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ZURICH INSURANCE plc (Formerly ZURICH INSURANCE IRELAND LIMITED)

ANNUAL REPORT AND FINANCIAL STATEMENTS 2008

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ZURICH INSURANCE plc
BOARD OF DIRECTORS AND OTHER INFORMATION

Chief Executive Officer M. Hongler

Other Directors A. Court (Chairperson)
J. Deliss
T. de Swaan
G. Riddell
E. Ward
I. Beale

Secretary S. Madden

Registered Office/
Head Office Zurich House, Ballsbridge Park, Dublin 4.

Branch Offices **Domestic**
55 South Mall, Cork.
33 Peter Street, Drogheda.
30 Eyre Street, Galway.
35/36 Michael Street, Waterford.

International
Zurich Insurance plc, UK Branch,
The Zurich Building, 90 Fenchurch Street, London EC3M 4JX.

Zurich Insurance plc, succursale pour la France,
96 rue Edouard Vaillant, 92309 Levallois-Peret Cedex, France.

Zurich Insurance plc, Filial Sverige,
Zürich-Huset, Linnegatan 5, SE 102 42 Stockholm, Sweden.

Zurich Insurance plc, Suomen sivuliike,
Tammasaarekatu 1 D, 00180 Helsinki, Finland.

Zurich Insurance plc, Rappresentanza Generale per l'Italia,
Piazza Carlo Erba 6, 6-20129 Milan, Italy.

Zurich Insurance plc, Belgian Branch,
Lloyd Georgelann 7, 1000 Brussels, Belgium.

Zurich Insurance plc, Netherlands Branch,
Muzenstraat 31, 2511 VW The Hague, The Netherlands.

Zurich Insurance plc, Danish Branch, Sluseholmen 2-4,
DK-2450 Copenhagen SV, Denmark.

Zurich Insurance plc, Norway Branch, Drammensveien 149,
Postboks 574 Skøyen, 0114 Oslo, Norway.

Zurich Insurance plc, Slovakia Branch, Nam 1, Maja 18,
Bratislava, 81106, Slovakia.

ZURICH INSURANCE plc
REPORT OF THE DIRECTORS

The Directors submit their Annual Report together with the Financial Statements of the Company for the year ended 31st December, 2008.

1 Review of the Business and future developments

The activities of the Company consist of the underwriting of general insurance business for personal and commercial customers. During 2005, the Company was chosen by the Zurich group to become an EU underwriter for Global Corporate business in Europe and was authorised to operate in the European Union through a network of branches. As part of this process the Company also sought and obtained a credit rating from Standard & Poor's. The Company is rated AA- by Standard & Poor's.

As a first step, the Company established a branch office, Zurich Insurance Limited UK Branch, in London. The branch became operative from 24th May 2005 to underwrite insurance cover for the non-UK domiciled business for Zurich Global Corporate UK's customers. The Company has continued to expand its European Branch network subsequently, with branches approved and opened in Sweden, Finland and France during 2006, the Netherlands, Belgium and Italy during 2007 and Norway and Denmark during 2008.

As part of the continuing development of the Company, the UK General Insurance business and the balance of the UK Global Corporate business was transferred to the company on 1st January 2009. The transfer was approved by the High Court of Justice in England and Wales on 15th December 2008 and allowed for the transfer of business written by Zurich Insurance Company (UK branch), Zurich International (UK) Limited, Navigators & General Insurance Company Limited and Zurich GSG Limited to Zurich Insurance plc UK branch.

The Company generated gross written premium of €2,082.8m, compared to €1,861.9m in 2007 (an increase of 11.9% for the year). The new branches (Norway and Denmark) in 2008 contributed €4.3m to this figure. The UK Branch gross written premium rose by 19% during 2008. This is in line with the strategy to increase the utilisation of the UK branch for Global Corporate business. Gross written premium rose by 10% in France and 2% in Ireland during the year.

The profit on ordinary activities before tax was €50.5m (2007: €62.4m). Total assets at year end amounted to €5,770.9m (2007: €4,521.9m), an increase of 27.6% on 2007. Shareholders' funds amounted to €1,145.1m (2007: €409.5m.), an increase of 179.6% for the year. These increases are primarily explained by the inclusion of €793.0m, being a capital contribution from Zurich Holding Ireland Limited, in advance of the transfer of all the UK General Insurance business and the balance of UK Global Corporate on 1st January, 2009. The Company maintained a significant surplus on its solvency position as at 31st December 2008.

The company is well positioned to continue to trade profitably for the foreseeable future and the Directors are satisfied both with current performance and with the short to medium term outlook for the Company's financial position, and the ability to manage the planned business growth.

2 Financial Risk Management

The company is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and policyholder liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from policies as they fall due. The most important components of this financial risk are interest rate risk, liquidity risk, operational risk and currency risk.

Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities. In addition to the extent that claims inflation is correlated to interest rates, liabilities to policyholders are exposed to interest rate risk. Interest rate risk is minimised primarily through investing in securities with maturities of less than 10 years.

Liquidity risk

It is the Company's policy to ensure that resources are available at all times to meet insurance liabilities as and when they fall due. The day to day management of liquidity is the responsibility of the Company's Finance department.

ZUICH INSURANCE plc

REPORT OF THE DIRECTORS - Contd

Operational risk

Operational risk represents the risk that independent processes, systems or people, or exposure to external events could result in unexpected losses.

The Company has risk identification, assessment and monitoring systems in place to manage this risk. These systems are implemented by accountable members of management. Potential risks are assessed and appropriate controls are put in place to manage the risks.

Currency risk

The Company is exposed to currency risk in respect of liabilities under policies of insurance denominated in currencies other than Euro. The Company is exposed to a number of currencies, principally GBP and USD. The Company seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

3 Directors

The names of the persons who were Directors at any time during the year ended 31st December 2008 are set out below. Except where indicated, they served for the entire year.

T. Bouts	Resigned 14/10/2008
A. Court	
T. Huerlimann	
M. Kraemer	
P. Manley	
G. Riddell	
M. Thornburgh	
J. Deiss	Appointed 01/09/2008
T. De Swaan	Appointed 17/04/2008
M. Hongler	Appointed 01/09/2008
E. Ward	

On 1st January 2009, the following Directors resigned.

- T. Huerlimann
- M. Kraemer
- P. Manley
- M. Thornburgh

On the 1st January 2009 M. Hongler took over the role of Chief Executive Officer from E Ward and J. O'Connor resigned as Company Secretary and was replaced by S. Madden. I Beale was appointed as a Director on the 13th March 2009.

ZURICH INSURANCE plc

REPORT OF THE DIRECTORS - Contd.

4 Directors' and Secretary's Interests

The beneficial interests of the Directors and Secretary in office at 31st December, 2008 in the share capital of the Company's parent company, Zurich Financial Services, were as follows:

	Holdings as at 31/12/2008	Holdings as at 31/12/2007
A. Court	3,062	-
T. Huerlimann	1,333	1,563
M. Kraemer	1,987	3,232
P. Manley	706	1,750
J. O'Connor	152	152
G. Riddell	12,042	8,752
M. Thornburgh	1,677	1,660
J. Deiss	100	-
T. De Swaan	470	-
M. Hongler	1,683	-
E. Ward	3,666	3,136

The Directors and Secretary did not have any interest in the share capital of the Company or any other group companies (other than those noted above) during the year ended 31st December 2008.

5 Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable Irish Law and Generally Accepted Accounting Practice in Ireland, including the accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland.

Irish company law requires the Directors to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the Financial Statements.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy, at any time, the financial position of the Company and to enable them to ensure that the Financial Statements are prepared in accordance with accounting standards generally accepted in Ireland and with Irish statute comprising the Companies Acts, 1963 to 2006 and the European Communities (Insurance Undertakings: Accounts) Regulations 1996. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ZURICH INSURANCE plc
REPORT OF THE DIRECTORS - Contd.

6. Books of Account

The measures taken by the Directors to secure compliance with the Company's obligation to keep proper books of account are the use of appropriate systems and procedures and the employment of competent persons. The books of account are kept at Zurich House, Ballsbridge Park, Dublin 4. In respect of the Company's branches the books of account are maintained at the addresses as set out on Page 2.

7. Political Donations

The Company did not make any political donations during the year (2007: Nil).

8. Events since year end

On 2nd January 2009, the name of the Company was changed from Zurich Insurance Ireland Limited to Zurich Insurance plc.

9. Ultimate Holding Company

The ultimate holding company at the 31st December, 2008 was Zurich Financial Services, a company incorporated in Switzerland.

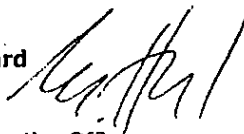
10. Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office in accordance with the provisions of Section 160 of the Companies Act, 1963.

11. Dividends

No dividend was paid during the year (2007: Nil).

On behalf of the Board



M. Hongler, Chief Executive Officer

A. Court, Chairperson



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Independent auditors' report to the members of Zurich Insurance plc

We have audited the financial statements on pages 9 to 33, which have been prepared under the historical cost convention, as modified by the inclusion of investments at market value, and the accounting policies set out on pages 14 to 16.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable Irish law and the accounting standards issued by the Accounting Standards Board and published by The Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland) are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 193 of the Companies Act, 1990 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2006 and the European Communities (Insurance Undertakings: Accounts) Regulations, 1996. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit and whether the financial statements are in agreement with the books of account. We also report to you our opinion as to:

- whether the company has kept proper books of account;
- whether the directors' report is consistent with the financial statements; and
- whether at the balance sheet date there existed a financial situation which may require the company to convene an extraordinary general meeting; such a financial situation may exist if the net assets of the company, as stated in the balance sheet, are not more than half of its called-up share capital.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

Independent auditors' report to the members of Zurich Insurance plc

Basis of audit opinion (continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended; and
- have been properly prepared in accordance with the requirements of the Companies Acts, 1963 to 2006 and the European Communities (Insurance Undertakings: Accounts) Regulations, 1996.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

In our opinion, the information given in the directors' report on pages 3 to 6 is consistent with the financial statements.

The net assets of the Company, as stated in the balance sheet on pages 11 and 12 are more than half the amount of its called up share capital and, in our opinion, on that basis there did not exist at 31 December 2008 a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the Company.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

13 May 2009

ZURICH INSURANCE plc
PROFIT AND LOSS ACCOUNT
Year ended 31st December, 2008

	2008 €'000	2007 €'000
Technical Account: Non-Life Insurance		
Earned premiums, net of reinsurance		
Gross premiums written - Existing (Note 1)	2,078,418	1,500,890
- Acquired (Note 1)	<u>4,339</u>	<u>360,978</u>
	2,082,757	1,861,868
Outward reinsurance premiums	<u>(1,467,363)</u>	<u>(1,347,641)</u>
Net premiums written	<u>615,394</u>	<u>514,227</u>
Change in the provision for unearned premiums		
- gross amount	(162,615)	(106,633)
- reinsurers' share	<u>67,751</u>	<u>35,385</u>
- net	<u>(94,864)</u>	<u>(71,248)</u>
Earned premiums, net of reinsurance	520,530	442,979
- Existing	520,304	430,807
- Acquired (Note 5)	226	12,172
Allocated investment return transferred from the non-technical account (Notes 1 and 4)	33,930	41,073
Other Income (Note 1)	9,839	3,893
Total Technical Income	<u>564,299</u>	<u>487,945</u>
Claims paid (Note 2)		
- gross amount	(928,291)	(719,053)
- reinsurers' share	<u>615,859</u>	<u>471,103</u>
- net	<u>(312,432)</u>	<u>(247,950)</u>
Change in provision for claims		
- gross amount	(554,458)	(415,722)
- reinsurers' share	<u>433,743</u>	<u>348,323</u>
- net	<u>(120,715)</u>	<u>(67,399)</u>
Claims incurred, net of reinsurance (Note 2)	<u>(433,147)</u>	<u>(315,349)</u>
Net operating expenses (Note 3)	(144,977)	(112,501)
Other Finance Income	-	2,654
Total Technical Charges	<u>(578,124)</u>	<u>(425,196)</u>
Balance on the Technical Account for Non-Life Insurance Business		
- Existing	<u>(13,825)</u>	<u>62,749</u>
- Acquired	<u>(12,910)</u>	<u>47,590</u>
	(915)	15,159

The notes on pages 14 to 33 form an integral part of these Financial Statements.

ZURICH INSURANCE plc
PROFIT AND LOSS ACCOUNT
Year ended 31st December, 2008

	2008 €'000	2007 €'000
Non-Technical Account		
Balance on the technical account: non-life Insurance business	(13,825)	62,749
Investment Income (Note 4)		
- Income from Investments	65,441	62,095
- Gains and losses on the realisation of Investments	(25,310)	14,523
- Exchange gains and losses	70,906	(787)
- Investment Expenses	(1,651)	(1,472)
Allocated Investment return transferred to the technical account: non-life Insurance business (Notes 1 and 4)	(33,930)	(41,073)
Unrealised gains and losses on Investments (Note 4)	17,800	(27,454)
Other Income (Note 9)	3,540	3,241
Other charges (Note 8)	(31,933)	(8,819)
Goodwill Amortisation (Note 13)	(521)	(521)
Profit on Ordinary Activities Before Tax (Note 10)	50,517	62,482
- Existing	51,322	53,215
- Acquired (Note 5)	(805)	9,267
Tax on Profit on Ordinary Activities (Note 11)	(31,113)	(23,382)
Profit on Ordinary Activities After Tax	19,404	39,100
- Existing	20,209	38,964
- Acquired (Note 5)	(805)	136
Increase in Retained Earnings	19,404	39,100

All premiums and results have been generated from continuing operations.


M. Hongler, Chief Executive Officer


A. Court, Chairperson

The notes on pages 14 to 33 form an integral part of these Financial Statements.

ZURICH INSURANCE plc

BALANCE SHEET

As at 31st December, 2008

	2008	2007
	€'000	€'000
Assets		
Investments		
Investment in group undertaking (Note 12)	47,755	48,409
Intangible assets (Note 13)	5,210	5,731
Other financial investments (Note 14)	<u>2,164,917</u>	<u>1,482,333</u>
	<u>2,217,882</u>	<u>1,536,473</u>
Reinsurers' Share of Technical Provisions		
Provision for unearned premiums	399,116	388,129
Claims outstanding	<u>2,268,972</u>	<u>1,929,756</u>
	<u>2,668,088</u>	<u>2,317,885</u>
Debtors		
Debtors arising out of direct Insurance operations (Note 15)	398,998	354,681
Debtors arising out of reinsurance operations	131,285	120,349
Other debtors (Note 16)	<u>202,414</u>	<u>70,953</u>
	<u>732,697</u>	<u>545,983</u>
Other Assets		
Tangible assets (Note 17)	11,600	10,579
Cash at bank and In hand	96,166	68,997
Deferred Tax (Note 21)	<u>3,692</u>	<u>-</u>
	<u>111,458</u>	<u>79,576</u>
Prepayments and Accrued Income		
Accrued Interest	28,717	22,620
Deferred acquisition costs	11,409	4,145
Dividends receivable	<u>626</u>	<u>-</u>
	<u>40,752</u>	<u>26,765</u>
Pension Asset (Ireland) (Note 25)	-	<u>15,304</u>
Total Assets	<u>5,770,877</u>	<u>4,521,986</u>

The notes on pages 14 to 33 form an integral part of these Financial Statements.

ZURICH INSURANCE plc

BALANCE SHEET

As at 31st December, 2008

	2008	2007
	€'000	€'000
Liabilities		
Capital and Reserves		
Called up share capital (Note 18)	4,861	4,861
Capital conversion reserve (Note 18)	73	73
Capital redemption reserve fund	1	1
Capital contribution (Note 19)	793,000	-
Share premium account (Note 18)	17,202	17,202
Exchange Reserve (Note 20)	(43,001)	(7,389)
Profit and Loss (Note 20)	<u>372,923</u>	<u>394,794</u>
Shareholders' funds - equity interests (Note 20)	<u>1,145,059</u>	<u>409,542</u>
Technical Provisions – Gross		
Provision for unearned premiums	733,570	668,861
Claims outstanding	3,323,301	2,870,463
Unexpired Risk Reserve	0	421
	<u>4,056,871</u>	<u>3,539,745</u>
Provision for other risk and charges		
Deferred tax (Note 21)	-	<u>1,889</u>
Creditors		
Creditors arising out of Insurance operations	128,623	79,182
Creditors arising out of reinsurance operations (Note 22)	144,198	179,408
Other creditors including tax and social welfare (Note 23)	155,673	195,977
Subordinated Loan (Note 24)	<u>103,602</u>	<u>103,602</u>
	<u>532,096</u>	<u>558,169</u>
Pension Liability (Ireland) (Note 25)	<u>24,266</u>	-
Pension Liability (Branches) (Note 26)	<u>12,585</u>	<u>12,641</u>
Total Liabilities	<u>5,770,877</u>	<u>4,521,986</u>

M. Hongler, Chief Executive Officer

A. Court, Chairperson

The notes on pages 14 to 33 form an integral part of these Financial Statements.

ZURICH INSURANCE plc

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2008	2007
	€'000	€'000
Profit on ordinary activities after tax	19,404	39,100
Exchange Difference	(35,612)	(4,765)
Actuarial (loss)/gain in respect of Ireland pension scheme (Note 25)	(45,544)	16,861
Actuarial loss in respect of non-Ireland pension schemes (Note 26)	(1,483)	(497)
Deferred Tax on Non Irish Actuarial loss/(gain)	59	(300)
Deferred Tax on Irish Actuarial loss/(gain)	5,693	(2,108)
Total recognised losses and gains relating to the year	<u>(57,483)</u>	<u>48,291</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008	2007
	€'000	€'000
Profit for the year	19,404	39,100
Actuarial (loss)/gain in respect of Ireland pension scheme (Note 25)	(45,544)	16,861
Actuarial loss in respect of non-Ireland pension scheme (Note 26)	(1,483)	(497)
Deferred tax on Non Irish actuarial loss/(gain)	59	(300)
Deferred tax on Irish actuarial loss/(gain)	5,693	(2,108)
Exchange differences arising during the year	(35,612)	(4,765)
Share Capital/Premium issued	-	17,392
Capital Contribution	<u>793,000</u>	-
Net addition to shareholders' funds	735,517	65,683
Opening shareholders' funds at 1 st January as previously stated	<u>409,542</u>	<u>343,859</u>
Prior Year Adjustments	-	-
Closing shareholders' funds	<u>1,145,059</u>	<u>409,542</u>

The notes on pages 14 to 33 form an integral part of these Financial Statements.

ZURICH INSURANCE plc
STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies adopted by the Company are as follows:

A Basis of Preparation

The Financial Statements have been prepared in accordance with accounting standards generally accepted in Ireland and Irish Statute comprising the Companies Acts, 1963 to 2006, and the European Communities (Insurance Undertakings: Accounts) Regulations, 1996. Accounting Standards generally accepted in preparing Financial Statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

B Basis of Accounting

The Financial Statements are prepared in accordance with the historical cost convention, modified by the revaluation to market value of investments in accordance with the provisions of the European Communities (Insurance Undertakings: Accounts) Regulations, 1996. They have also been prepared in accordance with the ABI SORP on Accounting for Insurance Business, with the exception of the treatment of provisions in respect of the Company's share of outstanding claims of the Motor Insurers' Bureau of Ireland, which have been accounted for in line with Irish market practice as outlined in the Company's accounting policy on claims.

C (i) Underwriting Result

The underwriting result is determined on an annual basis after making full allowance for unearned premiums, deferred acquisition costs and outstanding claims.

(ii) Unearned Premiums

Unearned premiums are the proportion of premiums written in the current year which relate to cover provided in the following periods. They are calculated on a daily pro-rata basis.

(iii) Deferred Acquisition Costs

Deferred acquisition costs represent commission and other acquisition costs relating to unearned premiums.

(iv) Claims Provisions and Related Reinsurance Recoveries

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the Balance Sheet date, including the cost of claims incurred but not yet reported ('IBNR') to the Company, expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries.

The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims expenses.

In estimating the cost of claims notified but not settled at the Balance Sheet date, the Company has regard to the claim circumstances as reported, any information available from loss adjusters and other experts and information on the cost of settling claims with similar characteristics in previous periods.

The estimation of IBNR claims is subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is available.

In calculating the estimated cost of unsettled/outstanding claims, the Company uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims, including the effects of inflation, the impact of large losses and changes in the mix of business underwritten, company processes or the legal environment.

ZURICH INSURANCE plc
STATEMENT OF ACCOUNTING POLICIES

(iv) Claims Provisions and Related Reinsurance Recoveries - continued

Where possible the Company adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in settling the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year and having regard to the greater uncertainty in estimating the cost of claims arising on a "long-tail" liability business compared with claims arising on "short-tail" business such as property and motor damage.

A provision for the costs to be incurred in settling claims is calculated by reference to the level of outstanding claims numbers (whether reported or not), and based on current activity levels, the estimated average settlement periods and associated costs of handling claims to point of settlement.

Provision is also made for the Company's market share of the total estimated outstanding claims liability of the Motor Insurers' Bureau of Ireland at the Balance Sheet date.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

(v) Reinsurance Recoveries

Reinsurance recoveries in respect of estimated claims incurred but not reported are assumed to be consistent with the historical pattern of such recoveries, adjusted to reflect changes in the nature and extent of the Company's reinsurance programme over time. An assessment is also made of the recoverability of reinsurance recoveries having regard to market data on the financial strength of each of the reinsurance companies.

(vi) Commissions

With the exception of the amount carried forward in deferred acquisition costs as mentioned in note (iii), all commissions are written off in the year in which they are incurred.

D Investments

(i) Stocks and Shares

Investments in stocks and shares are stated at mid market value.

(ii) Investment Appreciation

Realised gains and losses on investments are calculated as the difference between the sale proceeds of the investments and the cost of acquisition. Unrealised gains and losses on investments are calculated as the difference between the market value of the investments at the Balance Sheet date and the market value of the investments at the preceding Balance Sheet date or cost of acquisition if later.

(iii) Investment in Group Undertakings

The investments in group undertakings are carried at cost less goodwill charge.

(iv) Investment Income

Investment income in the Profit and Loss Account comprises interest income, dividends and realised investment gains and losses and is the total amount receivable for the year before deduction of taxes.

(v) Transfer of Investment Return

Investment return, including realised and unrealised gains and losses, is initially recorded in the non-technical account. A transfer is made from the non-technical to the technical account: non-life insurance business to reflect the return arising from funds generated from technical activity. The transfer is based on the longer term investment return (as estimated by the Directors). The longer term rate is used so that the balance on the technical account: non-life insurance business is not subject to distortion from short term fluctuations in investment return.

Consistent with the ABI SORP on Accounting for Insurance Business, investment expenses are included in the non-technical account and are then allowed for in determining the transfer of the longer term investment return to the technical account: non-life insurance business.

ZURICH INSURANCE plc
STATEMENT OF ACCOUNTING POLICIES

E Goodwill

Purchased goodwill is amortised on a straight line basis over its economic useful life. The useful life of purchased goodwill relating to Irish National Insurance Company p.l.c. has been determined by the Directors as twenty years. The amortisation is included in the non-technical account.

F Pensions

The Company operates defined benefit pension schemes for its employees in the Republic of Ireland, Netherlands, Belgium, Italy and France. A full actuarial valuation of the schemes is undertaken every three years and is updated to reflect current conditions in the intervening periods. Scheme assets are valued at market value and scheme liabilities are measured on an actuarial basis. The surplus or deficit on the schemes is shown in the Financial Statements as an asset or liability net of the deferred tax impact. Actuarial gains and losses are recognised immediately in the statement of the recognised gains and losses.

The current service and past service cost of the schemes and the expected return on assets net of the change in the present value of the scheme liabilities arising from the passage of time, are charged to operating profit.

The schemes in Belgium and Netherlands are funded, with assets held separate from those of the Company. The schemes in France and Italy are unfunded.

G Depreciation

Fixed assets are written off over their estimated useful lives on a straight line basis as follows:

- Properties are written off over fifty years.
- Leasehold additions are written off over ten years.
- All other assets are written off between two and five years.

H Foreign Currencies

All figures are stated in Euros. Balances in foreign currencies have been translated at rates ruling at the Balance Sheet date. Foreign currency transactions are accounted for at the exchange rate prevailing at the date of the transaction.

I Deferred Taxation

Deferred tax is provided for on all timing differences that have originated but not reversed at the Balance Sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay in the future have occurred at the Balance Sheet date.

Timing differences are temporary differences between profits as computed for tax purposes and profits as stated in the Financial Statements, which arise because certain items of income and expenditure in the Financial Statements are dealt with in different years for tax purposes.

Deferred tax is measured at the tax rates that are expected to apply in the years in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax is not discounted.

A net deferred tax asset is regarded as recoverable and therefore recognisable only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying differences can be deducted.

ZURICH INSURANCE plc
NOTES TO THE FINANCIAL STATEMENTS

1 Segmental Information

2008

	Fire and other damage to property €'000	Motor €'000	Liability €'000	Other €'000	Total €'000
Gross written premium					
- Ireland	107,940	142,688	43,392	2,777	296,797
- Other EU member states	<u>611,353</u>	<u>76,078</u>	<u>502,299</u>	<u>596,230</u>	<u>1,785,960</u>
	<u>719,293</u>	<u>218,766</u>	<u>545,691</u>	<u>599,007</u>	<u>2,082,757</u>
Gross premium earned	663,072	201,302	519,843	535,925	1,920,142
Gross claims incurred	(491,051)	(163,757)	(474,496)	(353,445)	(1,482,749)
Gross operating expenses	(128,302)	(84,722)	(81,750)	(109,292)	(404,066)
Other technical income	<u>393</u>	<u>919</u>	<u>333</u>	<u>8,194</u>	<u>9,839</u>
Gross underwriting result	44,112	(46,258)	(36,070)	81,382	43,166
Reinsurance balance	<u>(107,621)</u>	<u>19,630</u>	<u>61,948</u>	<u>(64,878)</u>	<u>(90,921)</u>
Net underwriting result	(63,509)	(26,628)	25,878	16,504	(47,755)
Allocated investment return (from non technical account)	<u>5,734</u>	<u>13,188</u>	<u>12,569</u>	<u>2,439</u>	<u>33,930</u>
Balance on the technical account	<u>(57,775)</u>	<u>(13,440)</u>	<u>38,447</u>	<u>18,943</u>	<u>(13,825)</u>

2007

	Fire and other damage to property €'000	Motor €'000	Liability €'000	Other €'000	Total €'000
Gross written premium					
- Ireland	93,198	130,265	60,596	6,095	290,154
- Other EU member states	<u>614,368</u>	<u>63,114</u>	<u>464,663</u>	<u>429,569</u>	<u>1,571,714</u>
	<u>707,566</u>	<u>193,379</u>	<u>525,259</u>	<u>435,664</u>	<u>1,861,868</u>
Gross premium earned	667,808	195,979	502,699	388,749	1,755,235
Gross claims incurred	(398,967)	(147,125)	(343,852)	(244,831)	(1,134,775)
Gross operating expenses	(128,492)	(62,153)	(89,561)	(66,317)	(346,523)
Other technical income	<u>536</u>	<u>961</u>	<u>1,507</u>	<u>889</u>	<u>3,893</u>
Gross underwriting result	140,885	(12,338)	70,793	78,490	277,830
Reinsurance balance	<u>(128,861)</u>	<u>17,952</u>	<u>(70,365)</u>	<u>(74,880)</u>	<u>(256,154)</u>
Net underwriting result	12,024	5,614	428	3,610	21,676
Allocated investment return (from non technical account)	<u>7,784</u>	<u>15,960</u>	<u>15,031</u>	<u>2,298</u>	<u>41,073</u>
Balance on the technical account	<u>19,808</u>	<u>21,574</u>	<u>15,459</u>	<u>5,908</u>	<u>62,749</u>

ZURICH INSURANCE plc

NOTES TO THE FINANCIAL STATEMENTS

2 Claims outstanding and MIBI

	2008 Gross amount (Excl MIBI*) €'000	2008 MIBI * €'000	2008 Reinsurance amount €'000	2008 Net Amount €'000
Balance at start of year	<u>2,830,900</u>	<u>39,563</u>	<u>(1,929,756)</u>	<u>940,707</u>
Liabilities assumed under portfolio transfer	0	0	0	0
Payments during year	(922,571)	(5,720)	615,859	(312,432)
Incurred during year – current year	1,435,183	1,099	(1,029,488)	406,794
Incurred during year – prior year	46,467	0	(20,114)	26,353
Closing exchange rate adjustment	(101,620)	0	94,527	(7,093)
Balance at end of year	<u>3,288,359</u>	<u>34,942</u>	<u>(2,268,972)</u>	<u>1,054,329</u>

* This is the Company's share of the cost of uninsured and untraced drivers incurred via the Motor Insurance Bureau of Ireland (MIBI).

	2007 Gross amount (Excl MIBI*) €'000	2007 MIBI * €'000	2007 Reinsurance amount €'000	2007 Net Amount €'000
Balance at start of year	1,852,647	45,563	(1,064,746)	833,464
Liabilities assumed under portfolio transfer	649,336	0	(586,845)	62,491
Payments during year	(714,968)	(4,085)	471,103	(247,950)
Incurred during year – current year	1,090,033	5,443	(781,151)	314,325
Incurred during year – prior year	46,657	(7,358)	(38,275)	1,024
Closing exchange rate adjustment	(92,805)	0	70,158	(22,647)
Balance at end of year	<u>2,830,900</u>	<u>39,563</u>	<u>(1,929,756)</u>	<u>940,707</u>

* This is the Company's share of the cost of uninsured and untraced drivers incurred via the Motor Insurance Bureau of Ireland (MIBI).

3 Net Operating Expenses

	2008 €'000	2007 €'000
Acquisition costs	219,140	179,255
Reinsurance Commission	(269,808)	(238,872)
Movement in Deferred Acquisition Costs	(817)	(4,453)
Administrative expenses	<u>196,462</u>	<u>176,571</u>
Net operating expenses	<u>144,977</u>	<u>112,501</u>

The total commission incurred during the year in respect of direct insurance was €171.1m (2007: €152.4m).

4 Investment Income
A. Investment Activity Account

	2008 €'000	2007 €'000
Income from Other Financial Investments	71,501	67,613
Interest Payable on Subordinated Loan	<u>(6,060)</u>	<u>(5,518)</u>
Investment Income	65,441	62,095
(Losses)/Gains on Realisation	(25,310)	14,523
Exchange Gains/(Losses)	70,906	(787)
Investment Expenses	(1,651)	(1,472)
Unrealised Gains/(Losses)	<u>17,800</u>	<u>(27,454)</u>
Net Investment Return	<u>127,186</u>	<u>46,905</u>

ZURICH INSURANCE plc
NOTES TO THE FINANCIAL STATEMENTS

4 Investment Income – continued

Income from other financial investments includes €65.4m (2006: €62.0m) from listed investments.

B. Longer Term Investment Return

The longer term investment return, net of expenses, allocated to the technical account: non-life insurance business was €33.9m (2007: €41.1m). The principal assumptions underlying the calculation of the longer term investment return are:

	2008 %	2007 %
Equities	6.50	6.75
Fixed Interest Securities	3.75	4.00
Property	5.50	5.75
Cash and Cash Equivalents	2.00	4.00

C. Comparison of Longer Term Investments Return with Actual Returns

A comparison of the actual return on investments with the longer term return is set out below:

	2008 €'000	2007 €'000
Actual Return	127,186	46,905
Longer Term Return	<u>65,685</u>	<u>58,450</u>
Excess/(Shortfall) of Actual Return to Longer Term Return	<u>61,501</u>	<u>(11,545)</u>

5 Acquired Business

On 1st January 2008 the Company opened branches in Norway and Denmark (on 1st January 2007 the Company opened branches in Belgium, Italy and the Netherlands). The profit and loss account for this newly acquired business is set out as follows:

	2008 €'000	2007 €'000
Earned premiums, net of reinsurance	226	12,172
Claims incurred, net of reinsurance	(126)	(13,341)
Net Operating Income	-	211
Net Operating Expenses	(1,015)	14,951
Investment Income	114	5,718
Losses on the Realisation of Expenses	-	(224)
Unrealised Losses	-	(8,606)
Other Income	93	468
Other Charges	(97)	(2,082)
(Loss)/Profit on ordinary activities before tax – acquired business	<u>(805)</u>	<u>9,267</u>
Tax on profit on ordinary activities	-	(9,131)
(Loss)/Profit on ordinary activities after tax – acquired business	<u>(805)</u>	<u>136</u>

ZURICH INSURANCE plc

NOTES TO THE FINANCIAL STATEMENT

6 Employee Information

The average number of persons (including executive directors and temporary staff) employed by the Company during the year was:

By activity:	2008 Number	2007 Number
Direct business	889	695
Administration	<u>300</u>	<u>278</u>
	<u>1,189</u>	<u>973</u>

	2008 €'000	2007 €'000
Staff costs for the above persons were:		
Wages and salaries	75,500	55,368
Social security costs	17,762	12,850
Pension costs	<u>16,445</u>	<u>14,941</u>
	<u>109,707</u>	<u>83,159</u>

7 Directors' Emoluments

	2008 €'000	2007 €'000
Other emoluments (including pension contributions)	<u>1,499</u>	<u>2,074</u>

8 Other Charges

	2008 €'000	2007 €'000
H.O. Management Fee	6,757	7,173
Other Non-Technical	5,446	1,646
Restructuring Costs	<u>19,730</u>	<u>-</u>
	<u>31,933</u>	<u>8,819</u>

9 Other Income – Non-Technical

	2008 €'000	2007 €'000
Other Non-Technical	<u>3,540</u>	<u>3,241</u>
	<u>3,540</u>	<u>3,241</u>

ZURICH INSURANCE plc
NOTES TO THE FINANCIAL STATEMENTS

10 Profit on Ordinary Activities Before Tax

	2008	2007
	€'000	€'000
Profit on ordinary activities before tax is stated after:		
Depreciation charge for year:		
Tangible owned fixed assets	<u>1,865</u>	<u>1,765</u>
Auditors' remuneration	<u>1,020</u>	<u>1,074</u>

11 Tax on Profit on Ordinary Activities

	2008	2007
	€'000	€'000
Tax on profit on ordinary activities:		
Current tax charge for the year	36,766	26,421
Deferred tax credit for the year (Note 21)	<u>(5,653)</u>	<u>(3,039)</u>
	<u>31,113</u>	<u>23,382</u>

The current tax charge for the year is higher than the charge that would result from applying the standard rate of Irish corporation tax to profit on ordinary activities. The differences are explained below:-

	2008	2007
	€'000	€'000
Profit on ordinary activities before tax	<u>50,517</u>	<u>62,482</u>
Profit on ordinary activities at the standard tax rate for the year of 12.5% (2007: 12.5%)	6,315	7,811
Effects of:		
Disallowable expenses	2,353	6,561
Capital allowances in excess of depreciation	(60)	(17)
Underprovision in prior year	-	1,465
Higher tax rates on overseas earnings	21,333	10,436
Utilisation of Branch Tax losses brought forward	(978)	(5,983)
Other timing differences	<u>7,803</u>	<u>6,148</u>
	<u>36,766</u>	<u>26,421</u>

ZURICH INSURANCE plc
NOTES TO THE FINANCIAL STATEMENTS

12 Investment in Group Undertakings

	2008 €'000	2007 €'000
Irish National Insurance Company	28,258	28,258
Ballykillilane Holdings Limited	<u>19,497</u>	<u>19,497</u>
	47,755	47,755
 Loan to Group Company	 =	 <u>654</u>
	<u>47,755</u>	<u>48,409</u>

Investment in Irish National Insurance Company represents the written down cost of the acquisition of 100% of the issued share capital of Irish National Insurance Company p.l.c., a general insurer.

On 5th September 2007 Zurich Insurance Plc acquired 100% of the issued share capital of Ballykillilane Holdings Limited.

Investments in Group Undertakings also include 50% of the ordinary share capital of Zurich Shared Services (Ireland) Limited, a company set up to provide centralised computer services to Zurich Insurance Plc and Eagle Star Life Assurance Company of Ireland Limited. The remaining 50% of the ordinary share capital is held by Zurich Life Assurance Company of Ireland Limited. Zurich Shared Services (Ireland) Limited has an issued share capital of €2.

All subsidiary Companies as at 31 December 2008 are unlisted investments and are incorporated in the Republic of Ireland and have the same registered offices as the Company.

13 Intangible Assets (Goodwill) and Investments Held as Fixed Assets

	Shares in subsidiary undertaking €'000	Goodwill €'000
1st January, 2008	<u>38,664</u>	<u>10,425</u>
At 31st December, 2008	<u>38,664</u>	<u>10,425</u>
Amortisation		
At 1st January, 2008	(10,406)	(4,694)
Charge in year	=	<u>(521)</u>
At 31st December, 2008	(10,406)	(5,215)
 Net book value		
At 31st December, 2008	<u>28,258</u>	<u>5,210</u>
At 31st December, 2007	<u>28,258</u>	<u>5,731</u>

ZURICH INSURANCE plc
NOTES TO THE FINANCIAL STATEMENTS

14 Investments: Other Financial Investments

	2008		2007	
	Market Value €'000	Cost €'000	Market Value €'000	Cost €'000
Shares and other variable yield securities and units in unit trusts	71,090	95,658	99,034	82,059
Debt securities and other fixed Income securities	1,726,685	1,658,100	1,263,726	1,280,592
Loans secured by mortgages	26,366	26,366	22,689	22,689
Other Loans	978	978	-	-
Deposits with credit institutions	<u>339,798</u>	<u>339,798</u>	<u>96,884</u>	<u>96,900</u>
	<u>2,164,917</u>	<u>2,120,900</u>	<u>1,482,333</u>	<u>1,482,240</u>

All investments, except for loans secured by mortgages and deposits with credit institutions, are listed Investments on recognised investment exchanges.

15 Debtors Arising out of Direct Insurance Operations

	2008 €'000	2007 €'000
Policyholders	155,519	140,783
Amounts due from group undertakings	12,402	3,589
Intermediaries	230,652	210,309
Other Insurance companies	<u>425</u>	-
	<u>398,998</u>	<u>354,681</u>

16 Other Debtors

Amounts owed by group companies of €170.9m (2007: €22.3m) are included in this balance.

ZURICH INSURANCE plc
NOTES TO THE FINANCIAL STATEMENTS

17 Tangible Assets

	Fixtures & Fittings	Motor Vehicles	Computer & Office Equipment	Premises	Total
	€'000	€'000	€'000	€'000	€'000
Cost					
At 1st January, 2008	9,302	2,467	9,595	9,720	31,084
Additions	447	650	1,346	744	3,187
Transfers In	-	-	-	-	-
Disposals	-	(616)	(9)	-	(625)
At 31st December, 2008	<u>9,749</u>	<u>2,501</u>	<u>10,932</u>	<u>10,464</u>	<u>33,646</u>
Depreciation					
At 1st January, 2008	8,689	1,225	8,557	2,034	20,505
Charge for the year	380	615	771	281	2,047
Transfers In	-	-	-	-	-
Disposals	-	(503)	(3)	-	(506)
At 31st December, 2008	<u>9,069</u>	<u>1,337</u>	<u>9,325</u>	<u>2,315</u>	<u>22,046</u>
Net book value at 31st December, 2008	<u>680</u>	<u>1,164</u>	<u>1,607</u>	<u>8,149</u>	<u>11,600</u>
Net book value at 31st December, 2007	<u>613</u>	<u>1,242</u>	<u>1,038</u>	<u>7,686</u>	<u>10,579</u>

18 Called Up Share Capital

	2008 €'000	2007 €'000
Authorised		
4,000,000 Ordinary shares of €1.25 each	<u>5,000</u>	<u>5,000</u>
Allotted and fully paid		
3,888,682 Ordinary shares of €1.25 each	<u>4,861</u>	<u>4,861</u>
Capital Conversion Reserve	<u>73</u>	<u>73</u>

In 2007 187,207 Ordinary shares were issued to Zurich Insurance Company (ZIC at a premium of €91.65 per share). This share issue was in consideration for the acquisition of ZIIL Netherlands branch. Subsequently ZIC contributed these shares to ZHIL, the 100% shareholder.

ZURICH INSURANCE plc
NOTES TO THE FINANCIAL STATEMENTS

19 Capital Contribution

	Year Ended 31 December 2008 €'000	Year Ended 31 December 2007 €'000
Capital Contribution from related undertaking	<u>793,000</u>	-

The Company received capital contributions from Zurich Holding Ireland Limited in December 2008 to facilitate the transfer of Zurich's UK General Insurance policies to the UK branch of Zurich Insurance plc (€516m on 15.12.08 and €277m on 30.12.2008). These contributions were gratuitous and non-recoverable and were not made in return for any rights such as voting rights, a share in the profits or a share of surplus assets of the Company on liquidation. This amount is distributable in future periods, subject to the provisions of the Companies Acts, 1963 to 2006.

20 Reserves

	Profit & Loss 2008 €'000	Foreign Exchange Reserve 2008 €'000	Total 2008 €'000
Balance at 1 st January	394,794	(7,389)	387,405
Profit for the financial year	19,404	-	19,404
Actuarial loss in respect of Ireland pension scheme	(45,544)	-	(45,544)
Actuarial loss in respect of non-Ireland pension scheme	(1,483)	-	(1,483)
Deferred tax on Non Irish actuarial loss	59	-	59
Deferred tax on Irish actuarial loss	5,693	-	5,693
Exchange differences arising during the year	<u>-</u>	<u>(35,612)</u>	<u>(35,612)</u>
Balance at 31st December, 2008	<u>372,923</u>	<u>(43,001)</u>	<u>329,922</u>

ZURICH INSURANCE plc
NOTES TO THE FINANCIAL STATEMENTS

20 Reserves - continued

Reconciliation of Movements in Shareholders' Funds

	2008 €'000	2007 €'000
Profit for the year	19,404	39,100
Actuarial (loss)/gain in respect of Ireland pension schemes	(45,544)	16,861
Actuarial loss in respect of non-Ireland pension schemes	(1,483)	(497)
Deferred tax on Non Irish actuarial loss/(gain)	59	(300)
Deferred tax on Irish actuarial loss/(gain)	5,693	(2,108)
Exchange differences arising during the year	(35,612)	(4,765)
Share Capital/Premium Issued	-	17,392
Capital Contribution	<u>793,000</u>	-
Net addition to shareholders' funds	735,517	65,683
Opening shareholders' funds at 1 st January as previously stated	409,542	343,859
Prior Year Adjustments	-	-
Closing shareholders' funds	<u>1,145,059</u>	<u>409,542</u>

21 Deferred Taxation

	2008 €'000	2007 €'000
Opening (liability)	(1,889)	(5,027)
Liabilities assumed under portfolio transfer	-	99
Other movements	(72)	-
Credit to the profit and loss account	<u>5,653</u>	<u>3,039</u>
Closing asset/(liability)	<u>3,692</u>	<u>(1,889)</u>

A deferred tax asset/(liability) has been recognised and is comprised of:-

Unrealised investment gains	975	124
Capital allowances in excess of depreciation	75	39
Other timing differences	<u>2,642</u>	<u>(2,052)</u>
	<u>3,692</u>	<u>(1,889)</u>

ZURICH INSURANCE plc

NOTES TO THE FINANCIAL STATEMENTS

22 Creditors Arising Out of Reinsurance Operations

Amounts owed to group companies of €121.9m (2007: €150.5m) are included in this balance.

23 Other Creditors Including Tax and Social Welfare

	2008 €'000	2007 €'000
Amounts due to group undertakings	17,738	32,617
Other creditors	<u>137,935</u>	<u>163,360</u>
	<u>155,673</u>	<u>195,977</u>

Tax and social welfare included in other creditors:

	2008 €'000	2007 €'000
VAT	648	418
PAYE	1,627	3,753
PRSI	335	272
Corporation Tax	22,778	1,763

24 Subordinated Loan

The subordinated loan arises on the acquisition by the Company of Zurich International (France) Compagnies d'Assurances S.A. The loan was issued by Assuricum Company Limited, a company incorporated in Switzerland which previously owned 22% of the share capital of Zurich International (France) Compagnies d'Assurances S.A. On 1st November 2008 Assuricum merged with Zurich Insurance Company (ZIC) and the loan was reassigned to ZIC on that date. The loan agreement does not specify an agreed repayment date.

25 FRS17 Retirement Benefits – Ireland Pension Scheme

The Company operates a defined benefit Pension Scheme in Ireland, for all qualifying employees, through a Group Pension Scheme administered by Trustees. The funds are separate from those of the Company. Independent actuarial valuations, which are not available for public inspection, are obtained triennially.

The valuation of the defined benefit scheme used for the purposes of FRS17 disclosures has been based on data supplied by the Schemes' administrators. The valuation has been performed by an independent actuary to take account of the requirements of FRS17 in order to assess the liabilities at the balance sheet date. Scheme assets are stated at their market value at the balance sheet date.

ZURICH INSURANCE plc
NOTES TO THE FINANCIAL STATEMENTS

25 FRS17 Retirement Benefits – Ireland Pension Scheme - continued

The financial assumptions used to calculate the retirement liabilities under FRS17 were as follows:

	At 31/12/08 %	At 31/12/07 %
Rate of increase in salaries	3.70	3.80
Rate of increase of pensions in payment	2.10 - 3.00	2.20 - 3.00
Rate of inflation	2.10	2.20
Discount rate	6.00	5.60

The market value of the assets in the Eagle Star Group Pension Schemes, the expected rates of return thereon, and the schemes' liabilities are set out below.

	Long term Asset return Expected at 31/12/08 %	Value at 31/12/08 €'000	Long term Asset return Expected at 31/12/07 %	Value at 31/12/07 €'000
Equities	7.30	80,774	7.70	123,632
Bonds	4.30	36,932	4.70	38,497
Other	4.50	7,914	4.20	<u>7,462</u>
Total market value of assets		125,620		169,591
Actuarial value of liability		<u>(153,353)</u>		<u>(152,101)</u>
(Deficit)/Surplus in the scheme		<u>(27,733)</u>		17,490
Related deferred tax asset/ (liability)		<u>3,467</u>		<u>(2,186)</u>
Net pension (liability)/asset		<u>(24,266)</u>		<u>15,304</u>

The estimate of contributions payable in 2009 is as follows:

	€'000
Employer	5,488
Employee	789

History of experience gains and losses for the year ended 31 December, 2008.

	2008 €'000	2007 €'000	2006 €'000	2005 €'000	2004 €'000
Market Value of assets	125,620	169,591	160,024	132,873	103,201
Market Value of liabilities	153,353	152,101	163,170	157,385	123,635
Difference between the actual and expected return on scheme assets:					
Amount (€'000)	(61,540)	(5,019)	12,913	17,673	5,855
Percentage of scheme assets	(49.0%)	(3.0%)	8.1%	13.3%	5.7%
Experience gains and losses on scheme liabilities	(385)	(14,054)	(5,179)	(2,901)	(2,667)
Amount (€'000)	(0.3%)	(9.2%)	(3.2%)	(1.8%)	(2.2%)
Percentage of the present value of the scheme liabilities					
Change in assumptions underlying the present value of the scheme liabilities	16,381	35,934	9,972	(18,428)	(16,989)
Percentage of the present value of the scheme liabilities	10.7%	23.6%	6.1%	(11.7%)	(13.7%)
Total Amount recognised in statement of total recognised gains and losses					
Amounts (€'000)	(45,544)	16,861	17,706	(3,656)	(13,801)
Percentage of the present value of the scheme liabilities	29.7%	11.1%	8.8%	(2.3%)	(11.2%)

ZURICH INSURANCE plc

NOTES TO THE FINANCIAL STATEMENTS

25 FRS17 Retirement Benefits – Ireland Pension Scheme - continued

The following amounts have been recognised in the performance statements under the requirements of FRS 17.

	2008 €'000	2007 €'000
Current service cost	<u>3,677</u>	<u>4,212</u>
Past service cost	<u>9,402</u>	<u>1,978</u>
Other finance income		
Expected return on pension scheme assets	11,794	10,747
Interest on pension scheme liabilities	(8,633)	(7,713)
Gain due to curtailments	<u>1,281</u>	<u>-</u>
	<u>4,442</u>	<u>3,034</u>

Statement of total recognised gains and losses

	2008 €'000	2007 €'000
Actual return less expected return on pension scheme assets	(61,540)	(5,019)
Experience gains and losses arising on the scheme liabilities	(385)	(14,054)
Changes in assumptions underlying the present value of the scheme liabilities	<u>16,381</u>	<u>35,934</u>
Actuarial (loss)/gain recognised in the statement of total recognised gains and losses	<u>(45,544)</u>	<u>16,861</u>

Movement in surplus during the year

Opening Surplus in scheme	17,490	(3,146)
Movement in Year:		
Current service cost	(3,677)	(4,212)
Contributions paid	8,958	6,931
Past service cost	(9,402)	(1,978)
Other finance income	4,442	3,034
Actuarial (loss)/gain	<u>(45,544)</u>	<u>16,861</u>
Closing (Deficit)/Surplus in scheme	<u>(27,733)</u>	<u>17,490</u>

26 FRS17 Retirement Benefits – Belgium, Netherlands, France and Italy Pension Scheme

Zurich Insurance plc opened branches in France in 2006 and Belgium, Netherlands and Italy in 2007. The Company operates a defined benefit Pension Scheme in these branches, for all qualifying employees, through a Group Pension Scheme administered by Trustees. The schemes in Belgium and Netherlands are funded, with assets held separate from those of the Company. The schemes in France and Italy are unfunded. Independent actuarial valuations are obtained triennially.

The valuation of the defined benefit scheme used for the purposes of FRS17 disclosures has been based on data supplied by the Schemes' administrators. The valuations have been performed by independent actuaries to take account of the requirements of FRS17 in order to assess the liabilities at the balance sheet date. Scheme assets are stated at their market value at the balance sheet date.

ZURICH INSURANCE plc

NOTES TO THE FINANCIAL STATEMENTS

26 FRS17 Retirement Benefits – Belgium, Netherlands, France & Italy Pension Scheme - continued

The financial assumptions used to calculate the retirement liabilities under FRS17 were as follows:

	At 31/12/08			
	Belgium	Netherlands	France	Italy
Rate of Increase in salaries	4.10	2.50	3.00	3.5
Rate of increase of pensions in payment	4.10	2.00	0.00*	0.0*
Rate of inflation	2.00	2.00	2.00	2.1
Discount rate	5.25	5.90	5.50	0.0**

* There are no pensions in payment related to this scheme

** Based on zero coupon yield curve (Range: 2% - 4%)

The market value of the assets in the Zurich Group Pension Schemes, the expected rates of return thereon, and the schemes' liabilities are set out below.

	Belgium Value at 31/12/08 €'000	Netherlands Value at 31/12/08 €'000	France Value at 31/12/08 €'000	Italy Value at 31/12/08 €'000	Total Value at 31/12/08 €'000
Equities	-	-	-	-	-
Bonds	-	-	-	-	-
Other	<u>2,696</u>	<u>39,682</u>	<u>-</u>	<u>-</u>	<u>42,378</u>
Total market value of assets	2,696	39,682	-	-	42,378
Actuarial value of liability	<u>(4,377)</u>	<u>(52,635)</u>	<u>(801)</u>	<u>(453)</u>	<u>(58,266)</u>
Deficit in the scheme	(1,681)	(12,953)	(801)	(453)	(15,888)
Related deferred tax asset	<u>-</u>	<u>3,303</u>	<u>-</u>	<u>-</u>	<u>3,303</u>
Net pension (liability)	<u>(1,681)</u>	<u>(9,650)</u>	<u>(801)</u>	<u>(453)</u>	<u>(12,585)</u>

The estimate of contributions payable in 2009 is as follows:

	€'000	€'000	€'000	€'000	€'000
Employer	303	1,936	800	32	3,071
Employee	91	165	-	-	256

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NOTES TO THE FINANCIAL STATEMENTS

26 FRS17 Retirement Benefits – Belgium, Netherlands, France & Italy Pension Scheme - continued

	Belgium €'000	Netherlands €'000	France €'000	Italy €'000	Total €'000
Market Value of assets	2,696	39,682	n/a	n/a	42,378
Market Value of liabilities	4,377	52,635	801	453	58,266
Difference between the actual and expected return on scheme assets:					
Amount (€'000)	-	(3,692)	n/a	n/a	(3,692)
Percentage of scheme assets	(0%)	(9%)	(0%)	(0%)	(9%)
Experience gains and losses on scheme liabilities					
Amount (€'000)	-	1,079	(427)	(179)	473
Percentage of the present value of the scheme liabilities	(0%)	2%	(53.3%)	(39.5)%	0.8%
Change in assumptions underlying the present value of the scheme liabilities	-	2,406	-	-	2,406
Percentage of the present value of the scheme liabilities	0%	4.6%	0%	0%	4.1%
Total Amount recognised in statement of total recognised gains and losses					
Amounts (€'000)	-	(207)	(427)	(179)	(813)
Percentage of the present value of the scheme liabilities	0%	0.4%	(53.3%)	(39.5)%	(1.4)%

The following amounts have been recognised in the performance statements under the requirements of FRS 17.

	Belgium €'000	Netherlands €'000	France €'000	Italy €'000	Total €'000
Current service cost	<u>264</u>	<u>645</u>	<u>1,066</u>	-	<u>1,975</u>
Past service cost	-	-	-	-	-
Other finance income	-	-	-	-	-
Expected return on pension scheme assets	120	2,239	-	-	2,359
Interest on pension scheme liabilities	<u>(231)</u> <u>(111)</u>	<u>(3,042)</u> <u>(803)</u>	<u>(0)</u> <u>(0)</u>	<u>(15)</u> <u>(15)</u>	<u>(3,288)</u> <u>(929)</u>
Allocation Group Companies	422	447	0	-	869

ZURICH INSURANCE plc
NOTES TO THE FINANCIAL STATEMENTS

26 FRS17 Retirement Benefits – Belgium, Netherlands, France & Italy Pension Scheme - continued

Statement of total recognised gains and losses

	Belgium €'000	Netherlands €'000	France €'000	Italy €'000	Total €'000
Actual return less expected return on pension scheme assets	-	(3,692)	-	-	(3,692)
Experience gains and losses arising on the scheme liabilities	-	1,079	(427)	(179)	473
Changes in assumptions underlying the present value of the scheme liabilities	-	<u>2,406</u>	-	-	<u>2,406</u>
Actuarial loss recognised in the statement of total recognised gains and losses	-	(207)	(427)	(179)	(813)
Allocation Group Companies	-	(670)	-	-	(670)
	-	<u>(877)</u>	<u>(427)</u>	<u>(179)</u>	<u>(1,483)</u>
Movement in surplus during the year					
Opening (Deficit) in scheme	(1,609)	(13,165)	(107)	(291)	(15,172)
Movement in Year:					
Current service cost	(264)	(645)	(1,066)	-	(1,975)
Contributions paid	303	1,866	800	32	3,001
Past service cost	0	0	0	0	0
Other finance income	(111)	(803)	(0)	(15)	(929)
Actuarial loss	-	<u>(207)</u>	<u>(427)</u>	<u>(179)</u>	<u>(813)</u>
Closing (Deficit) in scheme	<u>(1,681)</u>	<u>(12,954)</u>	<u>(800)</u>	<u>(453)</u>	<u>(15,888)</u>

ZURICH INSURANCE plc

NOTES TO THE FINANCIAL STATEMENTS

27 Holding Company

The Company is a wholly owned subsidiary of Zurich Holding Ireland Limited which is incorporated in Ireland. Zurich Holding Ireland Limited was set up on 26th September, 2005 and acquired 100% of Zurich Insurance plc on 14th December, 2005. No consolidated accounts are prepared for Zurich Holding Ireland Limited.

The ultimate holding company is Zurich Financial Services which is incorporated in Switzerland. The largest group into which the results of the Company are consolidated is that headed by Zurich Financial Services. Copies of Zurich Financial Services' Consolidated Financial Statements may be obtained from the Secretary, Zurich Financial Services, Mythenquai 2, 8022 Zurich, Switzerland.

28 Consolidated Accounts

Zurich Insurance plc has not prepared consolidated accounts for the year ended 31st December, 2008 as, being a subsidiary of Zurich Financial Services, it is exempted from doing so under the FRS 2 amendment which is accommodated under Irish Company Law and its reference to the EU 7th Directive equivalence.

29 Cash Flow Statement

Consolidated Financial Statements of the ultimate holding company have been separately prepared and contain a consolidated cash flow statement. The Company has therefore availed of the exemption under Financial Reporting Standard No. 1 (Revised) "Cash Flow Statements" not to prepare a cash flow statement.

30 Related Party Disclosures

The Company has availed of the exemption under Financial Reporting Standard No. 8 "Related Party Disclosures" which permits qualifying subsidiaries of an undertaking not to disclose details of transactions between group entities that are eliminated on consolidation.

31 Approval of Financial Statements

The Financial Statements are authorised for issue by the Board of Directors on the 7th May 2009.