

Consolidated operating statements (unaudited)

in USD millions, for the six months ended June 30	Notes	2006	2005
Revenues			
Gross written premiums and policy fees		24,605	25,954
Less premiums ceded to reinsurers		(3,114)	(3,535)
Net written premiums and policy fees		21,491	22,419
Net change in reserves for unearned premiums		(1,588)	(1,729)
Net earned premiums and policy fees		19,903	20,690
Farmers management fees		1,054	1,020
Net investment income	4	5,156	5,070
Net capital gains on investments and impairments	4	2,315	4,409
Net loss on divestments of businesses	3	–	(13)
Other income		722	679
Total revenues		29,150	31,855
Benefits, losses and expenses			
Insurance benefits and losses, gross of reinsurance	5	16,806	18,932
Less ceded insurance benefits and losses	5	(1,859)	(2,707)
Insurance benefits and losses, net of reinsurance	5	14,947	16,225
Policyholder dividends and participation in profits, net of reinsurance	5	3,735	5,234
Underwriting and policy acquisition costs, net of reinsurance	5	3,329	3,706
Administrative and other operating expense		3,198	2,763
Amortization and impairments of intangible assets		122	125
Interest expense on debt	11	294	223
Interest credited to policyholders and other interest		450	536
Total benefits, losses and expenses		26,075	28,812
Net income before income taxes		3,075	3,043
Income tax expense	10	(1,071)	(1,188)
Net income after taxes		2,004	1,855
Net income attributable to minority interests		(47)	(56)
Net income attributable to shareholders		1,957	1,799
in USD			
Basic earnings per share		13.40	12.37
Diluted earnings per share		13.32	12.29
in CHF			
Basic earnings per share		17.00	14.87
Diluted earnings per share		16.90	14.77

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

Consolidated balance sheets (unaudited)

Assets	in USD millions, as of	Notes	06/30/06	12/31/05
Investments				
Cash and cash equivalents			21,764	23,482
Equity securities			95,982	90,314
Debt securities			130,136	125,297
Real estate held for investment			14,536	12,702
Mortgage loans			10,170	9,307
Policyholders' collateral and other loans			13,496	11,987
Investments in associates			609	580
Other investments			3,566	3,624
Total investments		4	290,259	277,293
Reinsurers' share of reserves for insurance contracts			20,684	20,494
Deposits made under assumed reinsurance contracts			2,008	2,450
Deferred policy acquisition costs		9	12,600	11,179
Deferred origination costs		9	783	690
Accrued investment income			2,685	2,390
Receivables			12,455	11,283
Derivative assets and other assets			1,927	1,787
Mortgage loans given as collateral			2,869	3,064
Deferred tax assets		10	2,035	4,393
Fixed assets			1,816	1,729
Goodwill			644	605
Other intangible assets			2,318	2,255
Total assets			353,083	339,612

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

**Liabilities
and equity**

in USD millions, as of	Notes	06/30/06	12/31/05
Liabilities			
Reserve for premium refunds		665	753
Liabilities for investment contracts	7	44,812	40,999
Deposits received under ceded reinsurance contracts		2,353	2,500
Deferred front-end fees		5,057	4,659
Reserves for insurance contracts	6	231,019	219,924
Obligation to repurchase securities		5,568	5,295
Accrued liabilities		2,358	2,150
Derivative liabilities and other liabilities		21,860	21,040
Collateralized loans		2,871	3,056
Deferred tax liabilities	10	4,007	6,317
Debt related to capital markets and banking activities	11	2,288	2,139
Senior and subordinated debt	11	7,840	7,540
Total liabilities		330,698	316,372
Equity			
Share capital		10	186
Additional paid-in capital		10,367	10,315
Net unrealized (losses)/gains on investments	4	(642)	1,139
Cumulative translation adjustment		271	(111)
Retained earnings		11,208	9,801
Common shareholders' equity		21,214	21,330
Preferred securities		671	1,096
Shareholders' equity		21,885	22,426
Minority interests		500	814
Total equity		22,385	23,240
Total liabilities and equity		353,083	339,612

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

Consolidated statements of cash flows (unaudited)

in USD millions, for the six months ended June 30	2006	2005
Cash flows from operating activities		
Net income attributable to shareholders	1,957	1,799
Adjustments for:		
<i>Net capital gains on investments and impairments</i>	(2,315)	(4,409)
<i>Net loss on divestments of businesses</i>	–	13
<i>Share of equity in income of investments in associates</i>	(35)	(96)
<i>Depreciation, amortization and impairments of fixed and intangible assets</i>	217	220
<i>Other non-cash items</i>	767	(19)
Changes in operational assets and liabilities:		
<i>Deferred policy acquisition costs</i>	(609)	(434)
<i>Deferred origination costs</i>	(43)	(6)
<i>Reinsurers' share of reserves for insurance contracts</i>	202	(1,225)
<i>Deposits made under assumed reinsurance contracts</i>	442	602
<i>Deposits received under ceded reinsurance contracts</i>	(227)	(735)
<i>Receivables and payables</i>	(493)	(279)
<i>Net change in trading securities</i>	(283)	339
<i>Reserves for insurance contracts, gross</i>	2,256	9,345
<i>Liabilities for investment contracts</i>	930	52
<i>Deferred income tax, net</i>	160	645
<i>Net changes in other operational assets and liabilities</i>	(375)	201
Net cash provided by operating activities	2,551	6,013
Cash flows from investing activities		
Sales and maturities:		
<i>Debt securities</i>	31,145	34,767
<i>Equity securities</i>	24,565	19,598
<i>Other (primarily other investments and fixed assets)</i>	11,726	4,953
Purchases:		
<i>Debt securities</i>	(34,464)	(39,824)
<i>Equity securities</i>	(24,037)	(18,775)
<i>Other (primarily other investments and fixed assets)</i>	(12,904)	(4,641)
Investments in associates, net	7	41
Acquisitions of companies, net of cash acquired	–	(1)
Divestments of companies, net of cash balances	–	17
Dividends from associates	4	1
Net cash used in investing activities	(3,958)	(3,864)

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

in USD millions, for the six months ended June 30	2006	2005
Cash flows from financing activities		
Proceeds from sale and repurchase agreements	(110)	1,130
Dividends on preferred securities and minorities	(34)	(21)
Redemption of preferred securities and repayments to minority interests	(794)	–
Issuance of debt	87	714
Payments on debt outstanding	(111)	(78)
Net change of debt for capital markets and banking activities	192	(718)
Net cash (used in)/provided by financing activities	(770)	1,027
Foreign currency translation effects on cash and cash equivalents	973	(1,199)
Change in cash and cash equivalents excluding change in cash received as collateral for securities lending	(1,204)	1,977
Change in cash received as collateral for securities lending	(514)	(800)
Cash and cash equivalents reclassified to assets held for sale ¹	–	(458)
Cash and cash equivalents as of January 1, including cash received as collateral for securities lending	23,482	22,457
Cash and cash equivalents as of June 30, including cash received as collateral for securities lending	21,764	23,176
Other supplementary cash flow disclosures		
Other interest income received	3,779	3,979
Dividend income received	1,120	985
Other interest expense paid	(662)	(706)
Income tax paid	(853)	(553)

¹ The assets and liabilities of Universal Underwriters Group were categorized as held for sale as of June 30, 2005 in accordance with IFRS 5.

As of June 30, 2006 and 2005, cash and cash equivalents restricted as to use were USD 335 million and USD 436 million, respectively. Cash and cash equivalents held for the benefit of policyholders in connection with unit-linked products amounted to USD 5,141 million and USD 3,611 million as of June 30, 2006 and 2005, respectively. Cash received as collateral for securities lending was USD 4,057 million and USD 4,397 million as of June 30, 2006 and 2005, respectively.

Cash and cash equivalents	in USD millions, as of June 30	2006	2005
Cash and cash equivalents comprise the following:			
Cash at bank and in hand		4,604	8,335
Cash equivalents		13,103	10,444
Cash held as collateral for securities lending		4,057	4,397
Balance		21,764	23,176

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

Consolidated statements of equity (unaudited)

in USD millions

	Share capital	Treasury shares	Additional paid-in capital	
Balance as of December 31, 2004	635	(1)	10,288	
Write-off of negative goodwill (IFRS 3)	–	–	–	
Change in net unrealized gains/losses on investments (excluding currency translation adjustments)	–	–	–	
Currency translation adjustments	–	–	–	
Change in net unrealized gains/losses on investments not recognized in the operating statement	–	–	–	
Nominal value reduction of share capital	(449)	–	–	
Share-based payment transactions	–	–	(4)	
Treasury share transactions	–	–	–	
Net income after taxes	–	–	–	
Dividends	–	–	–	
Net changes in capitalization and minority interests	–	–	–	
Balance as of June 30, 2005	186	(1)	10,284	
Balance as of December 31, 2005	186	–	10,315	
Change in net unrealized gains/losses on investments (excluding currency translation adjustments)	–	–	–	
Currency translation adjustments	–	–	–	
Change in net unrealized gains/losses on investments not recognized in the operating statement	–	–	–	
Increase of share capital	1	–	76	
Distribution to shareholders:				
<i>Nominal value reduction of share capital</i>	(177) ¹	–	–	
<i>Dividends</i>	–	–	–	
Redemption of preferred securities ²	–	–	–	
Share-based payment transactions	–	–	(25)	
Treasury share transactions	–	–	1	
Net income after taxes	–	–	–	
Net changes in capitalization and minority interests	–	–	–	
Balance as of June 30, 2006	10	–	10,367	

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 payment to shareholders was made on July 4, 2006. The nominal value reduction of share capital in USD is adjusted for cumulative translation adjustments.

² Zurich RegCaPS Funding Trust I repaid USD 425 million of Trust Capital Securities I to investors on March 30, 2006 and on April 11, 2006, and Zurich Financial Services (Jersey) Ltd. repaid EUR 300 million of Series A Preference Shares to investors on March 16, 2006.

The number of common shares issued was 144,562,201 as of June 30, 2006, and 144,006,955 as of December 31, 2005 and 2004 and as of June 30, 2005.

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

	Net unrealized gains/(losses) on investments	Cumulative translation adjustment	Retained earnings	Common shareholders' equity	Preferred securities	Total shareholders' equity	Minority interests	Total equity
	1,144	743	6,610	19,419	1,096	20,515	840	21,355
	-	-	23	23	-	23	-	23
	654	-	-	654	-	654	11	665
	(75)	(646)	-	(721)	-	(721)	(111)	(832)
	579	(646)	-	(67)	-	(67)	(100)	(167)
	-	-	-	(449)	-	(449)	-	(449)
	-	-	-	(4)	-	(4)	-	(4)
	-	-	-	-	-	-	-	-
	-	-	1,778	1,778	21	1,799	56	1,855
	-	-	-	-	(21)	(21)	(12)	(33)
	-	-	-	-	-	-	3	3
	1,723	97	8,411	20,700	1,096	21,796	787	22,583
	1,139	(111)	9,801	21,330	1,096	22,426	814	23,240
	(1,848)	-	-	(1,848)	-	(1,848)	(20)	(1,868)
	67	382	-	449	-	449	53	502
	(1,781)	382	-	(1,399)	-	(1,399)	33	(1,366)
	-	-	-	77	-	77	-	77
	-	-	-	(177)	-	(177)	-	(177)
	-	-	(524)	(524)	(26)	(550)	(8)	(558)
	-	-	-	-	(425)	(425)	(355)	(780)
	-	-	-	(25)	-	(25)	-	(25)
	-	-	-	1	-	1	-	1
	-	-	1,931	1,931	26	1,957	47	2,004
	-	-	-	-	-	-	(31)	(31)
	(642)	271	11,208	21,214	671	21,885	500	22,385

1. Basis of presentation

These half year consolidated financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting". The accounting policies used to prepare these consolidated financial statements comply with International Financial Reporting Standards (IFRS), and are consistent with those set out in the notes to the Annual Report 2005 of Zurich Financial Services Group (the Group).

These unaudited half year consolidated financial statements should be read in conjunction with the Group's Annual Report 2005. The Group's independent auditors have carried out a review of these unaudited half year consolidated financial statements. Their report is set out on page 63.

Certain amounts recorded in the half year consolidated financial statements reflect estimates and assumptions made by management about insurance liability reserves, investment valuations, interest rates and other factors. Actual results may differ from the estimates made. Interim results are not necessarily indicative of full-year results.

All amounts in the notes are shown in USD millions, rounded to the nearest million unless otherwise stated.

Implementation of new accounting standards and adjustments

The Group adopted certain new and revised International Financial Reporting Standards and interpretations effective January 1, 2006. However, these changes did not have any material impact on the Group's Financial Statements.

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 segments are defined as follows:

- General Insurance
- Global Life
- Farmers Management Services
- Other Businesses
- Corporate Functions

In order to be consistent with the Group's management structure, the following transfers between primary segments have been made for 2006 financial reporting:

- Kemper Corporation and Kemper Real Estate Inc. from Corporate Functions to Other Businesses
- Zurich Compagnie d'Assurances Luxembourg, Zurich Corporate Solutions Switzerland from General Insurance to Other Businesses

The 2005 results have been restated to reflect these changes.

Further Zurich Global Corporate (UK) Limited, Zurich Professional (UK) Limited, ZSL Financing (UK) Limited, Zurich Corporate Solutions (UK) Limited and certain lines of business of Eagle Star Insurance Company Limited have been put into run-off as of April 1, 2006 and therefore these have been transferred from General Insurance to Other Businesses.

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

- North America
- Europe
- International Businesses, and
- Centrally Managed Businesses

The accounting policies of the segments are the same as those of the Group described in the summary of significant accounting policies in the Annual Report 2005. 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 realized capital gains/(losses) and dividends, which are eliminated.

2. Foreign currency translation and transactions

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 operating statements were USD (24) million and USD (60) million for the six months ended June 30, 2006 and 2005, respectively. Foreign currency exchange forward and swap gains and (losses) included in the amounts above were USD 99 million and USD (379) million for the six months ended June 30, 2006 and 2005, respectively.

Table 2

USD per foreign currency unit

Principal exchange rates

	Balance sheets as of		Operating statements and cash flows for the six months ended	
	06/30/06	12/31/05	06/30/06	06/30/05
Euro	1.2791	1.1849	1.2304	1.2860
Swiss franc	0.8175	0.7614	0.7882	0.8316
British pound sterling	1.8484	1.7228	1.7906	1.8744

3. Changes in the scope of consolidation

During the six months ended June 30, 2006, the Group did not divest any significant businesses. During the six months ended June 30, 2005, the Group completed divestments of several businesses and recognized post-completion adjustments on divestments made in the previous year.

Table 3			
in USD millions, for the six months ended June 30			
Net loss on divestments		2006	2005
Consideration received		–	83
Less: net assets divested		–	(99)
Other income/(costs) related to divestments		–	3
Net loss on divestments before tax		–	(13)
Tax effect			–
Net loss on divestments after tax		–	(13)
Net assets divested			
Cash and cash equivalents		–	68
Other assets		–	196
Insurance liabilities		–	(39)
Other liabilities		–	(126)
Net assets divested		–	99

The Group's principal transactions affecting the scope of consolidation during the years ended June 30, 2006 and 2005 are described below.

Changes in 2006

In the first six months 2006, the group did not acquire or divest any significant companies and businesses.

Changes in 2005

The Group completed the sale of its equity stake in ZC Sterling Corporation to Trident III, L.P, the sale of 10% of the total issued share capital of South African Eagle Insurance Company Limited (SA Eagle), a majority-owned subsidiary, to Royal Bafokeng Finance (RBF), a company wholly-owned by the Royal Bafokeng Nation (RBN), South Africa, the sale of its interest in Zurich National Life Assurance Company Limited in Thailand to National Finance Public Company Limited and the acquisition of the life business portfolio of ING Insurance Argentina, realizing a net loss before tax of USD 17 million. The Group also realized post-completion adjustments for divestments closed in 2004, realizing a net gain before tax of USD 4 million.

In the first six months 2005, the companies and businesses divested did not contribute materially to the Group's net income attributable to shareholders.

On April 4, 2005, the Group announced the sale of Universal Underwriters Group (UUG) to an investor group. The assets and liabilities of UUG were classified as held for sale in accordance with IFRS 5. However, on January 16, 2006 the Group announced the mutual cessation of negotiations to complete the sale and its intention to integrate UUG into the North America Commercial business. As a result, in the financial statements the assets and liabilities of UUG are no longer classified as held for sale as of December 31, 2005. This reclassification did not result in a restatement of 2006 consolidated financial statements.

4. Investments

A summary of net investment income and net capital gains, losses and impairments is given below.

Table 4.1

in USD millions, for the six months ended June 30

Investment result

	Net investment income		Net capital gains/ (losses) on investments and impairments ¹		Investment result	
	2006	2005	2006	2005	2006	2005
Cash and cash equivalents	313	310	3	2	316	312
Equity securities	1,275	1,069	2,319	3,289	3,594	4,358
Debt securities	2,727	2,807	(621)	802	2,106	3,609
Real estate held for investment	407	404	630	256	1,037	660
Mortgage loans	233	245	2	24	235	269
Policyholders' collateral and other loans	296	322	(4)	69	292	391
Investments in associates	35	96	2	(5)	37	91
Other investments	199	137	(16)	(28)	183	109
<i>Short-term investments</i>	61	48	–	2	61	50
<i>Investments held by investment companies</i>	4	5	90	126	94	131
<i>Other</i> ²	134	84	(106)	(156)	28	(72)
Investment result, gross	5,485	5,390	2,315	4,409	7,800	9,799
Investment expenses ³	(329)	(320)	–	–	(329)	(320)
Investment result, net	5,156	5,070	2,315	4,409	7,471	9,479

¹ Impairments on total investments amounted to USD 2 million and USD 35 million for the six months ended June 30, 2006 and 2005, respectively.

² Including net capital losses on derivative financial instruments of USD 100 million and USD 159 million for the six months ended June 30, 2006 and 2005, respectively.

³ Including rental operating expenses for real estate held for investment of USD 72 million for each of the six months ended June 30, 2006 and 2005.

Details of the investment balances as of June 30, 2006 and December 31, 2005 are given in the tables below by measurement category.

Breakdown of total investments	Table 4.2 as of			
	Total investments			
	06/30/06		12/31/05	
	USD millions	% of total	USD millions	% of total
Cash and cash equivalents	21,764	7.5%	23,482	8.5%
Equity securities (including trading equity portfolios in capital markets and banking activities):				
Fair value through profit or loss	83,349	28.7%	78,692	28.4%
<i>of which: trading</i>	2,566	0.9%	2,180	0.8%
<i>of which: Trading equity portfolios in capital markets and banking activities</i>	2,388	0.8%	2,026	0.7%
Available-for-sale	12,633	4.4%	11,622	4.2%
Total equity securities	95,982	33.1%	90,314	32.6%
Debt securities:				
Fair value through profit or loss	16,353	5.6%	15,876	5.7%
<i>of which: trading</i>	490	0.2%	663	0.2%
Available-for-sale	108,122	37.2%	104,144	37.6%
Held-to-maturity	5,661	2.0%	5,277	1.9%
Total debt securities	130,136	44.8%	125,297	45.2%
Real estate held for investment	14,536	5.0%	12,702	4.6%
Mortgage loans	10,170	3.5%	9,307	3.3%
Policyholders' collateral and other loans	13,496	4.7%	11,987	4.3%
Investments in associates	609	0.2%	580	0.2%
Other investments:				
Short-term investments	1,756	0.6%	1,600	0.6%
Investments held by investment companies	1,738	0.6%	1,928	0.7%
Other	72	0.0%	96	0.0%
Total other investments	3,566	1.2%	3,624	1.3%
Total investments	290,259	100.0%	277,293	100.0%

As of June 30, 2006 and December 31, 2005 investments included USD 11,618 million and USD 12,486 million, respectively, of loaned securities. Cash and cash equivalents contained USD 4,057 million and USD 4,571 million of cash received as collateral for loaned securities as of June 30, 2006 and December 31, 2005, respectively. Non-cash collateral received for loaned securities was USD 7,983 million and USD 8,262 million as of June 30, 2006 and December 31, 2005, respectively.

Table 4.3

Realized capital gains/(losses) and impairments on available-for-sale debt and equity securities

in USD millions, for the six months ended June 30	Equity securities		Debt securities		Total	
	2006	2005	2006	2005	2006	2005
Gross realized capital gains	521	275	177	362	698	637
Gross realized capital losses	(20)	(154)	(192)	(81)	(212)	(235)
Impairments	–	(23)	–	(7)	–	(30)
Total	501	98	(15)	274	486	372

Table 4.4

Unrealized gains/(losses) on investments included in shareholders' equity

in USD millions, as of	Total	
	06/30/06	12/31/05
Equity securities: available-for-sale	1,106	1,298
Debt securities: available-for-sale	(1,100)	2,474
Other	121	73
Less amount of net unrealized (gains)/losses on investments attributable to:		
Life policyholder dividends and other policyholder liabilities	(692)	(2,131)
Life deferred acquisition costs	27	(159)
Deferred income taxes	(92)	(384)
Minority interests	(12)	(32)
Total	(642)	1,139

5. Insurance benefits, losses and expenses

Table 5.1

in USD millions, for the six months ended June 30

Insurance benefits and losses

	Gross		Ceded		Net	
	2006	2005	2006	2005	2006	2005
Losses and loss adjustment expenses	12,068	13,330	(1,629)	(2,337)	10,439	10,993
Life insurance death and other benefits	5,805	6,046	(141)	(142)	5,664	5,904
Decrease in future life policyholders' benefits	(1,067)	(444)	(89)	(228)	(1,156)	(672)
Total insurance benefits and losses	16,806	18,932	(1,859)	(2,707)	14,947	16,225

Table 5.2

in USD millions, for the six months ended June 30

Policyholder dividends and participation in profits

	Gross		Ceded		Net	
	2006	2005	2006	2005	2006	2005
Change in policyholders' contract deposits and other funds	552	599	–	–	552	599
Change in reserves for unit-linked products	1,576	2,634	–	–	1,576	2,634
Change in liabilities for investment contracts - unit-linked	1,559	1,861	–	–	1,559	1,861
Change in liabilities for investment contracts - other	48	140	–	–	48	140
Total policyholder dividends and participation in profits	3,735	5,234	–	–	3,735	5,234

Table 5.3

in USD millions, for the six months ended June 30

Underwriting and policy acquisition costs

	Gross		Ceded		Net	
	2006	2005	2006	2005	2006	2005
Underwriting and policy acquisition costs	3,696	3,899	(367)	(193)	3,329	3,706

6. Reserves for insurance contracts

Table 6.1 in USD millions, as of		06/30/06	12/31/05
Reserves for insurance contracts	Gross		
	Reserves for losses and loss adjustment expenses	63,037	60,425
	Reserves for unearned premiums	16,059	13,531
	Future life policyholders' benefits	74,767	71,292
	Policyholders' contract deposits and other funds	18,305	18,985
	Reserves for unit-linked contracts	58,851	55,691
	Total reserves for insurance contracts, gross	231,019	219,924
	Ceded		
	Reserves for losses and loss adjustment expenses	(13,999)	(14,231)
	Reserves for unearned premiums	(2,089)	(1,675)
	Future life policyholders' benefits	(1,435)	(1,305)
	Policyholders' contract deposits and other funds	(3,380)	(3,504)
Reserves for unit-linked contracts	–	–	
Total ceded reserves for insurance contracts (reinsurers' share of reserves for insurance contracts, gross) ¹	(20,903)	(20,715)	
Net			
Reserves for losses and loss adjustment expenses	49,038	46,194	
Reserves for unearned premiums	13,970	11,856	
Future life policyholders' benefits	73,332	69,987	
Policyholders' contract deposits and other funds	14,925	15,481	
Reserves for unit-linked contracts	58,851	55,691	
Total reserves for insurance contracts, net	210,116	199,209	

¹ Gross of allowance for uncollectible amounts of USD 219 millions and USD 221 millions as of June 30, 2006 and December 31, 2005, respectively.

Development of reserves for losses and loss adjustment expenses	Gross		Ceded		Net	
	2006	2005	2006	2005	2006	2005
As of January 1 (opening balance)	60,425	57,765	(14,231)	(14,278)	46,194	43,487
Losses and loss adjustment expenses incurred						
Current period	11,747	12,464	(1,128)	(1,568)	10,619	10,896
Prior years	321	866	(501)	(769)	(180)	97
Total	12,068	13,330	(1,629)	(2,337)	10,439	10,993
Losses and loss adjustment expenses paid						
Current period	(2,587)	(2,681)	95	181	(2,492)	(2,500)
Prior years	(8,810)	(7,834)	2,085	1,571	(6,725)	(6,263)
Total	(11,397)	(10,515)	2,180	1,752	(9,217)	(8,763)
Divestments of companies and businesses, including transfer to liabilities held for sale and discontinued operations ¹	-	(1,200)	-	117	-	(1,083)
Foreign currency translation effects	1,941	(2,354)	(319)	271	1,622	(2,083)
As of June 30 (closing balance)	63,037	57,026	(13,999)	(14,475)	49,038	42,551

¹ The assets and liabilities of Universal Underwriters Group were categorized as held for sale as of June 30, 2005 in accordance with IFRS 5.

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 are reflected in the consolidated operating statement in the period in which estimates are changed.

Significant delays occur in the notification 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.

Deferred charges relating to retrospective reinsurance assumed totaled USD 130 million and USD 129 million as of June 30, 2006 and December 31, 2005, respectively, have been deducted from reserves for losses and loss adjustment expenses.

Roll forward of future life policyholders' benefits	Gross		Ceded		Net	
	2006	2005	2006	2005	2006	2005
As of January 1 (opening balance)	71,292	81,350	(1,305)	(1,418)	69,987	79,932
Premiums and claims	(2,543)	(2,302)	(73)	(117)	(2,616)	(2,419)
Interest and bonuses credited to policyholders	1,419	1,465	(28)	(41)	1,391	1,424
Change in assumptions	(2)	240	13	(15)	11	225
Divestments/transfers	(35)	(43)	-	16	(35)	(27)
Increase/(decrease) charged to shareholders' equity	(533)	270	14	(43)	(519)	227
Foreign currency translation effects	5,169	(7,692)	(56)	76	5,113	(7,616)
As of June 30 (closing balance)	74,767	73,288	(1,435)	(1,542)	73,332	71,746

Table 6.4

**Policyholders'
contract deposits
and other funds
(gross of
reinsurance)**

in USD millions, as of	06/30/06	12/31/05
Annuities	1,995	1,997
Universal life and other investment contracts	10,581	10,628
Policyholder dividends	5,729	6,360
Total	18,305	18,985

Table 6.5

**Roll forward of
policyholders'
contract deposits
and other funds**

in USD millions	Gross		Ceded		Net	
	2006	2005	2006	2005	2006	2005
As of January 1 (opening balance)	18,985	22,763	(3,504)	(3,594)	15,481	19,169
Premiums and claims	(681)	(655)	193	141	(488)	(514)
Interest and bonuses credited to policyholders	515	928	(68)	(66)	447	862
Change in assumptions	(2)	(9)	–	–	(2)	(9)
Acquisitions	–	5	–	–	–	5
Increase/(decrease) charged to shareholders' equity	(1,101)	329	6	–	(1,095)	329
Foreign currency translation effects	589	(1,130)	(7)	4	582	(1,126)
As of June 30 (closing balance)	18,305	22,231	(3,380)	(3,515)	14,925	18,716

Table 6.6

**Roll forward
of reserves for
unit-linked
contracts**

in USD millions	Gross		Ceded		Net	
	2006	2005	2006	2005	2006	2005
As of January 1 (opening balance)	55,691	51,920	–	–	55,691	51,920
Premiums and claims	(596)	452	–	–	(596)	452
Interest and bonuses credited to policyholders	1,438	2,449	–	–	1,438	2,449
Acquisitions	–	45	–	–	–	45
Foreign currency translation effects	2,318	(2,980)	–	–	2,318	(2,980)
As of June 30 (closing balance)	58,851	51,886	–	–	58,851	51,886

Guarantees arising from minimum death benefits ("GMDB"), retirement income benefits ("GRIB") and annuitization options ("GAO")

The Group sells products for which policyholders bear the full investment risk associated with the underlying invested funds selected by them. Certain of these products 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 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 purposes of amortizing deferred policy acquisition costs.

The Group's exposure after reinsurance recoveries under these policies at the balance sheet date as of June 30, 2006 would be USD 468 million (USD 443 million as of December 31, 2005). The Group believes that ultimately the realization of such liability is not likely.

7. Liabilities for investment contracts (with and without DPF)

Table 7.1		06/30/06	12/31/05
Liabilities related to investment contracts	in USD millions, as of		
	Liabilities related to unit-linked investment contracts	38,560	34,871
	Liabilities related to investment contracts (amortized cost)	127	133
	Liabilities related to investment contracts with discretionary participation features ("DPF")	6,125	5,995
	Total	44,812	40,999

Unit-linked investment contracts issued by the Group are recorded at a value reflecting the returns from investment funds which include selected equities, debt securities and derivatives. Policyholders bear the full risk of the returns on these investments.

The fair value of financial liabilities at amortized cost is based on a discounted cash flow valuation technique. The discount rate is determined by current market assessment of the time value of money and risk specific to the liability.

The movements in the liabilities arising from investment contracts with DPF are summarized below.

Table 7.2		2006	2005
Roll forward of investment contract liabilities	in USD millions		
	As of January 1 (opening balance)	40,999	39,260
	Premiums and claims	(416)	(543)
	Interest and bonuses credited to policyholders	1,471	2,226
	Divestments/transfers	(3)	–
	Increase/(decrease) charged to shareholders' equity	(50)	12
	Foreign currency translation effects	2,811	(2,503)
	As of June 30 (closing balance)	44,812	38,452

8. Equity component of discretionary participation features

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. The table below shows the change in the amount of undeclared funds surplus recorded in shareholders' equity after minimum mandated allocations to policyholder liabilities.

Table 8.1		2006	2005
Equity component of discretionary participation features (DPF)	in USD millions		
	As of January 1 (opening balance)	1,399	1,425
	Net unrealized gains on investments	(277)	123
	Current year period profit	(19)	(3)
	Foreign currency translation effects	105	(93)
	As of June 30 (closing balance)	1,208	1,452

9. Deferred policy acquisition and origination costs

Table 9.1

in USD millions

Deferred policy acquisition costs

	General Insurance		Global Life		Other segments ¹		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
As of January 1 (opening balance)	2,640	2,141	8,441	8,932	98	208	11,179	11,281
Acquisition costs deferred and transfers	1,337	1,624	670	664	23	3	2,030	2,291
Amortization ²	(1,080)	(972)	(135)	(542)	(28)	(30)	(1,243)	(1,544)
Divestments	–	(15)	–	(12)	–	–	–	(27)
Reclassifications to assets held for sale ³	–	(464)	–	–	–	–	–	(464)
Foreign currency translation effects	81	(114)	553	(678)	–	–	634	(792)
As of June 30 (closing balance)	2,978	2,200	9,529	8,364	93	181	12,600	10,745

¹ Net of eliminations of intersegment transactions.

² Change in unrealized gains on investments recorded directly to common shareholders' equity for Global Life was USD 171 million and USD (70) million for the six months ended June 30, 2006 and 2005, respectively.

³ The assets and liabilities of Universal Underwriters Group were categorized as held for sale as of June 30, 2005 in accordance with IFRS 5.

Table 9.2

in USD millions

Deferred origination costs

	Total ¹	
	2006	2005
As of January 1 (opening balance)	690	736
Origination costs deferred	102	50
Amortization	(58)	(45)
Foreign currency translation effects	49	(50)
As of June 30 (closing balance)	783	691

¹ Deferred origination costs are entirely attributable to the Global Life segment.

10. Income taxes

Table 10.1		2006	2005
Income tax expense – current/deferred split	in USD millions, for the six months ended June 30		
	Current	905	562
	Deferred	166	626
	Total income tax expense	1,071	1,188

Table 10.2		2006	2005
Income tax expense – policyholder/shareholder split	in USD millions, for the six months ended June 30		
	Total income tax expense attributable to policyholders	121	397
	Total income tax expense attributable to shareholders	950	791
	Total income tax expense	1,071	1,188

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.

Table 10.3		Rate	2006	Rate	2005
Expected and actual income tax expense	in USD millions, for the six months ended June 30				
	Net income before income taxes		3,075		3,043
	Less: income tax expense attributable to policyholders		(121)		(397)
	Net income before income taxes attributable to shareholders		2,954		2,646
	Expected income tax expense attributable to shareholders	30.3%	895	32.3%	855
	Increase/(reduction) in taxes resulting from:				
	<i>Lower taxed income</i>		(288)		(238)
	<i>Non-deductible expenses</i>		77		52
	<i>Effect of tax losses</i>		141		140
	<i>Prior year adjustments and other</i>		125		(18)
	Actual income tax expense attributable to shareholders	32.2%	950	29.9%	791
	Plus income tax expense attributable to policyholders		121		397
	Actual income tax expense		1,071		1,188

The table above illustrates the factors that cause the actual income tax expense to differ from the expected amount which is computed by applying the weighted average statutory income tax rate.

The expected weighted average statutory income tax rate for the Group was 30.3% and 32.3% for the six months ended June 30, 2006 and 2005, respectively. These rates were derived by obtaining a weighted average of the applicable statutory income tax rate in relation to the net income before income tax attributable to shareholders generated in the taxable territories in which the Group operates.

Table 10.4		06/30/06	12/31/05
in USD millions, as of			
Deferred income taxes	Deferred tax assets		
	Deferred tax assets, gross	3,037	5,016
	Valuation allowance on deferred tax assets	(1,002)	(623)
	Deferred tax assets, net of valuation allowance	2,035	4,393
	Deferred tax liabilities		
	Deferred tax liabilities	(4,007)	(6,317)
	Net deferred tax liabilities	(1,972)	(1,924)

The 2005 numbers are shown before the netting of timing differences that reverse in the same period of USD 1,993 million.

The current income tax payable (net of income tax receivable) was USD 1,087 million and USD 982 million as of June 30, 2006 and December 31, 2005, respectively.

The deferred tax charge included in shareholders' equity amounted to USD 92 million and USD 384 million for the six months ended June 30, 2006 and the year ended December 31, 2005, respectively.

As of June 30, 2006 and December 31, 2005, respectively, the Group had income tax loss carryforwards of USD 5,590 million and USD 5,258 million available (subject to various statutory restrictions) for use against future taxable income. However, deferred tax assets for loss carryforwards of USD 2,859 million and USD 3,150 million were recognized as of June 30, 2006 and December 31, 2005, respectively. The difference represents unrecognized income tax loss carryforwards. The majority of the income tax loss carryforwards expire in a period between five and fifteen years.

11. Debt

Table 11.1		06/30/06	12/31/05
in USD millions, as of			
Debt			
a) Debt related to capital markets and banking activities			
Zurich Capital Markets	Notes and loans payable, due in 2006	649	653
	Notes and loans payable, due 2007 - 2015	447	543
Zurich Financial Services			
EUB Holdings Limited	Notes and loans payable, due in 2006	1,101	779
	Notes and loans payable, due 2007 - 2015	32	96
	Notes and loans payable, due after 2015	–	3
Centre Solutions (Bermuda) Ltd.	Various debt instruments	59	65
Debt related to capital markets and banking activities		2,288	2,139
b) Senior debt			
Zurich Finance (USA), Inc.	2.75% CHF bond, due July 2006	409	381
	3.5% CHF bond, due July 2008	245	228
	4.5% EUR bond, due September 2014	1,267	1,173
Kemper Corporation	Various debt instruments, due in 2009	26	26
Zurich Insurance Company	3.875% CHF bond, due July 2011	819	763
	Various borrowings and notes	52	48
Other	Various short- and medium-term debt instruments	310	314
Senior debt		3,128	2,933
c) Subordinated debt			
Zurich Capital Trust I	8.376% USD Capital Securities, due June 2037	990	1,000
Zurich Finance (UK) p.l.c	6.625% GBP bond, undated notes	818	762
Zurich Finance (USA), Inc.	5.75% EUR bond, due October 2023	631	583
	4.5% EUR bond, due June 2025 ²	596	586
ZFS Finance (USA) Trust I	6.15% USD ECAPS, due December 2065	593	592
ZFS Finance (USA) Trust II	6.45% USD ECAPS, due December 2065	689	689
ZFS Finance (USA) Trust III	Floating Rate USD ECAPS, due December 2065	395	395
Subordinated debt		4,712	4,607
Total senior and subordinated debt		7,840	7,540
Total debt		10,128	9,679

¹ Net of unamortized transaction costs.

² This amount does not reflect the effect of the fair value hedge accounting treatment, because fair values of the derivatives used in this fair value hedge are reflected in derivative accounts.

Distributions to holders of the three series of trust preferred securities ECAPS issued in December 2005 are based on the following terms:

Table 11.2

ECAPS Distribution terms	
Series I	6.15% payable semi-annually until December 15, 2010 and then reset quarterly to the Adjustable Rate* plus 1.75%
Series II	6.45% payable semi-annually until June 15, 2016 and then reset quarterly to the Adjustable Rate* plus 2.00%
Series III	3-month LIBOR plus 1.15% reset quarterly until December 15, 2010 and then 3-month LIBOR plus 2.15%

* 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.

Table 11.3

Maturity schedule of outstanding debt	in USD millions, as of	
	06/30/06	12/31/05
2006 (next six months/12 months)	2,214	1,883
2007	569	681
2008	272	265
2009	73	89
2010	12	21
after 2010	6,988	6,740
Total	10,128	9,679

Table 11.4

Interest expense on debt	in USD millions, for the six months ended June 30	
	2006	2005
Debt related to capital markets and banking activities	67	54
Senior debt	67	71
Subordinated debt	160	98
Total	294	223

Credit facilities

The Group has access to a syndicated revolving credit facility of USD 3 billion which was put in place in April 2004. This credit facility consists of two equal tranches maturing in 2007 and 2009. 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 June 30, 2006.

As of June 30, 2006 Dunbar Bank, being part of the banking unit Zurich Financial Services EUB Holdings Limited, had access to various committed credit facilities totalling GBP 465 million. No borrowings were outstanding under these facilities as of June 30, 2006.

12. Segment information

Table 12.1

in USD millions, for the six months ended June 30

Operating statements by business segment

	General Insurance		Global Life		
	2006	2005	2006	2005	
Revenues					
Direct written premiums and policy fees	17,672	17,961	5,096	5,413	
Assumed written premiums	805	674	37	47	
Gross written premiums and policy fees	18,477	18,635	5,133	5,460	
Less premiums ceded to reinsurers	(2,947)	(2,917)	(281)	(323)	
Net written premiums and policy fees	15,530	15,718	4,852	5,137	
Net change in reserves for unearned premiums	(1,604)	(1,813)	(7)	6	
Net earned premiums and policy fees	13,926	13,905	4,845	5,143	
Farmers management fees	–	–	–	–	
Net investment income	1,545	1,329	3,272	3,362	
Net capital gains/(losses) on investments and impairments	215	117	2,154	3,811	
Net gain/(loss) on divestments of businesses	–	(20)	–	(9)	
Other income	181	170	459	396	
Total revenues	15,867	15,501	10,730	12,703	
Intersegment transactions	(551)	(487)	(179)	(71)	
Benefits, losses and expenses					
Losses and loss adjustment expenses, net of reinsurance	9,834	10,185	42	39	
Life insurance death and other benefits, net of reinsurance	14	49	5,463	5,438	
(Decrease)/increase in future life policyholders' benefits, net of reinsurance	2	3	(948)	(870)	
Insurance benefits and losses, net of reinsurance	9,850	10,237	4,557	4,607	
Policyholder dividends and participation in profits, net of reinsurance	3	4	3,692	5,115	
Underwriting and policy acquisition costs, net of reinsurance	2,425	2,235	629	868	
Administrative and other operating expenses	1,582	1,310	767	664	
Amortization and impairments of intangible assets	39	46	57	51	
Interest expense on debt	148	117	8	16	
Interest credited to policyholders and other interest	98	83	292	361	
Total benefits, losses and expenses	14,145	14,032	10,002	11,682	
Net income/(loss) before income taxes	1,722	1,469	728	1,021	
Income tax expense attributable to policyholders					
Income tax expense attributable to shareholders					
Net income attributable to minority interests					
Net income attributable to shareholders					

Farmers Management Services		Other Businesses		Corporate Functions		Eliminations		Total	
2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
-	-	153	195	-	-	3	7	22,924	23,576
-	-	937	1,718	102	72	(200)	(133)	1,681	2,378
-	-	1,090	1,913	102	72	(197)	(126)	24,605	25,954
-	-	15	(352)	(98)	(69)	197	126	(3,114)	(3,535)
-	-	1,105	1,561	4	3	-	-	21,491	22,419
-	-	21	75	2	3	-	-	(1,588)	(1,729)
-	-	1,126	1,636	6	6	-	-	19,903	20,690
1,054	1,020	-	-	-	-	-	-	1,054	1,020
69	72	502	449	305	337	(537)	(479)	5,156	5,070
7	-	(150)	403	89	78	-	-	2,315	4,409
-	-	-	7	-	9	-	-	-	(13)
7	-	105	130	389	358	(419)	(375)	722	679
1,137	1,092	1,583	2,625	789	788	(956)	(854)	29,150	31,855
(12)	(1)	(181)	87	(33)	(382)	956	854	-	-
-	-	567	771	7	4	(11)	(6)	10,439	10,993
-	-	170	400	8	7	9	10	5,664	5,904
-	-	(142)	134	(69)	69	1	(8)	(1,156)	(672)
-	-	595	1,305	(54)	80	(1)	(4)	14,947	16,225
-	-	40	115	-	-	-	-	3,735	5,234
-	-	286	612	(11)	(9)	-	-	3,329	3,706
494	460	160	165	601	521	(406)	(357)	3,198	2,763
21	23	-	2	5	3	-	-	122	125
-	-	108	85	557	470	(527)	(465)	294	223
-	-	82	117	-	3	(22)	(28)	450	536
515	483	1,271	2,401	1,098	1,068	(956)	(854)	26,075	28,812
622	609	312	224	(309)	(280)	-	-	3,075	3,043
								(121)	(397)
								(950)	(791)
								(47)	(56)
								1,957	1,799

12. Segment information (continued)

Table 12.2

in USD millions, as of

**Assets and liabilities
by business segment**

	General Insurance		Global Life		
	06/30/06	12/31/05	06/30/06	12/31/05	
Total investments	78,652	74,375	184,483	174,428	
Reinsurers' share of reserves for insurance contracts	14,031	13,974	1,680	1,561	
Deposits made under assumed reinsurance contracts	68	45	–	9	
Deferred policy acquisition costs	2,978	2,640	9,529	8,441	
Deferred origination costs	–	–	783	690	
Goodwill	164	152	475	448	
Other related Intangible assets ¹	–	–	781	740	
Other assets	12,989	12,666	8,296	9,008	
Total assets after consolidation of investments in subsidiaries	108,882	103,852	206,027	195,325	
Liabilities for investment contracts	–	–	45,059	41,244	
<i>Reserves for losses and loss adjustment expenses, gross</i>	57,275	54,715	141	130	
<i>Reserves for unearned premiums, gross</i>	15,484	12,973	139	125	
<i>Future life policyholders' benefits, gross</i>	157	149	72,245	68,624	
<i>Policyholders' contract deposits and other funds, gross</i>	860	862	13,354	13,854	
<i>Reserves for unit-linked contracts, gross</i>	–	–	43,932	39,283	
Reserves for insurance contracts, gross	73,776	68,699	129,811	122,016	
Debt related to capital markets and banking activities	–	–	–	–	
Senior debt	6,337	6,176	378	637	
Subordinated debt	2,339	2,315	–	–	
Other liabilities	16,178	16,319	20,342	21,453	
Total liabilities	98,630	93,509	195,590	185,350	

Supplementary segment information

Reserves for losses and loss adjustment expenses, net	45,277	42,195	117	110	
Reserves for unearned premiums, net	13,425	11,315	135	121	
Future life policyholders' benefits, net	157	149	70,704	67,200	
Policyholders' contract deposits and other funds, net	844	846	13,243	13,741	
Reserves for unit-linked contracts net	–	–	43,932	39,283	
Reserves for insurance contracts, net	59,703	54,505	128,131	120,455	

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

Farmers Management Services		Other Businesses		Corporate Functions		Eliminations		Total	
06/30/06	12/31/05	06/30/06	12/31/05	06/30/06	12/31/05	06/30/06	12/31/05	06/30/06	12/31/05
2,827	3,588	33,154	32,632	17,884	19,197	(26,741)	(26,927)	290,259	277,293
203	202	7,660	6,294	108	73	(2,998)	(1,610)	20,684	20,494
-	-	1,977	2,488	2	6	(39)	(98)	2,008	2,450
-	-	93	98	-	-	-	-	12,600	11,179
-	-	-	-	-	-	-	-	783	690
-	-	-	-	5	5	-	-	644	605
1,024	1,024	-	-	-	-	-	-	1,805	1,764
946	1,070	2,584	2,839	2,022	2,081	(2,537)	(2,527)	24,300	25,137
5,000	5,884	45,468	44,351	20,021	21,362	(32,315)	(31,162)	353,083	339,612
-	-	-	-	-	-	(247)	(245)	44,812	40,999
-	-	7,711	6,281	117	165	(2,207)	(866)	63,037	60,425
-	-	510	449	44	33	(118)	(49)	16,059	13,531
-	-	2,608	2,757	411	439	(654)	(677)	74,767	71,292
-	-	4,101	4,288	-	-	(10)	(19)	18,305	18,985
-	-	14,919	16,408	-	-	-	-	58,851	55,691
-	-	29,849	30,183	572	637	(2,989)	(1,611)	231,019	219,924
-	-	3,973	3,833	-	-	(1,685)	(1,694)	2,288	2,139
-	-	596	435	18,376	17,797	(22,559)	(22,112)	3,128	2,933
-	-	-	55	4,865	5,360	(2,492)	(3,123)	4,712	4,607
1,571	1,778	6,596	6,852	2,395	1,745	(2,343)	(2,377)	44,739	45,770
1,571	1,778	41,014	41,358	26,208	25,539	(32,315)	(31,162)	330,698	316,372
-	-	3,597	3,768	49	119	(2)	2	49,038	46,194
-	-	407	415	5	7	(2)	(2)	13,970	11,856
(203)	(202)	2,257	2,399	411	439	6	2	73,332	69,987
-	-	831	896	-	-	7	(2)	14,925	15,481
-	-	14,919	16,408	-	-	-	-	58,851	55,691
(203)	(202)	22,011	23,886	465	565	9	-	210,116	199,209

12. Segment information (continued)

Gross written premiums and policy fees, total revenues and total assets by geographical segment	Table 12.3 in USD millions		Gross written premiums and policy fees for the six months ended June 30		Total revenues for the six months ended June 30		Total assets as of	
	2006	2005	2006	2005	06/30/06	12/31/05		
	North America	9,269	9,467	8,922	8,629	66,300	67,881	
Europe	13,979	14,505	17,782	20,071	241,041	225,748		
International Businesses	1,823	1,722	1,747	1,558	12,985	12,747		
Centrally Managed Businesses	698	922	1,345	2,175	53,471	55,193		
Eliminations	(1,164)	(662)	(646)	(578)	(20,714)	(21,957)		
Total	24,605	25,954	29,150	31,855	353,083	339,612		

13. 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.

The Group has entered into previously announced regulatory settlements (Multi-State and Three-State Agreements) in connection with investigations in the United States 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. The class-action settlement agreement, including plaintiff attorneys' fees, is subject to approval by the court. It is based on the previously disclosed memorandum of understanding reached with the class-action plaintiffs. With these steps considerable progress in resolving those matters has been made. In addition, the Group and its subsidiaries are involved in investigations in the United States regarding certain reinsurance transactions engaged in by the Group and its subsidiaries. Other Group subsidiaries are also involved in industry-wide legal proceedings regarding financing hedge funds engaged in mutual-fund market-timing activities. The Group continues to cooperate with all remaining regulatory investigations. Furthermore, Zurich Financial Services is a defendant in private class-action securities litigation relating to its divestiture of its interest in Converium Holding AG. ZFS intends to defend this litigation vigorously.

The outcome of unresolved current legal proceedings, claims, litigation and investigations could have a material effect on operating results and/or cash flows when resolved in a future period. Management is, however, not aware that these matters would materially affect the Group's consolidated financial position.



Report of the Group Auditors

Review report of the Group auditors

To the Board of Directors of Zurich Financial Services, Zurich

We have reviewed the half year consolidated financial information (operating statement, balance sheet, statement of cash flows, statement of shareholders' equity and notes on pages 33 to 61) of Zurich Financial Services for the six months ended June 30, 2006.

The financial information is the responsibility of the Board of Directors. Our responsibility is to issue a report on the half year consolidated financial information based on our review.

Our review was conducted in accordance with auditing standards promulgated by the Swiss profession and with the International Standards on Review Engagements (ISREs), which require that a review be planned and performed to obtain moderate assurance about whether the half year consolidated financial information is free from material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the half year consolidated financial information has not been properly prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers AG

R Marshall

M Humphreys

Zurich, August 16, 2006