	n/a	22.1%	25.0%
Equity securities	4.3%	5.8%	4.1%	3.1%	8.8%	8.2%	45.9%	43.5%	-	-	n/a	n/a	7.0%	6.8%
Debt securities	68.3%	67.9%	76.7%	73.8%	63.9%	62.0%	33.0%	31.3%	1.5%	1.3%	n/a	n/a	62.6%	59.8%
Investment in associates	0.1%	0.1%	0.1%	0.5%	-	-	-	-	-	-	n/a	n/a	0.1%	0.2%
Other investments	7.1%	5.6%	1.2%	1.1%	18.6%	16.5%	4.7%	8.0%	2.7%	7.2%	n/a	n/a	8.2%	8.2%
Total investments	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	n/a	n/a	100.0%	100.0%

General Insurance (unaudited)

Customer segment reporting - Europe General Insurance by region

in USD millions, for the years ended December 31

	United Kingdom		Germany		Switzerland		Italy		Spain		Rest of Europe		Eliminations		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Gross written premiums and policy fees	3,967	4,219	2,413	2,393	1,722	1,750	1,627	1,487	1,181	1,102	1,959	1,968	(685)	(661)	12,184	12,258
Net earned premiums and policy fees	3,777	4,052	2,090	2,077	1,635	1,655	1,475	1,308	958	881	1,795	1,753	(3)	-	11,727	11,726
Net underwriting result	148	373	158	114	97	16	92	88	71	66	177	233	(14)	(4)	729	886
Business operating profit	495	650	253	245	178	114	164	149	118	94	301	312	-	-	1,509	1,564

Ratios, as % of net earned premiums and policy fees

Loss ratio	71.2%	67.1%	69.1%	71.1%	73.6%	72.4%	70.8%	71.9%	70.5%	69.1%	68.5%	65.4%	n/a	n/a	70.7%	69.0%
Expense ratio ¹	24.9%	23.7%	23.4%	23.4%	20.4%	26.6%	23.0%	21.4%	22.1%	23.4%	21.6%	21.3%	n/a	n/a	23.1%	23.5%
Combined ratio	96.1%	90.8%	92.5%	94.5%	94.0%	99.0%	93.8%	93.3%	92.6%	92.5%	90.1%	86.7%	n/a	n/a	93.8%	92.5%

¹ Including policyholder dividends and participation in profits.

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

in USD millions, for the years ended December 31

	Commercial		Personal		Eliminations		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
Gross written premiums and policy fees	4,907	5,203	7,277	7,059	-	(4)	12,184	12,258
Net earned premiums and policy fees	4,652	4,876	7,075	6,850	-	-	11,727	11,726
Net underwriting result	198	346	531	540	-	-	729	886
Business operating profit	625	678	884	886	-	-	1,509	1,564

Ratios, as % of net earned premiums and policy fees

Loss ratio	73.8%	71.2%	68.6%	67.4%	n/a	n/a	70.7%	69.0%
Expense ratio ¹	22.0%	21.7%	23.9%	24.7%	n/a	n/a	23.1%	23.5%
Combined ratio	95.8%	92.9%	92.5%	92.1%	n/a	n/a	93.8%	92.5%

¹ Including policyholder dividends and participation in profits.

General Insurance (unaudited)

Customer segment reporting - International Businesses by region

in USD millions, for the years ended December 31

	Asia/Pacific		Latin America		Rest of International Businesses		Eliminations		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Gross written premiums and policy fees	1,383	1,374	841	787	678	678	(31)	(74)	2,871	2,765
Net earned premiums and policy fees	1,035	997	505	395	541	523	-	-	2,081	1,915
Net underwriting result	73	83	(8)	17	58	35	-	-	123	135
Business operating profit	144	144	32	36	80	64	-	-	256	244

Ratios, as % of net earned premiums and policy fees

Loss ratio	58.7%	56.1%	59.4%	57.1%	62.5%	66.3%	n/a	n/a	59.9%	59.1%
Expense ratio ¹	34.3%	35.5%	42.0%	38.9%	26.7%	27.3%	n/a	n/a	34.1%	33.9%
Combined ratio	93.0%	91.6%	101.4%	96.0%	89.2%	93.6%	n/a	n/a	94.0%	93.0%

¹ Including policyholder dividends and participation in profits.

Customer segment reporting - International Businesses split into Commercial and Personal

in USD millions, for the years ended December 31

	Commercial		Personal		Eliminations		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
Gross written premiums and policy fees	1,881	1,711	990	1,054	-	-	2,871	2,765
Net earned premiums and policy fees	1,310	1,188	771	727	-	-	2,081	1,915
Net underwriting result	52	101	71	34	-	-	123	135
Business operating profit	154	185	102	59	-	-	256	244

Ratios, as % of net earned premiums and policy fees

Loss ratio	62.4%	59.2%	55.6%	59.0%	n/a	n/a	59.9%	59.1%
Expense ratio ¹	33.6%	32.4%	35.2%	36.4%	n/a	n/a	34.1%	33.9%
Combined ratio	96.0%	91.6%	90.8%	95.4%	n/a	n/a	94.0%	93.0%

¹ Including policyholder dividends and participation in profits.

Life Insurance (unaudited)

Overview

in USD millions, for the years ended December 31

			Europe													
	USA		United Kingdom		Germany		Switzerland		Rest of Europe ¹		International Businesses		Eliminations		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Insurance deposits	500	547	5,117	4,965	800	703	25	19	2,090	1,349	1,275	1,208	-	-	9,807	8,791
Gross written premiums and policy fees	617	568	2,264	2,104	3,764	3,819	2,249	2,657	1,125	1,121	519	679	(3)	-	10,535	10,948
Net earned premiums and policy fees	455	434	2,009	1,846	3,672	3,648	2,233	2,643	984	1,061	462	625	-	-	9,815	10,257
Net investment income	313	316	2,953	2,778	1,545	1,567	722	821	616	601	332	260	-	-	6,481	6,343
Net capital gains on investments and impairments	19	23	8,974	4,132	1,027	191	215	45	951	314	332	365	-	-	11,518	5,070
Other income (incl. net gain on divestments of businesses)	27	1	334	358	364	386	42	30	25	41	123	91	-	-	915	907
Total revenues	814	774	14,270	9,114	6,608	5,792	3,212	3,539	2,576	2,017	1,249	1,341	-	-	28,729	22,577
Insurance benefits and losses, net of reinsurance	229	221	1,416	1,199	4,031	3,930	2,422	2,974	748	1,027	254	406	-	-	9,100	9,757
Policyholder dividends and participation in profits, net of reinsurance	5	13	10,492	5,925	1,403	723	13	27	1,252	498	490	457	-	-	13,655	7,643
Underwriting and policy acquisition costs, net of reinsurance	62	71	776	742	296	299	178	158	143	111	106	127	-	-	1,561	1,508
Administrative and other operating expenses	73	69	598	523	272	229	204	198	179	130	212	227	-	-	1,538	1,376
Amortization and impairments of intangible assets	22	19	31	67	45	69	-	-	3	52	4	5	-	-	105	212
Interest expense on debt and other interest	183	177	174	148	321	379	35	47	19	33	4	4	-	-	736	788
Total benefits, losses and expenses	574	570	13,487	8,604	6,368	5,629	2,852	3,404	2,344	1,851	1,070	1,226	-	-	26,695	21,284
Net income before income taxes	240	204	783	510	240	163	360	135	232	166	179	115	-	-	2,034	1,293
Business operating profit	236	203	184	275	140	104	236	167	145	114	138	71	-	-	1,079	934

¹ Including inter-region eliminations.

Total investment as of December 31, of which:

Cash and cash equivalents	6.3%	0.9%	7.8%	6.9%	1.0%	1.3%	3.0%	3.4%	4.2%	3.1%	7.2%	1.9%	n/a	n/a	5.3%	4.3%
Equity securities	5.4%	5.5%	57.5%	54.0%	15.5%	13.3%	10.4%	9.4%	33.6%	30.6%	46.8%	61.2%	n/a	n/a	37.7%	34.3%
Debt securities	82.3%	88.0%	25.9%	29.7%	45.2%	44.7%	60.2%	60.9%	57.2%	61.5%	37.3%	32.8%	n/a	n/a	40.0%	42.8%
Investments in associates	-	-	-	-	-	-	-	-	0.0%	-	0.6%	0.7%	n/a	n/a	0.0%	-
Other investments	6.0%	5.6%	8.8%	9.4%	38.3%	40.7%	26.4%	26.3%	5.0%	4.8%	8.1%	3.4%	n/a	n/a	17.0%	18.6%
Total investments	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	n/a	n/a	100.0%	100.0%

Life Insurance (unaudited)

Rest of Europe by country

in USD millions, for the years ended December 31		Italy		Spain		Ireland		Other European Countries		Eliminations		Total	
		2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Gross written premiums and policy fees		501	516	208	211	215	181	207	226	-	-	1,131	1,134
Net earned premiums and policy fees		499	508	198	197	83	147	204	209	-	-	984	1,061
Net investment income		222	215	162	149	138	125	94	112	-	-	616	601
Business operating profit		58	37	37	28	33	21	17	28	-	-	145	114

Shareholders' intangibles and recoverability

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

Shareholders' intangibles and recoverability

in USD billions, as of December 31	2005	2004
DAC/DOC asset included in Life Insurance segment balance sheet	9.1	9.6
Present value of future profits (linked to acquisitions) and other intangible assets	0.9	1.0
Deferred front-end fees liability	(4.6)	(4.9)
Policyholders' share of DAC/DOC and other intangibles	(2.0)	(2.2)
Tax deductions on intangibles	(1.1)	(1.1)
Net shareholders' intangibles after tax to be recovered from future earnings	2.3	2.4

Deferred policy acquisition costs (DAC) consist of 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.

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

The present value of future profits is the discounted value of the profit on acquired insurance contracts to be amortized over the expected life of these contracts. These are defined in note 2 of the Consolidated Financial Statements within the Financial Report.

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

Additional information (unaudited)

**Currency translation
impact on key
financial figures -
General Insurance**

variance over the prior period, for the year ended December 31, 2005	in USD millions	in %	change in USD	change in local currency
Gross written premiums and policy fees	36	0%	(1%)	(1%)
Net investment income	–	–	18%	18%
Net capital gains on investments and impairments	–	–	280%	280%
Insurance benefits and losses	(10)	(0%)	2%	2%

**Currency translation
impact on key
financial figures -
Life Insurance**

variance over the prior period, for the year ended December 31, 2005	in USD millions	in %	change in USD	change in local currency
Gross written premiums, policy fees and insurance deposits	16	0%	3%	3%
Insurance deposits	21	1%	12%	11%
Gross written premiums and policy fees	(5)	(0%)	(4%)	(4%)
Net investment income	(9)	(0%)	2%	2%
Net capital gains on investments and impairments	(54)	(1%)	127%	128%
Insurance benefits and losses	2	0%	7%	7%

Additional information (unaudited)

Total investments: split 'Group investments' and 'Investments for unit-linked products'

Total investments include Group investments and investments for unit-linked products. Group investments include investments where the Group bears all or part of the investment risk. Investments for unit-linked products include investments where contract holders bear the investment risk but the respective investment result is included in the Group's operating statements. This investment result for unit-linked products is passed to the contract holders with a corresponding charge in policyholder dividends and participation in profits so that there is no effect on the Group's net income. A summary of the investment income, capital gains, losses and impairments recognized in the operating statements including the split between Group investments and investments for unit-linked products is given below.

Investment result

in USD millions, for the years ended December 31

	Net investment income		Net capital gains/(losses) and impairments		Investment result	
	2005	2004	2005	2004	2005	2004
Group investments						
Cash and cash equivalents	501	253	4	8	505	261
Equity securities	458	433	863	(170)	1,321	263
Debt securities	5,267	5,161	1,043	761	6,310	5,922
Real estate held for investment	435	508	134	31	569	539
Mortgage loans	480	536	23	138	503	674
Policyholders' collateral and other loans	629	539	82	50	711	589
Investments in associates	105	86	(1)	(36)	104	50
Other investments:						
Short-term investments	78	99	-	-	78	99
Investments held by investment companies	6	14	264	140	270	154
Other ¹	74	120	100	34	174	154
Other investments	158	233	364	174	522	407
Investment result, gross, for Group investments	8,033	7,749	2,512	956	10,545	8,705
Investment expenses for Group investments ²	(251)	(289)			(251)	(289)
Investment result, net, for Group investments	7,782	7,460	2,512	956	10,294	8,416
Investments for unit-linked products						
Investment result, net, for investments for unit-linked products	1,983	1,593	10,870	5,586	12,853	7,179
Total investments						
Investment result, net, for total investments	9,765	9,053	13,382	6,542	23,147	15,595

¹ Including net capital gains on derivative financial instruments of USD 111 million and USD 7 million for the years ended December 31, 2005 and 2004, respectively.

² Including rental operating expenses for real estate held for investment of USD 106 million and USD 148 million for the years ended December 31, 2005 and 2004, respectively.

Additional information (unaudited)

Details of investment balances as of December 31, 2005 and 2004 are given in the tables below.

Breakdown of investments

as of December 31

	Group investments				Investments for unit-linked products		Total investments	
	2005		2004		2005	2004	2005	2004
	USD millions	% of total	USD millions	% of total	USD millions	USD millions	USD millions	USD millions
Cash and cash equivalents	18,723	10.2%	18,950	9.6%	4,759	3,507	23,482	22,457
Equity securities (including trading equity portfolios in capital markets and banking activities):								
Fair value through profit or loss	3,928	2.2%	4,893	2.5%	74,764	69,037	78,692	73,930
<i>of which:</i>								
<i>Trading</i>	2,180	1.2%	2,843	1.5%	–	–	2,180	2,843
<i>of which: Trading equity portfolios in capital markets and banking activities</i>	2,026	1.1%	2,773	1.4%	–	–	2,026	2,773
Available-for-sale	11,622	6.3%	12,158	6.2%	–	–	11,622	12,158
Total equity securities	15,550	8.5%	17,051	8.7%	74,764	69,037	90,314	86,088
Debt securities:								
Fair value through profit or loss	8,590	4.7%	10,607	5.4%	7,286	7,034	15,876	17,641
<i>of which:</i>								
<i>Trading</i>	663	0.3%	540	0.3%	–	–	663	540
Available-for-sale	104,144	56.7%	107,823	54.9%	–	51	104,144	107,874
Held-to-maturity	5,277	2.9%	5,855	3.0%	–	–	5,277	5,855
Total debt securities	118,011	64.3%	124,285	63.3%	7,286	7,085	125,297	131,370
Real estate held for investment	6,314	3.4%	7,193	3.7%	6,388	5,348	12,702	12,541
Mortgage loans	9,307	5.1%	10,251	5.2%	–	–	9,307	10,251
Policyholders' collateral and other loans	11,984	6.5%	14,901	7.6%	3	4	11,987	14,905
Investments in associates	580	0.3%	645	0.3%	–	–	580	645
Other investments:								
Short-term investments	962	0.5%	1,226	0.6%	638	717	1,600	1,943
Investments held by investment companies	1,928	1.1%	1,789	0.9%	–	–	1,928	1,789
Other	96	0.1%	166	0.1%	–	–	96	166
Total other investments	2,986	1.7%	3,181	1.6%	638	717	3,624	3,898
Total investments	183,455	100.0%	196,457	100.0%	93,838	85,698	277,293	282,155

Additional information (unaudited)

**Equity securities
(including trading
equity portfolios in
capital markets and
banking activities)**

as of December 31

	Group investments				Investments for unit-linked products		Total investments	
	2005		2004		2005	2004	2005	2004
	USD millions	% of total	USD millions	% of total	USD millions	USD millions	USD millions	USD millions
Common stocks, including equity unit trusts	9,413	5.2%	9,522	4.9%	69,898	65,512	79,311	75,034
Unit trusts (debt securities, real estate, short-term investments)	2,420	1.3%	2,707	1.4%	4,866	3,525	7,286	6,232
Common stock portfolios backing the participating with-profit policyholder contracts	1,691	0.9%	2,049	1.0%	–	–	1,691	2,049
Trading equity portfolios in capital markets and banking activities	2,026	1.1%	2,773	1.4%	–	–	2,026	2,773
Total equity securities	15,550	8.5%	17,051	8.7%	74,764	69,037	90,314	86,088

**Operating
statements
by business
segment**

in USD millions, for the three months ended December 31

	General Insurance		Life Insurance		Farmers Management Services		Other Businesses		Corporate Functions		Eliminations		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Revenues														
Direct written premiums and policy fees	7,339	7,478	2,626	3,058	-	-	76	93	8	11	(2)	7	10,047	10,647
Assumed written premiums	247	273	18	17	-	-	237	886	32	36	(84)	(144)	450	1,068
Gross written premiums and policy fees	7,586	7,751	2,644	3,075	-	-	313	979	40	47	(86)	(137)	10,497	11,715
Less premiums ceded to reinsurers	(1,476)	(1,648)	(150)	(244)	-	-	85	(140)	(31)	(35)	86	137	(1,486)	(1,930)
Net written premiums and policy fees	6,110	6,103	2,494	2,831	-	-	398	839	9	12	-	-	9,011	9,785
Net change in reserves for unearned premiums	692	951	(18)	(12)	-	-	321	272	(5)	(9)	-	-	990	1,202
Net earned premiums and policy fees	6,802	7,054	2,476	2,819	-	-	719	1,111	4	3	-	-	10,001	10,987
Farmers management fees	-	-	-	-	520	502	-	-	-	-	-	-	520	502
Net investment income	747	671	1,540	1,691	39	33	205	186	147	95	(307)	(216)	2,371	2,460
Net capital gains on investments and impairments	97	13	3,230	3,188	-	-	274	738	89	59	-	-	3,690	3,998
Net gain/(loss) on divestments of businesses	(1)	26	1	(4)	-	-	2	4	5	54	-	-	7	80
Other income	182	201	294	248	-	-	43	53	254	361	(305)	(239)	468	624
Total revenues	7,827	7,965	7,541	7,942	559	535	1,243	2,092	499	572	(612)	(455)	17,057	18,651
Intersegment transactions	(283)	(323)	(44)	18	(10)	(26)	65	(168)	(340)	44	612	455	-	-
Benefits, losses and expenses														
Losses and loss adjustment expenses, net of reinsurance	5,037	6,207	49	25	-	-	392	272	2	7	(17)	(10)	5,463	6,501
Life insurance death and other benefits, net of reinsurance	37	57	2,609	3,055	-	-	101	189	4	4	9	(14)	2,760	3,291
(Decrease)/increase in future life policyholders' benefits, net of reinsurance	3	-	30	(635)	-	-	(27)	28	15	24	9	3	30	(580)
Insurance benefits and losses, net of reinsurance	5,077	6,264	2,688	2,445	-	-	466	489	21	35	1	(21)	8,253	9,212
Policyholder dividends and participation in profits, net of reinsurance	(1)	3	3,388	4,123	-	-	255	712	-	-	-	-	3,642	4,838
Underwriting and policy acquisition costs, net of reinsurance	1,087	1,103	320	272	-	-	233	609	15	2	-	-	1,655	1,986
Administrative and other operating expenses	873	615	488	450	253	254	14	(15)	246	171	(326)	(210)	1,548	1,265
Amortization and impairments of intangible assets	24	27	32	88	11	23	-	3	3	2	-	-	70	143
Interest expense on debt	42	4	-	6	-	-	45	40	154	211	(128)	(166)	113	95
Interest credited to policyholders and other interest	87	27	161	208	-	-	57	104	109	(5)	(159)	(58)	255	276
Total benefits, losses and expenses	7,189	8,043	7,077	7,592	264	277	1,070	1,942	548	416	(612)	(455)	15,536	17,815
Net income/(loss) before income taxes	638	(78)	464	350	295	258	173	150	(49)	156	-	-	1,521	836
Income tax expense attributable to policyholders													(175)	(229)
Income tax (expense)/benefit attributable to shareholders													(346)	74
Net income attributable to minority interests													(42)	(72)
Net income attributable to shareholders													958	609
Business operating profit	560	(146)	249	201	295	268	133	165	(153)	10	-	-	1,084	498

Information for the three months ended December 31, 2005 (unaudited)

**Reconciliation of net
income before share-
holders' taxes and
business operating
profit by business
segment**

in USD millions, for the three months ended December 31

	General Insurance		Life Insurance		Farmers Management Services		Other Businesses		Corporate Functions		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Net income/(loss) before shareholders' taxes	638	(78)	289	121	295	258	173	150	(49)	156	1,346	607
Adjusted for:												
Net capital gains on investments and impairments, excluding capital markets and banking activities and certain securities held for specific economic hedging purposes	(97)	(13)	(3,230)	(3,188)	-	-	(334)	(673)	(57)	(59)	(3,718)	(3,933)
Policyholder allocation of net capital gains on investments and impairments	-	-	3,173	3,218	-	-	296	693	-	-	3,469	3,911
Net income attributable to minority interests	(11)	(12)	(2)	(4)	-	-	-	(1)	(29)	(55)	(42)	(72)
Net loss/(gain) on divestments of businesses	1	(26)	(1)	4	-	-	(2)	(4)	(5)	(54)	(7)	(80)
Foreign currency differences on intercompany investments	13	(22)	-	-	-	-	-	-	(13)	22	-	-
Restructuring provisions and other	16	5	20	50	-	10	-	-	-	-	36	65
Business operating profit	560	(146)	249	201	295	268	133	165	(153)	10	1,084	498

Information for the three months ended December 31, 2005 (unaudited)

General
Insurance -
Customer
segment
reporting

in USD millions, for the three months ended December 31

	Global Corporate		North America Commercial		Europe General Insurance		International Businesses		Centrally Managed Businesses		Eliminations		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Gross written premiums and policy fees	1,311	1,353	3,212	3,210	2,415	2,669	742	677	72	14	(166)	(172)	7,586	7,751
Net earned premiums and policy fees	1,019	1,210	2,449	2,210	2,788	3,130	548	536	(2)	(32)	-	-	6,802	7,054
Insurance benefits and losses	918	914	1,947	3,222	1,892	1,809	327	308	(7)	11	-	-	5,077	6,264
Policyholder dividends and participation in profits	-	(1)	1	4	(2)	-	-	-	-	-	-	-	(1)	3
Total net technical expenses	198	221	697	382	671	717	176	169	16	7	15	(26)	1,773	1,470
Net underwriting result	(97)	76	(196)	(1,398)	227	604	45	59	(11)	(50)	(15)	26	(47)	(683)
Net investment income	100	121	250	170	283	235	43	37	100	116	(29)	(8)	747	671
Net capital gains/(losses) on investments and impairments	12	(2)	15	34	50	(25)	20	6	-	-	-	-	97	13
Net non-technical result	(9)	(13)	(52)	23	(91)	(82)	1	(7)	(52)	18	44	(18)	(159)	(79)
Net income/(loss) before income taxes	6	182	17	(1,171)	469	732	109	95	37	84	-	-	638	(78)
Business operating profit	(10)	159	3	(1,206)	449	733	83	84	35	84	-	-	560	(146)

Ratios, as % of net earned premiums and policy fees

Loss ratio	90.1%	75.5%	79.5%	145.8%	67.9%	57.8%	59.5%	57.7%	(222.0%)	34.8%	n/a	n/a	74.7%	88.8%
Expense ratio ¹	19.5%	18.1%	28.6%	17.5%	24.1%	22.9%	32.0%	31.9%	527.5%	21.3%	n/a	n/a	26.0%	20.9%
Combined ratio	109.6%	93.6%	108.1%	163.3%	92.0%	80.7%	91.5%	89.6%	305.5%	56.1%	n/a	n/a	100.7%	109.7%

¹ Including policyholder dividends and participation in profits.

Information for the three months ended December 31, 2005 (unaudited)

Life Insurance -
Overview

in USD millions, for the three months ended December 31

	USA		United Kingdom		Europe						International Businesses		Eliminations		Total	
	2005	2004	2005	2004	Germany		Switzerland		Rest of Europe ¹		2005	2004	2005	2004	2005	2004
					2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Insurance deposits	121	129	1,881	1,210	253	220	10	9	635	475	303	259	-	-	3,203	2,302
Gross written premiums and policy fees	166	143	410	611	1,099	1,141	486	672	353	335	133	171	(3)	2	2,644	3,075
Net earned premiums and policy fees	122	115	346	528	1,082	1,036	483	668	326	307	117	165	-	-	2,476	2,819
Net investment income	78	80	701	790	397	428	159	203	144	146	61	44	-	-	1,540	1,691
Net capital gains on investments and impairments	8	25	2,658	2,723	171	57	82	16	179	157	132	210	-	-	3,230	3,188
Other income (incl. net gain on divestments of businesses)	26	-	94	99	108	96	14	10	7	32	46	7	-	-	295	244
Total revenues	234	220	3,799	4,140	1,758	1,617	738	897	656	642	356	426	-	-	7,541	7,942
Insurance benefits and losses, net of reinsurance	61	63	483	335	1,251	1,076	569	747	261	142	63	82	-	-	2,688	2,445
Policyholder dividends and participation in profits, net of reinsurance	3	16	2,826	3,236	203	325	(26)	42	263	309	119	195	-	-	3,388	4,123
Underwriting and policy acquisition costs, net of reinsurance	10	15	150	174	56	(14)	40	40	34	29	30	28	-	-	320	272
Administrative and other operating expenses	19	20	185	185	114	58	58	63	49	42	63	82	-	-	488	450
Amortization and impairments of intangible assets	9	5	11	21	11	18	-	-	1	42	-	2	-	-	32	88
Interest expense on debt and other interest	49	45	36	43	75	108	5	8	(6)	8	2	2	-	-	161	214
Total benefits, losses and expenses	151	164	3,691	3,994	1,710	1,571	646	900	602	572	277	391	-	-	7,077	7,592
Net income before income taxes	83	56	108	146	48	46	92	(3)	54	70	79	35	-	-	464	350
Business operating profit	80	51	(18)	(6)	36	31	56	46	26	38	69	41	-	-	249	201

¹ Including interregion eliminations.

Summary of quarterly consolidated financial information (unaudited)

Summary of
quarterly
consolidated
financial
information

in USD millions, for the three months ended	12/31/05	09/30/05	06/30/05	03/31/05	12/31/04	09/30/04	06/30/04	03/31/04
Gross written premiums and policy fees	10,497	10,346	12,062	13,892	11,715	11,165	12,123	14,233
Net earned premiums and policy fees	10,001	9,766	10,359	10,331	10,987	10,191	10,097	10,515
Net investment income and net capital gains on investments and impairments	6,061	7,607	5,878	3,601	6,458	3,079	2,879	3,179
Other revenues	995	901	869	817	1,206	882	902	839
Total revenues	17,057	18,274	17,106	14,749	18,651	14,152	13,878	14,533
Insurance benefits and losses, net of reinsurance	8,253	7,941	8,325	7,900	9,212	8,606	7,827	8,467
Policyholder dividends and participation in profits, net of reinsurance	3,642	5,556	3,350	1,884	4,838	1,514	999	1,401
Other expenses	3,641	3,875	3,681	3,672	3,765	3,501	3,747	3,669
Total benefits, losses and expenses	15,536	17,372	15,356	13,456	17,815	13,621	12,573	13,537
Net income before income taxes	1,521	902	1,750	1,293	836	531	1,305	996
Net income attributable to shareholders	958	457	1,020	779	609	373	840	644
Business operating profit	1,084	558	1,271	1,034	498	512	1,104	874