

Zurich Finance (Luxembourg) S.A.

(incorporated with limited liability as a société anonyme under the laws of the Grand Duchy of Luxembourg, registered with the Luxembourg trade and companies register under number B69.748)

Zurich Finance (USA), Inc.

(incorporated in the State of Delaware, U.S.A.)

Zurich Finance (UK) plc

(incorporated with limited liability in England and Wales)

Zurich Insurance Company

(incorporated with limited liability in Switzerland)

irrevocably guaranteed, in the case of Notes issued by Zurich Finance (Luxembourg) S.A., Zurich Finance (USA), Inc. and Zurich Finance (UK) plc by Zurich Insurance Company

U.S.\$4,000,000,000

Euro Medium Term Note Programme

This Information Memorandum replaces and supersedes the Information Memorandum dated 27 June 2002.

Under this U.S.\$4,000,000,000 Euro Medium Term Note Programme (the "**Programme**"), Zurich Finance (Luxembourg) S.A. ("**ZF (Luxembourg)**"), Zurich Finance (USA), Inc. ("**ZF (USA)**"), Zurich Finance (UK) plc ("**ZF (UK)**") and Zurich Insurance Company ("**ZIC**", and together with ZF (Luxembourg), ZF (USA) and ZF (UK), the "**Issuers**" and each, an "**Issuer**") may from time to time issue notes (the "**Notes**") denominated in any currency agreed between the relevant Issuer and the relevant Dealer (each as defined below). Issues of Notes under the Programme by ZF (Luxembourg), ZF (USA) and ZF (UK) will be irrevocably guaranteed as to payments of principal, interest and additional amounts by ZIC.

The Notes may be issued on a continuing basis to one or more of the Dealers specified on page 7 and any additional Dealer appointed under the Programme from time to time, which appointments may be for a specific issue or on an ongoing basis (each a "**Dealer**" and together the "**Dealers**"). References in this Information Memorandum to the "**relevant Dealer**" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Notes. References in this Information Memorandum to the "**relevant Issuer**" shall, in the case of any issue of Notes, be to the Issuer which has agreed to issue such Notes.

Application has been made for Notes issued under the Programme to be listed during the period of twelve months after the date hereof on the Luxembourg Stock Exchange.

Unless otherwise provided with respect to a particular Series (as defined on page 3) of Notes issued in registered form ("**Registered Notes**"), the Registered Notes of each Tranche (as defined on page 3) of such Series sold outside the United States in reliance on Regulation S under the United States Securities Act of 1933, as amended (the "**Securities Act**"), will be represented by a global note in registered form, without interest coupons (a "**Reg. S Global Note**"), which will be registered in the name of Citivic Nominees Limited as nominee for, and will be deposited with Citibank, N.A. as common depository for, and in respect of interests held through, Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). Prior to expiry of the period that ends 40 days after completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue (the "**distribution compliance period**"), beneficial interests in the Reg. S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person (as defined in Regulation S), and may not be held otherwise than through Euroclear and Clearstream, Luxembourg. The Registered Notes of each Tranche of such Series sold in private transactions to qualified institutional buyers within the meaning of Rule 144A under the Securities Act ("**QIBs**") will be represented by a restricted global note in registered form, without interest coupons (a "**Restricted Global Note**", and together with a Reg. S Global Note, "**Registered Global Notes**"), deposited with Citibank, N.A. as custodian for, and registered in the name of Cede & Co., as nominee for, The Depository Trust Company ("**DTC**"). Registered Notes in individual form will be issued in exchange for interests in the Registered Global Notes upon compliance with the procedures for exchange as described in "**Form of Notes**" on page 12 in the circumstances described in the relevant Pricing Supplement. Registered Notes in individual registered form from the date of issue may also be sold outside the United States in reliance on Regulation S under

the Securities Act. Each Tranche of Notes issued in bearer form ("**Bearer Notes**") (other than a Tranche of Listed Swiss Franc Notes, as to which see "**Form of Notes**") will initially be represented by a temporary bearer global Note (a "**Temporary Global Note**") which will be deposited on the issue date thereof with a common depository for Euroclear and Clearstream, Luxembourg. Beneficial interests in a Temporary Global Note will be exchangeable for either beneficial interests in a permanent global Note (a "**Permanent Global Note**") or Definitive Bearer Notes upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury Regulations and thereafter any Permanent Global Note may be exchanged for Definitive Bearer Notes in the circumstances described in the applicable Pricing Supplement, in each case in accordance with the procedures described in "Form of the Notes" on page 12.

Arrangers

UBS AG
(in the case of Swiss Franc Notes)

UBS Investment Bank

Dealers

ABN AMRO
BNP PARIBAS
Credit Suisse First Boston
Goldman Sachs International
Merrill Lynch International
UBS AG
(in the case of Swiss Franc Notes)

Barclays Capital
Citigroup
Deutsche Bank
JPMorgan
Morgan Stanley
UBS Investment Bank

Each of the Issuers confirms that all information contained in this Information Memorandum with respect to itself and the Notes which is material in the context of the Programme and the issue of Notes thereunder, is true and accurate in all material respects and is not misleading in any material respect, that any opinions, predictions and intentions expressed in this Information Memorandum are honestly held or made and are not misleading in any material respect; this Information Memorandum does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and all proper enquiries have been made to ascertain or verify the foregoing. The Issuers accept responsibility accordingly.

Unlisted Notes may also be issued pursuant to the Programme by any of the Issuers. The aggregate principal amount of, interest (if any) payable in respect of, the issue price of, and any other terms and conditions not contained herein which are applicable to each Series will be set forth in the applicable Pricing Supplement or, as the case may be, supplemental information memorandum.

This Information Memorandum is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "Documents Incorporated by Reference" below). This Information Memorandum shall, save as specified herein, be read and construed on the basis that such documents are so incorporated and form part of this Information Memorandum.

Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on different issue dates.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche of Notes will be set forth in a pricing supplement (the "**applicable Pricing Supplement**") which, with respect to Notes to be listed on a stock exchange, will be delivered to the stock exchange on or before the date of issue of the Notes of such Tranche.

Neither the Dealers nor Citicorp Trustee Company Limited (the "**Trustee**") have separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Trustee as to the accuracy or completeness of the information contained in this Information Memorandum or any other information provided by any Issuer in connection with the Programme or the Notes or their distribution. The statements made in this paragraph are made without prejudice to the responsibility of each Issuer under the Programme.

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Information Memorandum or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by any Issuer, the Trustee or any of the Dealers.

Neither this Information Memorandum nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or constituting an invitation or offer by any Issuer, the Trustee or any of the Dealers that any recipient of this Information Memorandum or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the relevant Issuer or ZIC (where ZIC is not the relevant Issuer). Neither this Information Memorandum nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer by or on behalf of any Issuer, the Trustee or any of the Dealers to any person to subscribe for or to purchase any Notes.

In addition, the Issuers have not authorised any offer of the Notes having a maturity of one year or more to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (the "**Regulations**"). Notes may not lawfully be offered or sold to persons in the United Kingdom except in circumstances which do not result in an offer to the public in the United Kingdom within the meaning of the Regulations or otherwise in compliance with all applicable provisions of the Regulations.

The delivery of this Information Memorandum does not at any time imply that the information contained herein concerning the Issuers is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuers during the life of the Programme. Investors should review, inter alia, the most recently published audited (or, in the case of ZF (Luxembourg),

unaudited) annual financial statements and, if published later, the most recently published interim financial statements (if any) of the relevant Issuer and ZIC (where ZIC is not the relevant Issuer) when deciding whether or not to purchase any Notes.

The distribution of this Information Memorandum and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuers, the Trustee and the Dealers do not represent that this document may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuers, the Trustee or the Dealers which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Information Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations and the Dealers have represented that all offers and sales by them will be made on the same terms. Persons into whose possession this Information Memorandum or any Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Information Memorandum and the offer or sale of Notes in the United States, the United Kingdom, Japan, Luxembourg and Germany (see "Subscription and Sale" below).

The Notes have not been and will not be registered under the Securities Act and are subject to U.S. tax law requirements ± see "U.S. Taxation" below. Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act (see "Subscription and Sale" below).

All references in this document to "U.S. dollars", "U.S.\$", "\$" "USD" and "U.S. cent" refer to the currency of the United States of America, those to "euro", "€" and "EUR" are to the single currency adopted by those states participating in the European Monetary Union from time to time, those to "Sterling", "GBP" and "£" refer to the currency of the United Kingdom, those to "Swiss Francs", "Sfr" and "CHF" refer to the currency of Switzerland. References in this document to "Listed Swiss Franc Notes" are to Notes denominated or payable in Swiss Francs and listed on the Swiss Exchange.

NOTICE TO NEW HAMPSHIRE RESIDENTS: NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OF QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

UNLESS OTHERWISE PERMITTED BY ALL APPLICABLE LAWS AND REGULATIONS, NOTES MAY NOT BE OFFERED OR SOLD IN ALABAMA, DELAWARE, LOUISIANA, NEW MEXICO OR PUERTO RICO.

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In connection with the issue and distribution of any Tranche of Notes, the Dealer (if any) disclosed as the stabilising manager (or any person acting for the stabilising manager) in the applicable Pricing Supplement may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the stabilising manager (or any agent of the stabilising manager) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be in compliance with all relevant laws, regulations and rules.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Information Memorandum:

- (a) the most recently published audited annual financial statements of the Issuers other than ZF (Luxembourg) and in the case of ZF (Luxembourg) the most recently published annual financial statements;
- (b) in the case of ZIC (where ZIC is not the relevant Issuer) its most recently published audited annual financial statements (ZIC does not publish interim financial statements);
- (c) all supplements or amendments to this Information Memorandum circulated by an Issuer and/or ZIC (where ZIC is not the relevant Issuer) from time to time,

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

None of the Issuers is subject to the reporting requirements of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). To permit compliance with Rule 144A under the Securities Act in connection with sales of the Notes distributable in connection therewith, each Issuer and ZIC (where ZIC is not the relevant Issuer) has agreed to furnish without charge upon the request of a holder of a Note to such holder or any prospective investor of such Note designated by such holder the information required to be delivered under Rule 144A(d)(4) under the Securities Act so long as the relevant Issuer is neither a reporting company under Section 13 or Section 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act. Any such request should be directed to the relevant Issuer.

Each Issuer will provide, without charge, to each person to whom a copy of this Information Memorandum has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) at their respective offices set out at the end of this Information Memorandum. In addition, such documents will be available free of charge from the principal office in Luxembourg of Dexia Banque Internationale à Luxembourg (formerly Banque Internationale à Luxembourg S.A.) (the "**Luxembourg Listing Agent**") for Notes listed on the Luxembourg Stock Exchange.

Each Issuer and ZIC (where ZIC is not the relevant Issuer) will, in connection with the listing of the Notes on the Luxembourg Stock Exchange so long as any Note remains outstanding and listed on such exchange, in the event of any material adverse change in the financial condition of such Issuer or ZIC (where ZIC is not the relevant Issuer) which is not reflected in this Information Memorandum, prepare a supplement of the Notes by that Issuer or ZIC (where ZIC is not the relevant Issuer) to be listed on the Luxembourg Stock Exchange.

This Information Memorandum applies to issues of Notes made on and after 26 June 2003. If the terms of the Programme are modified or amended in a manner which would make this Information Memorandum, as supplemented, inaccurate or misleading, a new information memorandum will be prepared in replacement for this Information Memorandum.

SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is, together with the information on pages 15 to 42 qualified in its entirety by, the remainder of this Information Memorandum and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement and must be read together with the documentation referred to under the heading "General Information/Documents Available" which is available for inspection. Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" below shall have the same meanings in this summary.

Issuers: Zurich Finance (Luxembourg) S.A. ("**ZF (Luxembourg)**")
Zurich Finance (USA), Inc. ("**ZF (USA)**")
Zurich Finance (UK) plc ("**ZF (UK)**")
and, as described below under "Distribution", Zurich Insurance Company ("**ZIC**").

Guarantor in respect of Notes issued by ZF (Luxembourg), ZF (USA) and ZF (UK): ZIC

Description: Euro Medium Term Note Programme.

Arrangers: UBS AG (in the case of Swiss Franc Notes only)
UBS Investment Bank

Dealers: ABN AMRO Bank N.V.
Barclays Bank PLC
BNP PARIBAS
Citigroup Global Markets Limited
Credit Suisse First Boston (Europe) Limited
Deutsche Bank AG London
Goldman Sachs International
J.P. Morgan Securities Ltd.
Merrill Lynch International
Morgan Stanley & Co. International Limited
UBS AG (to be appointed in the case of Swiss Franc Notes only)
UBS Investment Bank

Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "Subscription and Sale").

Issues of Notes denominated in Swiss Francs or carrying a Swiss Franc related element with a maturity of more than one year will be effected in compliance with the relevant regulations of the Swiss National Bank based on article 7 of the Swiss Federal Law on Banks and Savings Banks of 8 November 1934 (as amended) and, in case of public issue, pursuant to article 2, paragraph 2 of the Ordinance of the Swiss Federal Banking Commission on Stock Exchanges and Securities Trading of 25 June 1997. Under the said regulations, the relevant Dealer or, in the case of a syndicated issue, the lead manager (the "**Swiss Dealer**"), must be a bank domiciled in Switzerland (which includes branches or subsidiaries of a foreign bank located in Switzerland) or a securities dealer duly licensed by the Swiss Federal Banking Commission pursuant to the Swiss Federal Law on Stock Exchanges and Securities Trading of 24 March 1995. The Swiss Dealer must report certain details of the relevant transaction to the Swiss National Bank no later than the Issue Date of the relevant Notes.

Trustee: Citicorp Trustee Company Limited.

Agent: Citibank, N.A.

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| Size: | Up to U.S.\$4,000,000,000 (or its equivalent in other currencies) outstanding at any time. The Issuers may increase the amount of the Programme in accordance with the terms of the Dealer Agreement. |
| Distribution: | Notes may be distributed by way of private placement or public offering and in each case on a syndicated or non-syndicated basis. As at the date of this Information Memorandum, it is intended that Notes issued under the Programme by ZIC will only be distributed by way of private placement for Swiss taxation reasons (see "Taxation/Switzerland"). |
| Currencies: | Subject to any applicable legal or regulatory restrictions, such currencies as may be agreed between the relevant Issuer, the relevant Dealer and the Trustee, including, without limitation, Australian Dollars, Canadian Dollars, Czech Koruna, Danish Kroner, euro, Hong Kong Dollars, Japanese Yen, New Zealand Dollars, Norwegian Krone, Sterling, South African Rand, Swedish Krona, Swiss Francs and United States Dollars (as indicated in the applicable Pricing Supplement). |
| Maturities: | <p>Such maturities as may be agreed between the relevant Issuer and the relevant Dealer and as indicated in the applicable Pricing Supplement, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer or the relevant Specified Currency.</p> <p>The Issuers may issue Undated Subordinated Notes (subject as aforesaid) without a specified maturity.</p> <p>Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the relevant Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the relevant Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 ("FSMA") by the relevant Issuer.</p> |
| Issue Price: | Notes may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par. |
| Form of Notes: | Notes will be issued in bearer form or registered form as described in "Form of the Notes" below. Listed Swiss Franc Notes will be represented by a Permanent Global SIS Note exchangeable for definitive Notes in the circumstances set out therein and holders of such Notes will not have the right to request the delivery of definitive Notes. Listed Swiss Franc Notes will be delivered through SIS SegInterSettle AG (" SIS "). ZF (USA) may only issue Notes in bearer form if such Notes are offered and sold in accordance with Regulation S under the Securities Act and in compliance with the TEFRA requirements under the U.S. Internal Revenue Code and the Treasury Regulations thereunder. |
| Fixed Rate Notes: | Fixed interest will be payable on such date or dates as may be agreed between the relevant Issuer and the relevant Dealer (as indicated in the applicable Pricing Supplement) and on redemption. |
| Floating Rate Notes: | Floating Rate Notes will bear interest at a rate determined: |

- (i) on the same basis as the floating rates under a notional interest-rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions (as published by the International Swaps and Derivatives Association Inc.); or
- (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (iii) on such other basis as may be agreed between the relevant Issuer and the relevant Dealer,

as indicated in the applicable Pricing Supplement.

The Margin (if any) relating to such floating rate will be agreed between the relevant Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Indexed Notes:

Payments of principal in respect of Indexed Redemption Amount or of interest in respect of Indexed Interest Notes will be calculated by reference to such index and/or formula as the relevant Issuer and the relevant Dealer may agree (as indicated in the applicable Pricing Supplement).

Other provisions in relation to Floating Rate Notes and Indexed Interest Notes:

Floating Rate Notes and Indexed Interest Notes may also have a maximum interest rate, a minimum interest rate or both (as indicated in the applicable Pricing Supplement).

Interest on Floating Rate Notes and Indexed Interest Notes in respect of each Interest Period, as selected prior to issue by the relevant Issuer and the relevant Dealer, will be payable on the Interest Payment Dates specified in, or determined pursuant to, the applicable Pricing Supplement and will be calculated on the relevant Day Count Fraction unless otherwise indicated in the applicable Pricing Supplement.

Dual Currency Notes:

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in the currencies, and based on the rates of exchange, as the relevant Issuer and the relevant Dealer may agree (as indicated in the applicable Pricing Supplement).

Zero Coupon Notes:

Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Special provisions in relation to interest payable under Undated Subordinated Notes issued by ZF (UK):

Interest shall be payable on the Undated Subordinated Notes issued by ZF (UK) on such date or dates as may be agreed between ZF (UK) and the relevant Dealer (as indicated in the relevant Pricing Supplement), subject to the provisions relating to the deferral of interest payments set out under Condition 4.

Redemption:

The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the relevant Issuer and/or the Noteholders upon giving the notice required by the applicable Pricing Supplement to the Noteholders or the relevant Issuer as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as are indicated in the applicable Pricing Supplement.

The Pricing Supplement may provide that Notes may be redeemable in two or more instalments of the amounts and on the dates indicated in the applicable Pricing Supplement.

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| Denomination of Notes: | Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer as indicated in the applicable Pricing Supplement save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency. |
| Taxation: | All payments in respect of the Notes issued by each of ZF (Luxembourg), ZF (USA) and ZF (UK) will be made without deduction for or on account of withholding taxes imposed within the jurisdiction of incorporation and, if different, tax residence of the relevant Issuer and, if applicable, ZIC (in its capacity as Guarantor of Notes issued by ZF (Luxembourg), ZF (USA) or ZF (UK), as the case may be), subject as provided in Condition 7. All payments in respect of Notes issued by ZIC will be made subject to withholding taxes imposed in Switzerland, subject as provided in Condition 7(c). |
| Negative Pledge: | The terms of the Senior Notes issued by ZF (Luxembourg), ZF (USA) and ZF (UK) will contain a negative pledge provision as further described in Condition 3(c). |
| Cross Default: | In relation to any Senior Notes, the terms of such Senior Notes will contain a cross default provision as further described in Condition 9(a)(iii). |
| Status of the Notes: | Notes issued under the Programme may either be senior notes (" Senior Notes "), dated subordinated notes (" Dated Subordinated Notes ") or undated subordinated notes (" Undated Subordinated Notes "). Each of ZF (Luxembourg), ZF (USA) and ZIC may issue Dated Subordinated Notes and Undated Subordinated Notes and the terms of such Dated Subordinated Notes or Undated Subordinated Notes will be described in the applicable Pricing Supplement. ZF (UK) may issue Dated Subordinated Notes and Undated Subordinated Notes. The terms of any such Dated Subordinated Notes will be described in the applicable Pricing Supplement, and the terms of any Undated Subordinated Notes are set out in the Terms and Conditions. |
| Senior Notes: | The Senior Notes will constitute direct, unconditional, unsubordinated and, subject to the provision of Condition 3(c), unsecured obligations of the relevant Issuer and (subject as aforesaid) will rank <i>pari passu</i> , without any preference among themselves save for statutory preferred exceptions, with all other outstanding unsecured and unsubordinated obligations of the relevant Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights. |
| Subordinated Notes (other than Undated Subordinated Notes of ZF (UK)) | The Subordinated Notes will be subject to the ranking and subordination as provided in the applicable Pricing Supplement. |
| Undated Subordinated Notes of ZF (UK): | The Undated Subordinated Notes of ZF (UK) will constitute direct, subordinated and unsecured obligations of ZF (UK) and will rank <i>pari passu</i> , without any preference, among themselves as described in Condition 2. The Undated Subordinated Notes will rank on a winding-up of ZF (UK): (a) after the claims of any Senior Creditors (as defined in Condition 2) of ZF (UK); and (b) prior to claims of the holders of any subordinated obligations which rank or are expressed to rank junior to the claims of the Noteholders of the Undated Subordinated Notes. |

Guarantees by ZIC:

Each Tranche of Senior Notes issued by ZF (Luxembourg), ZF (USA) or ZF (UK) will be unconditionally and irrevocably guaranteed by ZIC (each such guarantee, a "**Senior ZIC Guarantee**"). Each Senior ZIC Guarantee will be governed by Swiss law, will be issued by ZIC on the issue date of the relevant Tranche of Notes and will be limited to its stated maximum amount. The obligations of ZIC under each Senior ZIC Guarantee will be direct, unconditional, unsubordinated and (subject to the provisions of Condition 3(c)) unsecured obligations of ZIC and (subject as aforesaid) will rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of ZIC, present and future, save for statutorily preferred exceptions, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights. Payment under the relevant Senior ZIC Guarantee shall be made by ZIC within 7 days of receipt by it of notice from the Trustee that such payment has become due and remains unpaid.

Each Tranche of Subordinated Notes issued by ZF (Luxembourg), ZF (USA) or ZF (UK) will be unconditionally and irrevocably guaranteed on a subordinated basis by ZIC by way of an unsecured and subordinated guarantee (each such guarantee, a "**Subordinated ZIC Guarantee**"). The obligations of ZIC under each Subordinated ZIC Guarantee will constitute direct, unconditional, subordinated and unsecured obligations of ZIC ranking junior to all its other liabilities present and future (other than any liability of ZIC expressed to rank *pari passu* with or junior to the Subordinated ZIC Guarantee), it being understood that ZIC's obligations in respect of certain guarantees (as more fully described under the section "Form of the Subordinated Guarantee from ZIC") shall rank senior to the Subordinated ZIC Guarantee.

Prescription:

The Notes, Receipts and Coupons will become void unless presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefor.

Listing:

Application has been made to list Notes issued under the Programme on the Luxembourg Stock Exchange. The Notes may also be listed on such other or further stock exchange(s) (including the Swiss Exchange) as may be agreed between the relevant Issuer, the Trustee and the relevant Dealer in relation to each Series.

The applicable Pricing Supplement will state whether or not and, if so, on which stock exchange(s) the Notes are to be listed.

Governing Law:

The Notes will be governed by, and construed in accordance with, English law. Holders of Listed Swiss Franc Notes should note that, among other things, under the Terms and Conditions of the Notes, collective representation of investors is possible, albeit without any guarantee that investors' anonymity can be assured.

Each Senior ZIC Guarantee and each Subordinated ZIC Guarantee will be governed by Swiss law.

Selling Restrictions:

There are selling restrictions in relation to the United States, the United Kingdom, Japan, Switzerland, Luxembourg and Germany and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See "Subscription and Sale" below.

FORM OF THE NOTES

The Notes of each Tranche will be either in bearer form or registered form.

Unless otherwise provided with respect to a particular Series of Registered Notes, the Registered Notes of each Tranche of such Series offered and sold in reliance on Regulation S under the Securities Act ("**Reg. S**"), which will be sold to non-U.S. persons outside the United States, will initially be represented by a Reg. S Global Note which will be registered in the name of Citivic Nominees Limited as nominee for, and will be deposited with Citibank, N.A. as common depository for, and in respect of interests held through, Euroclear and Clearstream, Luxembourg for the accounts of their respective participants. Prior to expiry of the distribution compliance period applicable to each Tranche of Notes, interests in a Reg. S Global Note may not be offered or sold to or for the account or benefit of, a U.S. person save as otherwise provided in Condition 10 and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Reg. S Global Note will bear a legend regarding such restrictions on transfer.

Registered Notes of each Tranche of a particular Series may only be offered and sold in the United States or to U.S. persons in private transactions to QIBs. The Registered Notes of each Tranche sold to QIBs in reliance on Rule 144A under the Securities Act will be represented by a Restricted Global Note which will be deposited with Citibank, N.A. as custodian for, and registered in the name of Cede & Co., as nominee for, DTC.

Registered Notes will not be exchangeable for Bearer Notes.

Interests in the Reg. S Global Note and the Restricted Global Note will be exchangeable for Individual Registered Notes in the following limited circumstances: (i) (in the case of a Reg. S Global Note) if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces its intention permanently to cease business or does in fact do so and no alternative clearance system acceptable to the Trustee is available, (ii) (in the case of a Restricted Global Note), DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Restricted Global Note or ceases to be a "Clearing Agency" registered under the United States Securities Exchange Act of 1934 or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of such depository or (iii) (in the case of a Reg. S Global Note or a Restricted Global Note) the Trustee has instituted or has been directed to institute any judicial proceeding in a court to enforce the rights of Noteholders under the Notes represented by such Registered Global Note, and the Trustee has been advised by counsel that in connection with such proceedings it is necessary or appropriate for the Trustee to obtain possession of Individual Registered Notes representing the Registered Global Note.

Individual Registered Notes may also be sold outside the United States in reliance on Regulation S under the Securities Act.

Payments of the principal of, and interest (if any) on, the Registered Global Notes will be made to the nominee of DTC and/or of Euroclear and/or Clearstream, Luxembourg as the registered holders of the Registered Global Notes. None of the relevant Issuer, the Trustee, the Agent, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal on the Registered Notes will be made to the persons shown on the Register at the close of business on the business day immediately prior to the relevant payment date. Payments of interest on the Registered Notes will be made on the relevant payment date to the person in whose name such Notes are registered on the Record Date (as defined in Condition 5(b)) immediately preceding such payment date.

Each Tranche of Bearer Notes (other than a Tranche of Listed Swiss Franc Notes) will be initially represented by either (i) a Temporary Global Note or (ii) a Permanent Global Note, in each case without receipts, interest coupons or talons, which will be delivered to a common depository for Euroclear and Clearstream, Luxembourg. Whilst any Note is represented by a Temporary Global Note and subject to TEFRA D selling restrictions, payments of principal and interest (if any) due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interest in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent. Listed Swiss Franc Notes will be represented by a Permanent Global SIS

Note exchangeable for Definitive Bearer Notes in the circumstances set out therein and holders of such Notes will not have the right to request the delivery of Definitive Notes. Listed Swiss Franc Notes will be delivered through SIS. Any reference in this section "Form of the Notes" to (i) Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearance system (including SIS) approved by the relevant Issuer, ZIC (where ZIC is not the relevant Issuer), the Trustee and the Agent, and (ii) "Notes" shall be deemed to include the Permanent Global SIS Note issuable in respect of Listed Swiss Franc Notes.

On and after the date (the "**Exchange Date**") which is 40 days after the date on which any Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for interests in a Permanent Global Note without receipts, interest coupons or talons or for Definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of Definitive Bearer Notes, to such prior notice as is specified in the applicable Pricing Supplement) in each case (if the Notes are subject to TEFRA D selling restrictions) against certification of beneficial ownership as described in the second sentence of the immediately preceding paragraph unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest or principal due on or after the Exchange Date unless upon due certification exchange of the Temporary Global Note is improperly withheld or refused.

Pursuant to the Agency Agreement (as defined under "Terms and Conditions of the Notes" below) the Agent shall arrange that, where a further Tranche of Notes is issued, the Notes of such Tranche shall be assigned (where applicable) a common code and ISIN by Euroclear and Clearstream, Luxembourg or CUSIP number which are different from the common code and ISIN or CUSIP number assigned to Notes of any other Tranche of the same Series until at least 40 days (as notified by the Agent to the relevant Dealer or, in the case of a syndicated issue, the lead manager) after the completion of the distribution of the Notes of such Tranche.

Payments of principal and interest (if any) on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Global Note without any requirement for certification. The applicable Pricing Supplement will specify that either (i) a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive bearer Notes with, where applicable, receipts, interest coupons and talons attached upon not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of such Permanent Global Note) to the Agent as described therein or (ii) a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive bearer Notes with, where applicable, receipts, interest coupons and talons attached only upon the occurrence of certain specified events as described therein. The events described are that (i) an Event of Default (as defined in Condition 9) occurs in respect of any Note or (ii) Euroclear or Clearstream, Luxembourg are closed for business for a continuous period of 14 days (weekends and public holidays excepted) or announce an intention permanently to cease business or have in fact done so and no alternative clearing system satisfactory to the Trustee is available. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 13 if any such event occurs. In the event of the occurrence of any such event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) may give notice to the Agent requesting exchange.

For so long as any of the Notes is represented by a bearer global Note deposited with, or a Reg. S Global Note registered in the name of a nominee of, a common depository for Euroclear and Clearstream, Luxembourg or so long as DTC or its nominee is the registered holder of a Restricted Global Note, each person who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg or, as the case may be, DTC as entitled to a particular nominal amount of Notes (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg or DTC or its nominee as to the nominal amount of Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be deemed to be the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on the Notes, for which purpose such common depository or its nominee or, as the case may be, DTC or its nominee shall be deemed to be the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant global Note and the Trust Deed (and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly).

Notes which are represented by a Global Note will be transferable only in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case, to the extent applicable.

The following legend will appear on all Global Notes, Definitive Bearer Notes, receipts and interest coupons in respect of obligations with an original maturity in excess of 365 days:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of Bearer Notes, receipts or interest coupons.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note and each Definitive Bearer Note or Individual Registered Note, in the latter case only if permitted by the relevant stock exchange (if any) and agreed by the relevant Issuer and the relevant Dealer at the time of issue but, if not so permitted by the relevant stock exchange (if any) and agreed by the relevant Issuer and the relevant Dealer at the time of issue but, if so permitted and agreed, such Definitive Bearer Note or Individual Registered Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and each Definitive Bearer Note or Individual Registered Note. Reference should be made to "Form of the Notes" above for a description of the content of Pricing Supplements which will include the definitions of certain terms used in the following Terms and Conditions or specify which of such terms are to apply in relation in the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by Zurich Finance (Luxembourg) S.A. ("**ZF (Luxembourg)**"), Zurich Finance (USA), Inc. ("**ZF (USA)**"), Zurich Finance (UK) plc ("**ZF (UK)**") or Zurich Insurance Company ("**ZIC**" and, together with ZF (Luxembourg), ZF (USA) and ZF (UK), the "**Issuers**" and each an "**Issuer**") and references in these Terms and Conditions to the "**relevant Issuer**" shall be to the issuer of the Notes named in the applicable Pricing Supplement (as defined below), constituted by an amended and restated trust deed (as further modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") dated 26 June 2003 made between the Issuers and Citicorp Trustee Company Limited (the "**Trustee**", which expression shall include any successor as trustee).

References herein to the "**Notes**" shall be references to the Notes of this Series and shall mean:

- (i) in relation to any Notes represented by a Global Note (which expression shall include any Temporary Global Note or Permanent Global Note or Permanent Global SIS Note or Reg. S Note or Restricted Global Note, all as defined in the Trust Deed), units of the lowest Specified Denomination in the Specified Currency;
- (ii) in relation to any Notes in definitive bearer form ("**Definitive Bearer Notes**") issued in exchange for an interest or interests in a Global Note in bearer form ("**Bearer Global Note**"), units of the lowest specified Denomination in the Specified Currency; and
- (iii) in relation to Individual Registered Notes either issued as such or issued in exchange for a Registered Global Note, units of the lowest specified Denomination in the Specified Currency.

The Pricing Supplement for this Note (or the relevant provisions thereof) is attached to or endorsed on this Note and supplements these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References to the "**applicable Pricing Supplement**" are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) are the subject of an amended and restated agency agreement (the "**Agency Agreement**" which expression shall, where the context permits, include any supplements or amendments thereto and any agency agreement relating to Listed Swiss Franc Notes as referred to in Condition 5(e)) dated 26 June 2003 and made between the Issuers, Citibank, N.A. as issuing and principal paying agent and agent bank (the "**Agent**", which expression shall include any successor agent specified in the applicable Pricing Supplement), the other paying agents named therein (together with the Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents), the registrars named therein (each, a "**Registrar**", which expression shall include any additional or successor registrar), the transfer agents named therein (the "**Transfer Agents**", which expression shall include any additional or successor transfer agents) and the Trustee.

Interest bearing Definitive Bearer Notes (unless otherwise indicated in the applicable Pricing Supplement) have interest coupons ("**Coupons**") and, if indicated in the applicable Pricing Supplement, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons. Definitive Bearer Notes repayable in instalments have receipts ("**Receipts**") for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes do not have Receipts or Coupons attached on issue.

The Trustee acts for the benefit of the holders for the time being of the Notes (the "**Noteholders**") in accordance with the provisions of the Trust Deed.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed, the Agency Agreement, any applicable Senior ZIC Guarantee (as defined below), any applicable Subordinated ZIC Guarantee (as defined below) and the applicable Pricing Supplement are available for inspection during normal business hours at the principal London office for the time being of the Trustee (being at the date of the Trust Deed at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB) and are available at the specified office of each of the Agent, the other Paying Agents, the Registrar and the Transfer Agents save that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be available for inspection at the principal London office of the Agent by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Trustee as to its holding of Notes and as to identity. The Noteholders, the holders of the Receipts (the "**Receiptholders**") and the holders of the Coupons (the "**Couponholders**") are deemed to have notice of, and are bound by, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement, the Senior ZIC Guarantee, the Subordinated ZIC Guarantee and the applicable Pricing Supplement which are applicable to them.

Words and expressions defined in the Trust Deed, the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the Trust Deed, the Trust Deed will prevail and, in the event of any inconsistency between the Trust Deed or the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1. Form, Denomination and Title

The Notes are either in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") as specified in the applicable Pricing Supplement and, in the case of Definitive Bearer Notes or Individual Registered Notes, serially numbered, in the Specified Currency and the Specified Denomination(s) specified in the applicable Pricing Supplement. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Indexed Interest Note, an Indexed Redemption Amount Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, each as defined in the applicable Pricing Supplement, or a combination of any of the foregoing, depending upon the Interest/ Payment Basis shown in the applicable Pricing Supplement.

This Note is a Listed Swiss Franc Note if it is denominated or payable in Swiss francs and listed on the Swiss Exchange and the applicable Pricing Supplement so states.

Each Tranche of Bearer Notes may be initially represented by a temporary Global Note without Receipts, Coupons or Talons (a "**Temporary Global Note**") which will be delivered to a common depository for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme, Luxembourg ("**Clearstream, Luxembourg**"). On or after the end of the Distribution Compliance Period (as defined below), the Temporary Global Note will be exchangeable upon a request as described therein either for interests in a permanent Global Note without Receipts, Coupons or Talons (a "**Permanent Global Note**") or for Definitive Bearer Notes (as indicated in the applicable Pricing Supplement and subject, in the case of Definitive Bearer Notes to such notice period as is specified in the applicable Pricing Supplement), in each case against certification to the effect that the beneficial owner of interests in such Temporary Global Note is not a U.S. person or a person who has purchased for resale to any U.S. person, as required by U.S. Treasury regulations. Each Tranche of Bearer Notes may also be initially represented by a Permanent Global Note or a Permanent Global SIS Note (as defined in the Trust Deed). Unless otherwise specified in the applicable Pricing Supplement, a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Bearer Notes with, where applicable, Receipts, Coupons and Talons attached (i) if an Event of Default (as defined in Condition 9) occurs in respect of any Note, (ii) if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (weekends and public holidays excepted) or announces an intention to cease business permanently or in fact does so and no alternative clearing system satisfactory to the Trustee is available or (iii), if so specified in the applicable Pricing Supplement, at the option of the Noteholder.

Unless otherwise provided with respect to a particular Series of Registered Notes, the Registered Notes of each Tranche sold outside the United States in reliance on Regulation S under the Securities Act of 1933, as amended (the "**Securities Act**"), will, unless otherwise specified in the applicable Pricing Supplement, be represented by a permanent global Note in registered form, without Receipts, Coupons or Talons, (the "**Reg. S Global Note**") which will be registered in the name of Citivic Nominees Limited as nominee for, and will be deposited with Citibank, N.A. as common depositary for, and in respect of interests held through, Euroclear and Clearstream, Luxembourg. Notes in individual registered form ("Individual Registered Notes") issued in exchange for Reg. S Global Notes or otherwise sold or transferred in reliance on Regulation S under the Securities Act, together with the Reg. S Global Notes, are referred to herein as "**Reg. S Notes**". Prior to expiry of the period that ends 40 days after completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer, in the case of a non-syndicated issue, or by the Lead Manager, in the case of a syndicated issue (the "**Distribution Compliance Period**") interests in a Reg. S Global Note may be held only through Euroclear or Clearstream, Luxembourg.

Registered Notes of each Tranche sold in private transactions to qualified institutional buyers within the meaning of Rule 144A under the Securities Act ("**QIBs**") will, unless otherwise specified in the applicable Pricing Supplement, be represented by a permanent global Note in registered form, without Receipts, Coupons or Talons (the "**Restricted Global Note**" and, together with the Reg. S Global Note, the "**Registered Global Notes**") deposited with Citibank, N.A. as custodian for, and registered in the name of Cede & Co., as nominee for, DTC. Individual Registered Notes issued in exchange for Restricted Global Notes or otherwise sold or transferred in accordance with the requirements of Rule 144A under the Securities Act, together with the Restricted Global Notes, are referred to herein as "Restricted Notes".

Restricted Notes shall bear the legend set forth in the Restricted Global Note (the "**Legend**"). Upon the transfer, exchange or replacement of Restricted Notes, or upon specific request for removal of the Legend, the Registrar shall (save as provided in Condition 10(c)) deliver only Restricted Notes or refuse to remove such Legend, as the case may be, unless there is delivered to the relevant Issuer and the Registrar such satisfactory evidence as may reasonably be required by the relevant Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Individual Registered Notes from the date of issue may, if specified in the applicable Pricing Supplement, be issued in reliance on Regulation S under the Securities Act.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon the registration of transfers in accordance with the Agency Agreement and the Trust Deed. The relevant Issuer, ZIC (where ZIC is not the relevant Issuer), the Trustee, the Agent, any Paying Agent, the Registrar, and any Transfer Agent may (subject to applicable laws or as otherwise ordered by a court of competent jurisdiction) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof for all purposes (whether or not it is overdue and notwithstanding any notice of ownership, trust or any interest in it, any writing on it or on the related Individual Registered Note or notice of any previous loss or theft of it) and no person will be liable for so treating the holder.

No person shall have any right to enforce any term or condition of this Note or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg or DTC, as the case may be.

ZF (USA) may only issue Notes in bearer form if such Notes are offered and sold in accordance with Regulation S under the Securities Act and the TEFRA requirements under the U.S. Internal Revenue Code and the Treasury Regulations thereunder.

References in these Terms and Conditions to Euroclear and/or Clearstream, Luxembourg and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system (including SIS Sega InterSettle ("**SIS**")) approved by the relevant Issuer, the Trustee and the Agent and specified in the applicable Pricing Supplement.

2. Status of the Notes

(a) Senior Notes

This Condition 2(a) is only applicable to senior Notes ("**Senior Notes**") issued by the relevant Issuer which are described in the applicable Pricing Supplement as being issued on an unsubordinated basis.

The Senior Notes and the relative Receipts and Coupons constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3(c)) unsecured obligations of the relevant Issuer and (subject as aforesaid) rank and will rank *pari passu*, without any preference among themselves save for statutorily preferred exceptions, with all other outstanding unsecured and unsubordinated obligations of the relevant Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

(b) ***Subordinated Notes***

This Condition 2(b) is only applicable to dated subordinated notes ("**Dated Subordinated Notes**") issued by the relevant Issuer and undated subordinated notes ("**Undated Subordinated Notes**") issued by ZF (Luxembourg), ZF (USA) and ZIC. Dated Subordinated Notes and Undated Subordinated Notes are together referred to as "**Subordinated Notes**".

If so specified in the applicable Pricing Supplement, the Notes and the relative Receipts and Coupons in respect of the Notes constitute subordinated and unsecured obligations of the relevant Issuer and will be subject to the ranking and subordination as provided in the applicable Pricing Supplement.

(c) ***Undated Subordinated Notes issued by ZF (UK)***

This Condition 2(c) is only applicable to Undated Subordinated Notes issued by ZF (UK).

The Undated Subordinated Notes will constitute direct, subordinated and unsecured obligations of ZF (UK) and will rank *pari passu*, without any preference, among themselves. The Undated Subordinated Notes will rank on a winding-up of ZF (UK):

- (i) after the claims of any Senior Creditors of ZF (UK); and
- (ii) prior to claims of the holders of any subordinated obligations which rank or are expressed to rank junior to the claims of the Noteholders of any Undated Subordinated Notes.

In the event of a winding-up, liquidation, dissolution or other similar proceedings of ZF (UK), there shall be payable in such winding-up, liquidation or dissolution on each Undated Subordinated Note, subject to and after the claims of all Senior Creditors of ZF (UK) and prior to any payment to the holders of debt that is expressly designated as ranking junior to the Undated Subordinated Notes, or holders of issued shares at such time in ZF (UK), an amount equal to the principal amount of such Undated Subordinated Notes together with interest which has accrued up to, but excluding, the date of repayment.

For the purpose of this Condition 2(c):

"**Senior Creditors**" means:

- (i) all unsubordinated creditors of ZF (UK);
- (ii) all creditors of ZF (UK) whose claims are subordinated by operation of law or pursuant to their terms, to the claims of other unsubordinated creditors of ZF (UK) but not further or otherwise; and
- (iii) all other subordinated creditors of ZF (UK) except those whose claims rank or are expressed to rank *pari passu* with or junior to the claims of the Noteholders of the Undated Subordinated Notes.

Subject to applicable law, neither the Trustee nor any Noteholder of the Undated Subordinated Notes may exercise or claim any right of set-off in respect of any amount owed to it by ZF (UK) arising under or in connection with the Undated Subordinated Notes and each such Noteholder of the Undated Subordinated Note shall, by virtue of being the Noteholder of any of the Undated Subordinated Notes, be deemed to have waived all such rights of set-off.

3. Senior ZIC Guarantee, Subordinated ZIC Guarantee and Negative Pledge

(a) ***Senior ZIC Guarantee***

Where the relevant Issuer is ZF (Luxembourg), ZF (USA) or ZF (UK), the payment of principal and interest in respect of Senior Notes (together with any additional amounts payable under Condition 7 and all other moneys payable under the Trust Deed) up to a specified maximum amount has been unconditionally and irrevocably guaranteed by ZIC pursuant to a guarantee agreement dated the issue date of the relevant Tranche of Notes (the "**Senior ZIC Guarantee**"). Each Senior ZIC Guarantee provides that the Guarantor will within seven days of receipt by it of notice from the Trustee confirming that a payment referred to in the preceding sentence has become due and remains unpaid make such payment, provided that such notice from the Trustee shall, however, not be submitted to the Guarantor before seven days have passed since the due date on which such amount due under the relevant Tranche of Notes or the Trust Deed should have been paid. The Senior ZIC Guarantee, which is governed by

Swiss law, is limited to a maximum amount stated in the relevant Senior ZIC Guarantee. The obligations of ZIC under the Senior ZIC Guarantee in respect of unsubordinated Notes constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3(c)) unsecured obligations of ZIC and (subject as aforesaid) rank and will rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of ZIC, present and future, save for statutorily preferred exceptions, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights. No Noteholder, Couponholder or Receiptholder will be entitled to proceed directly against ZIC unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing.

(b) ***Subordinated ZIC Guarantee***

Where the relevant Issuer is ZF (Luxembourg) ZF, (USA) or ZF (UK), the payment of principal and interest in respect of the Subordinated Notes (together with any additional amounts payable under Condition 7 and all other moneys payable under the Trust Deed) up to a specified maximum amount has been unconditionally and irrevocably guaranteed on a subordinated basis by ZIC pursuant to a guarantee agreement dated the issue date of the relevant Tranche of the Subordinated Notes (the "**Subordinated ZIC Guarantee**"). Each Subordinated ZIC Guarantee provides that the Guarantor will, within seven days of receipt by it of notice from the Trustee confirming that a payment referred to in the preceding sentence has become due and remains unpaid, make such payment, provided that such notice from the Trustee shall, however not be submitted to the Guarantor before seven days have passed since the due date on which such amount due under the relevant Tranche of the Subordinated Notes or the Trust Deed should have been paid. The Subordinated ZIC Guarantee, which is governed by Swiss law, is limited to the maximum amount stated in the relevant Subordinated ZIC Guarantee. The obligations of ZIC under the Subordinated ZIC Guarantee in respect of the Subordinated Notes issued by the relevant Issuer constitute direct, subordinated and unsecured obligations of the Guarantor. Claims in respect of the Subordinated ZIC Guarantee will, in the event of a winding-up, liquidation, dissolution or other similar proceedings of the Guarantor (like "Nachlassstundung"), rank junior to all its other liabilities present and future (other than any liability of the Guarantor expressed to rank *pari passu* with or *junior* to the Subordinated ZIC Guarantee) (hereinafter "**Senior Debt**"), it being understood, that the Guarantor's obligations under the guarantee agreements between Zurich Holding Company of America, Zurich Insurance Company and Bank of New York, as the guarantee trustee, dated 30 May, 1997 shall rank *senior* to the Subordinated ZIC Guarantee. The obligations of the Guarantor under the Subordinated ZIC Guarantee do not constitute Senior Debt. Each Subordinated ZIC Guarantee provides that Noteholders may not exercise any rights of set-off in respect of any amount owed to it by the Issuer or the Guarantor in respect of the Subordinated Notes.

(c) ***Negative Pledge***

This Condition 3(c) is only applicable to Senior Notes.

So long as any of the Notes of the relevant Series remains outstanding (as defined in the Trust Deed), the relevant Issuer (except where ZIC is the relevant Issuer) will not create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest upon the whole or any part of its undertaking, property, assets or revenues present or future to secure any Relevant Debt, or to secure any guarantee of or indemnity in respect of any Relevant Debt, unless, at the same time or prior thereto, such Issuer's obligations under the Notes, the Receipts, the Coupons and the Trust Deed (i) are secured equally and rateably therewith to the satisfaction of the Trustee, or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Noteholders of the relevant Series or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders of the relevant Series.

For the purposes of this Condition, "**Relevant Debt**" means any present or future indebtedness of the relevant Issuer or any other person in the form of, or represented by, bonds, notes, debentures, loan stock or other securities of such Issuer or such other person which are, or are capable of being, quoted, listed or ordinarily traded on any stock exchange, over-the-counter or other securities market.

4. Interest

(a) ***Interest on Fixed Rate Notes***

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year and on the Maturity Date if that does not fall on an Interest Payment Date.

Except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

If interest is required to be calculated for a period ending other than on an Interest Payment Date, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Fixed Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

For the purposes of these Conditions "**Fixed Day Count Fraction**" means:

- (i) if "**Actual/Actual (ISMA)**" is specified in the applicable Pricing Supplement:
 - (a) where the relevant period (from and including the first day to but excluding the last day) is equal to or shorter than the Regular Period during which it falls, the actual number of days in the relevant period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year; and
 - (b) where the relevant period (from and including the first day to but excluding the last day) is longer than one Regular Period, the sum of:
 - (A) the actual number of days in such relevant period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) the actual number of days in such relevant period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) number of Regular Periods normally ending in any year;
- (ii) If "**30/360**" is specified in the applicable Pricing Supplement, the number of days in the period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360; and

"**Regular Period**" means:

- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

"**sub-unit**" with respect to any currency other than euro, means the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

(b) ***Interest on Floating Rate Notes and Indexed Interest Notes***

(i) ***Interest Payment Dates***

Each Floating Rate Note and Indexed Interest Note bears interest on its nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or
- (B) if no express Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each an "**Interest Payment Date**") which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest

Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from (and including) an Interest Payment Date to but excluding the next Interest Payment Date).

If the business day convention is specified in the applicable Pricing Supplement and if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the business day convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 4(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In this Condition, "**Business Day**" means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments in London and any Additional Business Centre specified in the applicable Pricing Supplement; and
- (B) either (1) in relation to interest payable in Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which if the Specified Currency is New Zealand dollars shall be Auckland) or (2) in relation to interest payable in euro, a day on which the TARGET system is operating.

For the purposes of these Conditions "**TARGET system**" means the Trans European Automated Real-Time Gross Settlement Express Transfer System.

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Indexed Interest Notes will be determined in the manner specified in the applicable Pricing Supplement.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (1) the Floating Rate Option is as specified in the applicable Pricing Supplement;
- (2) the Designated Maturity is a period specified in the applicable Pricing Supplement; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (LIBOR) or EURIBOR for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Pricing Supplement.

For the purposes of this sub-paragraph (A), "Floating Rate", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

When this sub-paragraph (A) applies, in respect of each relevant Interest Period the Agent will be deemed to have discharged its obligations under Condition 4(b)(iv) in respect of the determination of the Rate of Interest if it has determined the Rate of Interest in respect of such Interest Period in the manner provided in this sub-paragraph (A).

(B) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time or in the case of EURIBOR, Brussels time) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such quotation appears or, in the case of (ii) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than the London inter-bank offered rate or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

(iii) *Minimum and/or Maximum Interest Rate*

If the applicable Pricing Supplement specifies a Minimum Interest Rate for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Interest Rate, the Rate of Interest for such Interest Period shall be such Minimum Interest Rate.

If the applicable Pricing Supplement specifies a Maximum Interest Rate for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Interest Rate, the Rate of Interest for such Interest Period shall be such Maximum Interest Rate.

(iv) *Determination of Rate of Interest and Calculation of Interest Amounts*

The Agent, in the case of Floating Rate Notes, or the Calculation Agent specified in the applicable Pricing Supplement, in the case of Indexed Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Indexed Interest Notes, the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Agent will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Notes or Indexed Interest Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest of any Interest Period:

- (A) if "**Actual/365**" or "**Actual/Actual/ISDA**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest

- Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (B) if "**Actual/365 (Fixed)**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;
 - (C) if "**Actual/360**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;
 - (D) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 months of 30 days each (unless (a) the last day of the Interest Period is the 31st day of the month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
 - (E) if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 months of 30 days each, without regard to the date of the first day or last day of the Interest Period unless, in the case of an Interest Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

(v) *Notification of Rate of Interest and Interest Amounts*

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the relevant Issuer and any stock exchange on which the relevant Floating Rate Notes or Indexed Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day (as defined below) thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange, listing authority and/or quotation system by which the relevant Floating Rate Notes or Indexed Interest Notes are for the time being admitted to listing, trading and/or quotation and to the Noteholders in accordance with Condition 13. In these Conditions "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

(vi) *Determination or Calculation by Trustee*

If for any reason the Agent or, as the case may be, the Calculation Agent at any time after the Issue Date defaults in its obligation to determine the Rate of Interest or the Agent defaults in its obligation to calculate any Interest Amount in accordance with sub-paragraphs (ii) and (iv) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any minimum or maximum Rate of Interest specified in the applicable Pricing Supplement), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent or the Calculation Agent, as applicable.

(vii) *Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b), whether by the Agent or the Trustee or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the relevant Issuer, ZIC (where ZIC is not the relevant Issuer), the Trustee, the Agent, the Calculation Agent (if applicable), the other Paying Agents, the Registrar and any Transfer Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the relevant Issuer, ZIC (where ZIC is not the relevant Issuer), the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent, the Trustee or the Calculation Agent (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) **Dual Currency Notes**

In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the applicable Pricing Supplement.

(d) **Partly Paid Notes**

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

(e) **Accrual of Interest**

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

(f) **Special provisions in relation to Undated Subordinated Notes issued by ZF (UK)**

This Condition 4(f) is only applicable to Undated Subordinated Notes issued by ZF (UK):

(i) **Optional deferral of interest**

There may be paid, on each Optional Interest Payment Date, interest accrued in respect of the Interest Period which ends on such Optional Interest Payment Date but ZF (UK) shall have the option to defer payment of interest on the Notes which would otherwise be payable on such date. The deferral of any interest payment on any Optional Interest Payment Date in accordance with this Condition 4(f) will not constitute an Event of Default by ZF (UK) and will not give Noteholders or the Trustee any right to accelerate the Notes or make a demand under the relevant Subordinated ZIC Guarantee. ZF (UK), failing whom, the Guarantor, shall notify the Trustee and the Noteholders, immediately as soon as it becomes aware that an Interest Payment Date will be an Optional Interest Payment Date in respect of which payment is deferred of the amount of such payment otherwise due on that date and the grounds upon which such deferral has been made (the "**Deferral Notice**"). ZF (UK) may defer paying interest on each Optional Interest Payment Date until the Notes become due and payable as described in Condition 4(f)(ii) below.

(ii) **Arrears of Interest**

Any interest in respect of the Notes not paid on an Interest Payment Date, together with any other interest in respect thereof not paid on any earlier Interest Payment Date, in each case by virtue of this Condition 4(f), shall, so long as the same remains unpaid, constitute "**Arrears of Interest**". Arrears of Interest and any other amount, payment of which is deferred in accordance with this Condition 4(f), shall not themselves bear interest. Any Arrears of Interest and any other amount, payment of which is deferred in accordance with this Condition 4(f), will automatically become immediately due and payable upon the earliest of the following dates:

- (A) the date upon which a dividend is next declared or paid on any class of share capital of Zurich Financial Services; or
- (B) the date set for redemption pursuant to Condition 6(c) or Condition 6(d); or
- (C) the commencement of the winding-up or dissolution of ZF (UK) or, as the case may be, the Guarantor (except for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or a reconstruction the terms of which shall have previously been approved in writing by the Trustee or by an Extraordinary Resolution of Noteholders or as a result of a Permitted Reorganisation); or
- (D) the date upon which ZF (UK) or, as the case may be, the Guarantor pays interest on any other junior or *pari passu* securities of ZF (UK) or the Guarantor.

For the purpose of this Condition 4(f) "**Optional Interest Payment Date**" means any Interest Payment Date if in the immediately preceding twelve calendar months, no dividend has been declared or paid on any class of share capital of Zurich Financial Services.

5. **Payments**

(a) **Method of Payment**

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by transfer to an account in the relevant Specified Currency maintained by the payee with, or by a cheque in such Specified

Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is New Zealand dollars, shall be Auckland); and

(ii) payments in euro will be made by credit or transfer to an euro account specified by the payee.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7. References to "**Specified Currency**" will include any successor currency under applicable law.

(b) ***Presentation of Notes, Receipts and Coupons***

Payments of principal in respect of Definitive Bearer Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment only, endorsement) of Definitive Bearer Notes, and payments of interest in respect of Definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment only, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

In respect of Definitive Bearer Notes payments of instalments of principal (if any), other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Receipt in the manner provided in the preceding paragraph. Payment of the final instalment will be made in the manner provided in paragraph (a) above only against presentation and surrender of the relevant Definitive Bearer Note in the manner provided in the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Definitive Bearer Note to which it appertains. Receipts presented without the Definitive Bearer Note to which they appertain do not constitute valid obligations of the relevant Issuer. Upon the date on which any Definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Indexed Interest Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining hereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Indexed Interest Note or Long Maturity Note (as defined below) in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. Where any such Definitive Bearer Note is presented for redemption without all unmatured Receipts, Coupons or Talons relating to it, redemption shall be made only against the provision of such indemnity as the relevant Issuer may require. A "**Long Maturity Note**" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Definitive Bearer Note shall cease to be a Long Maturity Note on the Fixed Interest Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any Definitive Bearer Note is not a Fixed Interest Date or an Interest Payment Date, interest (if any) accrued in respect of such Definitive Bearer Note from (and including) the preceding Fixed Interest Date or Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Definitive Bearer Note.

Payments of principal and interest (if any) in respect of Notes represented by any Bearer Global Note will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer Notes and otherwise in the manner specified in the relevant Bearer Global Note against presentation or surrender, as the case may be, of such Bearer Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of such Bearer Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer Global Note by such Paying Agent and such record shall be prima facie evidence that the payment in question has been made.

The holder of a Bearer Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Bearer Global Note and the relevant Issuer or, as the case may be, ZIC will be discharged by payment to, or to the order of, the holder of such Bearer Global Note in respect of each amount so paid.

Notwithstanding the foregoing, if any amount of principal and/or interest in respect of this Bearer Global Note is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of this Bearer Global Note will be made at the specified office of a Paying Agent in the United States if:

- (i) the relevant Issuer and ZIC (where ZIC is not the relevant Issuer) have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the relevant Issuer and ZIC (where ZIC is not the relevant Issuer), adverse tax consequences to the relevant Issuer or ZIC (where ZIC is not the relevant Issuer).

Payments of principal in respect of Registered Notes (whether in individual or global form) will be made in the manner provided in paragraph (a), above against presentation and surrender (or, in the case of part payment of any sum due only, endorsement) of such Registered Global Note or Individual Registered Notes at the specified office of the Registrar or at the specified office of any Paying Agent. Payments of interest due on a Registered Note (whether in individual or global form) and payments of instalments (if any) of principal on a Registered Note, other than the final instalment, will be made to the person in whose name such Note is registered at the close of business on the fifteenth day (whether or not such fifteenth day is a business day (being for the purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) (the "**Record Date**")) prior to such due date. In the case of payments by cheque, cheques will be mailed to the holder (or the first named of joint holders) at such holder's registered address on the due date. If payment is required by credit or transfer as referred to in paragraph (a) above, application for such payment must be made by the holder to the Registrar not later than the relevant Record Date.

(c) **Payment Day**

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment of the amount due until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, and unless otherwise specified in the applicable Pricing Supplement, "**Payment Day**" means any day which is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London, in any Payment Business Centre specified in the applicable Pricing Supplement and in the relevant place of presentation; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London and any Additional Business Centre and which if the Specified Currency is New Zealand dollars shall be Auckland or (2) in relation to Notes denominated or payable in euro, a day on which the TARGET system is operating.

(d) ***Interpretation of Principal and Interest***

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 7 or pursuant to any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed;
- (ii) the Final Redemption Amount (as specified in the applicable Pricing Supplement) of the Notes;
- (iii) the Early Redemption Amount (as specified in the applicable Pricing Supplement) of the Notes;
- (iv) the Optional Redemption Amount(s) (as specified in the applicable Pricing Supplement) (if any) of the Notes;
- (v) in relation to Notes redeemable in instalments, the Instalment Amounts (as specified in the applicable Pricing Supplement);
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as specified in the applicable Pricing Supplement); and
- (vii) any premium and any other amounts which may be payable by the relevant Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

(e) ***Payments on Listed Swiss Franc Notes***

The receipt by the Principal Paying Agent named in the applicable Pricing Supplement (the "**Principal Paying Agent**") from the relevant Issuer of each payment in full of principal and/or interest then due in respect of any Listed Swiss Franc Notes at the time and in the manner specified in the agency agreement appointing the Principal Paying Agent to act as such in relation to the Listed Swiss Franc Notes shall (except to the extent that such payment is avoided or set aside for any reason) satisfy the obligation of the relevant Issuer under such Notes to make such payment on such date and shall (except as aforesaid) release it from all further obligations in respect of such payment.

(f) ***Redenomination***

Where Redenomination is specified in the applicable Pricing Supplement as being applicable and the country of the Specified Currency becomes, or announces its intention to become, a state participating in European Monetary Union, the relevant Issuer may, without the consent of the Noteholders, Receiptholders and the Couponholders, on giving at least 30 days' prior notice to the Noteholders in accordance with Condition 13, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in Euro.

The election will have effect as follows:

- (i) each Specified Denomination will be deemed to be denominated in such amount of Euro as is equivalent to its denomination in the Specified Currency at the Established Rate, subject to such provisions (if any) as to rounding (and payments in respect of fractions consequent on rounding), as the relevant Issuer may decide, after consultation with the Trustee, and as may be specified in the notice;
- (ii) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons will be made solely in Euro, including payments of interest in respect of periods before the Redenomination Date, as though references in the Notes to the Specified Currency were to Euro; and
- (iii) such changes shall be made to these Terms and Conditions as the relevant Issuer may decide, after consultation with the Trustee and as may be specified in the notice, to conform them to conventions then applicable to instruments denominated in Euro or to enable the Notes to be consolidated with one or more issues of other notes, whether or not originally denominated in the Specified Currency or Euro.

(g) ***Exchangeability***

Where Exchangeability is specified in the applicable Pricing Supplement as being applicable, the relevant Issuer may without the consent of the Noteholders, the Receiptholders and the Couponholders, on giving at least 30 days' prior notice to the Noteholders in accordance with Condition 13, elect that, with effect

from the Redenomination Date or such later date for payment of interest under the Notes as it may specify in the notice, the Notes shall be exchangeable for Notes expressed to be denominated in Euro in accordance with such arrangements as the relevant Issuer may decide, after consultation with the Trustee and as may be specified in the notice, including arrangements under which Receipts and Coupons unmaturing at the date so specified become void.

(h) **Definitions**

In this Condition, the following expressions have the following meanings:

"Established Rate" means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Community regulations) into Euro established by the Council of the European Union pursuant to Article 109l(4) of the Treaty establishing the European Community;

"Euro" means the single currency adopted by those states participating in European Monetary Union from time to time; and

"Redenomination Date" means any Interest Payment Date or Fixed Interest Date in respect of the Notes specified by the relevant Issuer which falls on or after the date on which the country of the Specified Currency participates in European Monetary Union pursuant to the Treaty establishing the European Community, as amended.

6. Redemption and Purchase

(a) **At Maturity**

This Condition 6(a) is applicable to Notes other than Undated Subordinated Notes.

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the relevant Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date.

(b) **Redemption of Undated Subordinated Notes issued by ZF (UK)**

This Condition 6(b) is only applicable to Undated Subordinated Notes issued by ZF (UK).

Each Note has no final maturity date and is only redeemable or repayable in accordance with the following provisions of this Condition 6 and Condition 9(b).

(c) **Redemption for Tax Reasons**

The Notes of any Series may be redeemed at the option of the relevant Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor an Indexed Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an Indexed Interest Note) at their principal amount, together, if applicable, with interest accrued to the date fixed for redemption and any Arrears of Interest, on giving not less than 30 nor more than 60 days' notice to the Trustee and the Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (i) on the occasion of the next payment due under the Notes, the relevant Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 or ZIC (where ZIC is not the relevant Issuer) would be unable for reasons outside its control to procure payment by the relevant Issuer and in making payment itself would be required to pay such additional amounts as a result of any current law (in the case of an issue of Undated Subordinated Notes issued by ZF (UK)) or change in, or amendment to, the laws or regulations of the Relevant Jurisdictions (as defined below) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes of the relevant Series; and
- (ii) such obligation cannot be avoided by the relevant Issuer or, as the case may be, ZIC (where ZIC is not the relevant Issuer) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the relevant Issuer or, as the case may be, ZIC (where ZIC is not the relevant Issuer) would be obliged to pay such additional amounts were a payment in respect of the Notes then due; or
- (iii) on the next Interest Payment Date the payment of interest in respect of any Undated Subordinated Notes issued by ZF (UK) would (whether as a result of current law or a change in or amendment of law or regulation as aforesaid) be treated, for reasons outside the control of ZF (UK) and which cannot be avoided by ZF (UK), taking reasonable measures available to it, as a "distribution"

within the meaning of the UK Income and Corporation Taxes Act 1988 (as amended, re-enacted or replaced).

Prior to the publication of any notice of redemption pursuant to this Condition, the relevant Issuer shall deliver to the Trustee a certificate signed by two Directors of the relevant Issuer or, as the case may be, two Directors of ZIC (where ZIC is not the relevant Issuer) stating that the relevant Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the relevant Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the relevant Issuer or, as the case may be, ZIC (where the relevant Issuer is not ZIC), has or will become obliged to pay such additional amounts as a result of such circumstances, change or amendment and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

In these Conditions, "**Relevant Jurisdiction**" means, unless otherwise specified in the applicable Pricing Supplement (i) Luxembourg and Switzerland, in the case of Notes issued by ZF (Luxembourg), (ii) each of the United States and Switzerland, in the case of Notes issued by ZF (USA), (iii) Switzerland, in the case of Notes issued by ZIC, and (iv) United Kingdom and Switzerland, in the case of Notes issued by ZF (UK).

Notes redeemed pursuant to this Condition 6(c) will be redeemed at their Early Redemption Amount referred to in paragraph (f) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(d) ***Redemption at the Option of the Relevant Issuer***

If the relevant Issuer is specified in the applicable Pricing Supplement as having an option to redeem, such Issuer may, having given:

- (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 13; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Trustee and the Agent;

(which notices shall be irrevocable), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount equal to the Minimum Redemption Amount or a Higher Redemption Amount. In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot in a manner approved by the Trustee, in the case of Redeemed Notes represented by Definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (or, as the case may be, DTC), in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by Definitive Bearer Notes or Individual Registered Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by Definitive Bearer Notes or Individual Registered Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of Definitive Bearer Notes or Individual Registered Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Notes represented by a Global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant Global Note will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the relevant Issuer to the Noteholders in accordance with Condition 13 at least five days prior to the Selection Date.

(e) ***Redemption at the Option of the Noteholders***

This Condition 6(e) is only applicable to Senior Notes.

If the Noteholders are specified in the applicable Pricing Supplement as having an option to redeem, upon the holder of any Note giving to the relevant Issuer in accordance with Condition 13 not less than 15 nor more than 30 days' notice the relevant Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Pricing Supplement, in whole (but not in part),

such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

If a Note is in individual or definitive form, to exercise the right to require redemption of such Note the holder of the Note must deliver such Note in individual or definitive form at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "**Put Notice**") and in which the holder must (subject to the terms of Condition 5) specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition.

The Paying Agent with which a Note in individual or definitive form is so deposited shall deliver a duly completed receipt for such Note (a "**Put Option Receipt**") to the depositing Noteholder. No Definitive Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 6(e), may be withdrawn; provided, however, that if, prior to the relevant Optional Redemption Date, any such Note in individual or definitive form becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date, payment of the redemption moneys is improperly withheld or refused, the Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Notice and shall hold such Note in individual or definitive form at its specified office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note in individual or definitive form is held by a Paying Agent in accordance with this Condition 6(e), the depositor of such Note in individual or definitive form and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

If a Note is in global form, the Noteholder shall comply with the procedures of the relevant Clearing System so as to enable such Clearing System to procure the giving of a Put Notice as provided by this Condition 6(e).

(f) **Early Redemption Amounts**

For the purpose of paragraph (c) above and Condition 9, the Notes will be redeemed at the Early Redemption Amount calculated as follows:

- (i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of Notes (other than Zero Coupon Notes but including Instalment Notes and Partly Paid Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at their nominal amount; or
- (iii) in the case of Zero Coupon Notes, at an amount (the "**Amortised Face Amount**") equal to the sum of:
 - (A) the Reference Price specified in the applicable Pricing Supplement; and
 - (B) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable.

Where such calculation is to be made for a period which is not a whole number of years, it shall be made on the basis of a 360-day year consisting of 12 months of 30 days each or such other calculation basis as may be specified in the applicable Pricing Supplement.

(g) **Instalments**

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (f) above.

(h) **Partly Paid Notes**

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

(i) **Purchases**

The relevant Issuer, ZIC (where ZIC is not the relevant Issuer) or any of ZIC's Subsidiaries (as such term is defined in the Trust Deed) may at any time purchase Notes (provided that, in the case of definitive

Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, resold or, at the option of the relevant Issuer or ZIC (where ZIC is not the relevant Issuer), surrendered to any Paying Agent or the Registrar for cancellation.

(j) ***Cancellation***

All Notes which are redeemed or purchased and surrendered for cancellation will forthwith be cancelled (together, in the case of Definitive Bearer Notes, with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to paragraph (i) above (together in the case of Definitive Bearer Notes with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

(k) ***Late payment on Zero Coupon Notes***

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (c), (d) or (e) above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (f)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable has been received by the Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 13.

7. Taxation

(a) ***Notes issued by ZF (Luxembourg) or ZF (UK)***

In the case of Notes issued by ZF (Luxembourg) or ZF (UK), all payments under the Trust Deed, the Notes, the Receipts and the Coupons will be made without withholding or deduction for or on account of any taxes or duties of whatever nature imposed or levied by or on behalf of the Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction is required by law. In such event, ZF (Luxembourg) or ZF (UK), as the case may be, will pay such additional amounts ("**Additional Amounts**") as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable with respect to any Note, Receipt or Coupon presented for payment:

- (i) in Luxembourg, in the case of ZF (Luxembourg), or the United Kingdom, in the case of ZF (UK);
- (ii) by or on behalf of a Noteholder, Receiptholder or Couponholder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Relevant Jurisdiction other than the mere holding of such Note, Receipt or Coupon;
- (iii) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an Additional Amount on presenting the same for payment on such thirtieth day;
- (iv) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to the European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or, introduced in order to conform to, such Directive; or
- (v) by or on behalf of a Noteholder, Receiptholder or Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a member state of the EU.

As used herein, the "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13.

(b) *Notes issued by ZF (USA)*

In the case of Notes issued by ZF (USA), all payments under the Trust Deed, the Notes, the Receipts and the Coupons will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction is required by law. In such event, ZF (USA) will pay such additional amounts ("**Additional Amounts**") as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; provided that the obligations of ZF (USA) to pay Additional Amounts shall not apply as a result of a withholding or deduction on account of any one or more of the following:

- (i) any tax, assessment or other governmental charge which would not have been imposed but for (A) the existence of any present or former connection between such holder (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, such holder, if such holder is an estate, a trust, a partnership, a corporation or another entity) and the United States or any political subdivision or territory or possession thereof, including, without limitation, such holder (or such fiduciary, settlor, beneficiary, member, shareholder or possessor) being or having been a citizen or resident or treated as a resident thereof or being or having been present or engaged in trade or business therein or having or having had a permanent establishment therein or otherwise having or having had some connection with the United States or such political subdivision, territory or possession other than the mere holding or ownership of a Note, Receipt or Coupon or (B) such holder's present or former status as a domestic or foreign personal holding company or a controlled foreign corporation with respect to the United States or a corporation which accumulates earnings to avoid United States federal income tax;
- (ii) any tax, assessment or other governmental charge which would not have been so imposed but for presentation by the holder of a Note, Receipt or Coupon for payment on a date more than 15 days after the Relevant Date;
- (iii) any estate, inheritance, gift, sales, transfer or personal property tax or any similar tax, assessment or other governmental charge;
- (iv) any tax, assessment or other governmental charge which would not have been imposed but for the failure to comply with certification, information, documentation or other reporting requirements concerning the nationality, residence, identity or connection with the United States or any political subdivision thereof of the holder or beneficial owner of such Note, Receipt or Coupon, if such compliance is required by a statute or treaty or by regulation or administrative practice of the United States Treasury Department as a precondition to relief or exemption from all or part of such tax, assessment or other governmental charge;
- (v) any tax, assessment or other governmental charge which is (A) payable otherwise than by withholding from payments of or in respect of principal of or interest on such Note, Receipt or Coupon or (B) required to be withheld by a Paying Agent from any such payment, if such payment can be made without such withholding by any other Paying Agent outside the United States;
- (vi) any tax, assessment or other governmental charge imposed on interest received by a person holding, actually or constructively, 10 per cent. or more of the total combined voting power of all classes of stock of ZF (USA) or certain of their respective affiliates entitled to vote;
- (vii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to the European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or, introduced in order to conform to, such Directive;
- (viii) where such Note, Receipt or Coupon is presented for payment by or on behalf of a Noteholder, Receiptholder or Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a member state of the EU; or
- (ix) any combination of items (i) through (viii) above;

nor will Additional Amounts be paid with respect to principal or interest on such Note, Receipt or Coupon to any United States Alien which is a fiduciary or partnership or beneficial owner of such Note, Receipt or Coupon to the extent such payment would be required by the laws of the United States (or any

political subdivision or taxing authority thereof or therein) to be included in the income, for tax purposes, of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the holder of such Note, Receipt or Coupon.

The term "**United States Alien**" means any person who, for United States federal income tax purposes, is a foreign corporation, a non-resident alien individual, a fiduciary of a foreign estate or foreign trust, or a foreign partnership or other entity one or more of the members of which is, for United States federal income tax purposes, a foreign corporation, a non-resident alien individual or a non-resident alien fiduciary of a foreign estate or trust.

(c) **Notes issued by ZIC**

In the case of Senior Notes or Dated Subordinated Notes issued by ZIC, all payments in respect of the Notes, the Receipts and the Coupons by ZIC will be made subject to withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of Switzerland or any political subdivision or any authority thereof or therein having power to tax to the extent that such withholding or deduction is required by law (including a law or a regulation implementing a treaty with the European Union on taxation of savings as in principle agreed at the meeting of 6 March 2003 between the European Union and Switzerland) or is not exempted by a ruling of the Swiss Federal Tax Administration in the event of Notes issued in one or more private placements to banks (for their own account) and to not more than ten investors (which do not qualify as banks). No Additional Amounts shall be paid by ZIC in respect of any such withholding or deduction.

Prior to the issuance of Undated Subordinated Notes, ZIC will obtain a tax ruling from the Swiss Federal Tax Administration confirming the tax treatment of such Notes.

8. **Prescription**

The Notes, Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5(b) or any Talon which would be void pursuant to Condition 5(b).

9. **Events of Default**

(a) **Senior Notes**

This Condition 9(a) is only applicable to Senior Notes.

The Trustee at its discretion may, and if so requested in writing by the holders of not less than 25 per cent. in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders shall (subject, in the case of the happening of any of the events set out in Conditions 9(a)(ii), (iii), (v), (vi), (vii) and (ix) (to the extent that it applies to Conditions 9(a)(v), (vi) and (vii)) below, to the Trustee having certified in writing that the happening of such event is in its opinion materially prejudicial to the interests of the Noteholders and, in all cases to the Trustee having been indemnified and/or secured to its satisfaction), give notice (the "**default notice**") in writing to the relevant Issuer and ZIC (where ZIC is not the relevant Issuer) that the Notes are immediately due and repayable if any of the following events ("**Events of Default**") shall have occurred and be continuing:

- (i) there is a failure by the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) to pay principal or interest on any of the Notes when due and such failure continues for a period of fourteen days; or
- (ii) a default is made by the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) in the performance or observance of any other covenant, condition or provision contained in the Trust Deed or in the Notes and on its part to be performed or observed (other than the covenant to pay principal and interest in respect of any of the Notes) and (except where the Trustee certifies in writing that, in its opinion, such default is not capable of remedy, when no such notice as mentioned below shall be required) such default continues for the period of 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the relevant Issuer or ZIC, as the case may be, of notice requiring such default to be remedied; or
- (iii) if any other indebtedness of the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) for borrowed moneys is declared due and payable prior to the due date for payment thereof by reason of default on the part of the relevant Issuer or ZIC (where ZIC is not the relevant Issuer), or if any

such indebtedness is not repaid on the due date for payment thereof (or by the expiry of any applicable grace period), or any guarantee or indemnity in respect of indebtedness for borrowed moneys given by the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) is not honoured when due and called upon or at the expiry of any applicable grace period, save in any such case where the relevant payment liability is being contested in good faith and by appropriate means, provided that no such event as aforesaid shall constitute an Event of Default unless the amount declared due and payable or not paid, either alone or when aggregated with other such amounts then declared due and payable or not paid by such Issuer or ZIC (where ZIC is not the relevant Issuer), shall amount to at least U.S.\$200,000,000 or its equivalent in other currencies; or

- (iv) a resolution is passed or an order of a court of competent jurisdiction is made that the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) be wound up or dissolved or the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) stops payment or ceases business, or disposes (other than in the ordinary course of its business) of the whole or substantially the whole of its assets, otherwise than in any such case for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reconstruction the terms of which shall have previously been approved in writing by the Trustee or by an Extraordinary Resolution of Noteholders or as a result of a Permitted Reorganisation; or
- (v) an encumbrancer or a person with similar functions appointed for execution (in Switzerland, a Sachwalter or Konkursverwalter) takes possession or a receiver is appointed of the whole or substantially the whole of the assets or undertaking of the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) or a distress, execution or seizure before judgment is levied or enforced upon or sued out against any substantial part of the property, assets or revenues of the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) unless discharged, stayed or removed within 60 days thereof (or such longer period as the Trustee may consider appropriate in relation to the jurisdiction concerned) or being contested in good faith and by appropriate means; or
- (vi) the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) is insolvent or bankrupt or unable to pay its debts as and when they fall due or the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) shall initiate or consent or become subject to proceedings relating to itself under any applicable bankruptcy, liquidation, insolvency, composition, Nachlassvertrag, faillite, administration, or insolvency law or make a general assignment for the benefit of, or enter into any composition with, its creditors or notifies the court of its financial situation in accordance with Article 725(2) of the Swiss Code of Obligations or enters into a moratorium (Stundung); or
- (vii) proceedings shall have been initiated against the relevant Issuer or ZIC (where ZIC is not the relevant Issuer), under any applicable bankruptcy, composition, administration or insolvency law in respect of a sum claimed in aggregate of at least U.S.\$100,000,000 or its equivalent in other currencies unless such proceedings are discharged or stayed within a period of 60 days (or such longer period as the Trustee may consider appropriate in relation to the jurisdiction concerned) or are being contested in good faith and by appropriate means; or
- (viii) if the relevant Issuer is ZF (Luxembourg), ZF (USA) or ZF (UK), if the Senior ZIC Guarantee ceases to be, or is claimed by ZIC not to be, in full force and effect; or
- (ix) where ZIC is not the relevant Issuer, the relevant Issuer (excluding ZF (UK)) ceases to be a subsidiary wholly-owned and controlled, directly or indirectly, by ZIC, unless such cessation is as a result of a Permitted Reorganisation or is previously approved either in writing by the Trustee or by an Extraordinary Resolution of Noteholders; or
- (x) any event occurs which under applicable laws has an analogous effect to any of the events referred to in paragraphs (iv) to (vii) above.

Upon any such default notice being given to the relevant Issuer and ZIC (where ZIC is not the relevant Issuer), the Notes will immediately become due and repayable at their Early Redemption Amount (as described in Condition 6(f)), together with accrued interest (if any) to the date of repayment, without further presentment, demand, protest or other notice of any kind.

(b) ***Undated Subordinated Notes issued by ZF (UK)***

This Condition 9(b) is only applicable to Undated Subordinated Notes issued by ZF (UK).

(i) ***Events of Default for Undated Subordinated Notes issued by ZF (UK)***

The Trustee at its discretion may, and if so requested in writing by the holders of not less than 25 per cent. in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders shall (but, in each case, subject to the Trustee having been

indemnified and/or secured to its satisfaction), give notice to ZF (UK) and the Guarantor that the Notes are immediately due and repayable if any of the following events shall have occurred and be continuing:

- (A) subject to the provisions of Condition 4(f), there is a failure by ZF (UK) to pay principal or interest on any of the Notes when due and such failure continues for a period of fourteen days; or
- (B) a resolution is passed or an order of a court of competent jurisdiction is made that ZF (UK) or the Guarantor be wound up or dissolved otherwise than for the purpose of or pursuant to and followed by a consolidation, amalgamation, merger or reconstruction the terms of which shall have previously been approved in writing by the Trustee or by an Extraordinary Resolution of Noteholders or as a result of a Permitted Reorganisation.

(ii) *Proceedings for Winding-up*

If the Notes become due and repayable (whether pursuant to Condition 9(b)(i), Condition 6(c) or 6(d) or otherwise) and are not paid when so due and repayable, the Trustee may at its discretion institute proceedings for the winding-up of ZF (UK) but may take no further action to enforce the obligations of ZF (UK) for payment of any principal or interest (including Arrears of Interest, if any) in respect of the Notes.

If the Guarantor fails to pay to the Trustee (pursuant to the relevant Subordinated ZIC Guarantee and the Trust Deed) an amount claimed under the relevant Subordinated ZIC Guarantee, the Trustee may at its discretion institute proceedings for the winding-up of the Guarantor but may take no further action to enforce the obligations of the Guarantor under the relevant Subordinated ZIC Guarantee.

No payment in respect of the Notes may be made by ZF (UK) pursuant to Condition 9(b)(i), nor will the Trustee accept the same, otherwise than during or after a winding-up of ZF (UK) or in circumstances where ZF (UK) has indicated to the Financial Services Authority ("FSA") its intention to make a payment and the FSA has not objected to such payment being made.

(iii) *Enforcement*

Without prejudice to paragraph (i) or (ii) above (including, for the avoidance of doubt, the Trustee's right to make a demand under the relevant Subordinated ZIC Guarantee), the Trustee may at its discretion and without further notice institute such proceedings against ZF (UK) or, as the case may be, the Guarantor as it may think fit to enforce any obligation, condition or provision binding on ZF (UK) or, as the case may be, the Guarantor under the Trust Deed, the Notes or the Coupons (other than any obligation for the payment of any principal or interest in respect of the Notes or the Coupons) provided that ZF (UK) and the Guarantor shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

(iv) *Right of Noteholders*

No Noteholder or Couponholder shall be entitled to proceed directly against ZF (UK) or, as the case may be, the Guarantor or to prove in the winding-up of ZF (UK) or, as the case may be, the Guarantor unless the Trustee, having become so bound to proceed or being able to prove in such winding-up, fails to do so within a reasonable period and such failure shall be continuing, in which case the Noteholders or Couponholder shall have only such rights against ZF (UK) or, as the case may be, the Guarantor as those which the Trustee is entitled to exercise. Any such proceedings brought by any Noteholder or Couponholder shall be brought in the name of the Trustee, subject to such Noteholder or Couponholder indemnifying the Trustee to its satisfaction.

(v) *Extent of Noteholders' remedy*

No remedy against ZF (UK) or the Guarantor other than as referred to in this Condition 9(b), shall be available to the Trustee or the Noteholders or Couponholders, whether for the recovery of amounts owing in respect of the Notes or under the Trust Deed or in respect of any breach by ZF (UK) of any of its other obligations under or in respect of the Notes or under the Trust Deed.

In this Condition:

"Permitted Reorganisation" means an amalgamation, merger, consolidation, reorganisation or other similar arrangement entered into by the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) under which:

- (a) the whole or a substantial part of the business, undertaking and assets of the relevant Issuer or, as the case may be, ZIC are transferred to and all the liabilities and obligations of the Issuer or, as the case may be, ZIC are assumed by the new or surviving entity either:
 - (i) automatically by operation of applicable law; or

- (ii) the new or surviving entity assumes all the obligations of the Issuer or, as the case may be, ZIC, under the terms of the Trust Deed, and the Notes and (as the case may be) the Senior ZIC Guarantee or the Subordinated ZIC Guarantee, as fully as if (and to the same extent in terms of ranking in a winding-up) it had been named in the Trust Deed and the Notes and (as the case may be) the Senior ZIC Guarantee or the Subordinated ZIC Guarantee, in place of the Issuer or, as the case may be, ZIC; and, in either case,
- (b) the new or surviving entity will immediately after such amalgamation, merger, consolidation, reorganisation or other similar arrangement be subject to the same regulation and supervision by the same regulatory authority as the Issuer or (as the case may be) ZIC was subject immediately prior thereto.

10. Exchange of Notes, transfer of Individual Registered Notes and Replacement of Notes, Receipts, Coupons and Talons

(a) *Exchange of Bearer Notes for Registered Notes*

If so specified in the applicable Pricing Supplement, a Bearer Note in definitive form may be exchanged for Registered Notes of like aggregate nominal amount (in individual registered form) by submission of a duly completed request for exchange substantially in the form provided in the Agency Agreement (an "**Exchange Request**"), copies of which are available from the specified office of the Registrar or any Transfer Agent, together with the Definitive Bearer Note and all unmatured Coupons, Talons and Receipts appertaining thereto, to a Transfer Agent at its specified office. Within five business days (being for this purpose, a day on which commercial banks and foreign exchange markets are open for business in the jurisdiction of the relevant Transfer Agent) of the request, in relation to Individual Registered Notes for which the Definitive Bearer Note is to be exchanged, the relevant Transfer Agent will authenticate and deliver, or procure the authentication and delivery of, at its specified office to the holder or (at the risk of the holder) send by mail to such address as may be specified by the holder in the Exchange Request, the Individual Registered Note(s) of a like aggregate nominal amount to the Definitive Bearer Note(s) exchanged and will enter the exchange of the Definitive Bearer Note(s) in the Register maintained by the Registrar as of the Exchange Date.

Exchange Requests may not be presented on or after the Record Date (as defined in Condition 5(b)) in respect of any Interest Payment Date up to and including such Interest Payment Date. Interest on Individual Registered Notes issued on exchange will accrue as from the immediately preceding Interest Payment Date, as the case may be. No exchanges of Bearer Notes for Registered Notes or interests in Registered Global Notes will be permitted for so long as the Bearer Notes are represented by a Temporary Bearer Global Note.

(b) *Exchange of interests in Registered Global Notes for Individual Registered Notes*

Interests in the Reg. S Global Note and the Restricted Global Note will be exchangeable for Individual Registered Notes in the following limited circumstances: (i) (in the case of a Reg. S Global Note) if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces its intention permanently to cease business or does in fact do so and no alternative clearance system acceptable to the Trustee is available, (ii) (in the case of a Restricted Global Note), DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Restricted Global Note or ceases to be a "Clearing Agency" registered under the Securities Exchange Act of 1934 or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of such depository or (iii) (in the case of a Reg. S Global Note or a Restricted Global Note) the Trustee has instituted or has been directed to institute any judicial proceeding in a court to enforce the rights of Noteholders under the Notes represented by such Registered Global Note, and the Trustee has been advised by counsel that in connection with such proceedings it is necessary or appropriate for the Trustee to obtain possession of Individual Registered Notes representing the Registered Global Note. Upon the occurrence of any of the events described in the preceding sentence, the relevant Issuer will cause the appropriate Individual Registered Notes to be delivered, provided that notwithstanding the above, no Individual Registered Notes will be issued until expiry of the applicable Distribution Compliance Period.

(c) *Transfers of Registered Global Notes*

Transfers of a Registered Global Note shall be limited to transfers of such Registered Global Note, in whole but not in part, to a nominee of Euroclear, Clearstream, Luxembourg (in the case of a Reg S. Global Note) or DTC (in the case of a Restricted Global Note) or to a successor of any of them or such successor's nominee.

(d) ***Transfers of interests in Reg. S Notes***

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of an interest in, a Reg. S Note to a transferee in the United States will only be made:

- (i) upon receipt by the Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate (a "**Transfer Certificate**"), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Reg. S Note or interest therein to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or
- (ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the relevant Issuer of such satisfactory evidence as such Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any state of the United States,

and, in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

After expiry of the applicable Distribution Compliance Period such certification requirements will no longer apply to such transfers.

(e) ***Transfers of interests in Restricted Notes***

Transfers of Restricted Notes or interests therein may be made:

- (i) to a transferee who takes delivery of such interest through a Reg. S Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg; or
- (ii) without certification to a transferee who takes delivery of such interest through a Restricted Note where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or
- (iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the relevant Issuer of such satisfactory evidence as such Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any state of the United States,

in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

(f) ***Exchanges and transfers of Registered Notes generally***

Registered Notes may not be exchanged for Bearer Notes.

Transfers of interests in Registered Global Notes will be effected by Euroclear or Clearstream, Luxembourg or DTC, as the case may be, and, in turn, by participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. An interest in a Registered Global Note will be transferable and exchangeable for Individual Registered Notes or for an interest in another Registered Global Note only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg or DTC, as the case may be (the "**Applicable Procedures**").

Upon the terms and subject to the conditions set forth in the Agency Agreement, an Individual Registered Note may be transferred in whole or in part (in the authorised Denominations set out in the applicable Pricing Supplement) by the holder or holders surrendering the Individual Registered Note for registration of the transfer of the Individual Registered Note (or the relevant part of the Individual Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and upon the Registrar or, as the case may be, the relevant Transfer Agent, after due and careful enquiry, being satisfied with the documents of title and the identity of the person making the request and subject to such reasonable regulations as the relevant Issuer and the Registrar, or as the case may be, the relevant Transfer Agent may with the prior approval of the Trustee prescribe, including any restrictions imposed by the relevant Issuer on transfers of Registered Notes in individual form originally sold to a U.S. person. Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within five business days (being for this purpose a day on which banks are open for business in the city where

the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by mail to such address as the transferee may request, a new Individual Registered Note of a like aggregate nominal amount to the Registered Note (or the relevant part of the Individual Registered Note) transferred. In the case of the transfer of part only of an Individual Registered Note, a new Individual Registered Note in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

Exchanges or transfers by a holder of an Individual Registered Note for an interest in, or to a person who takes delivery of such Individual Registered Note through, a Registered Global Note will be made no later than 60 days after the receipt by the Registrar or as the case may be, relevant Transfer Agent of the Individual Registered Note to be so exchanged or transferred and, if applicable, upon receipt by the Registrar of a written certification from the transferor.

(g) ***Registration of transfer upon partial redemption***

In the event of a partial redemption of Notes under Condition 6(c), the relevant Issuer shall not be required:

- (a) to register the transfer of Registered Notes (or parts of Registered Notes) during the period beginning on the sixty-fifth day before the date of the partial redemption and ending on the date on which notice is given specifying the serial numbers of Notes called (in whole or in part) for redemption (both inclusive); or
- (b) to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

(h) ***Closed Periods***

No Noteholder may require the transfer of a Registered Note to be registered during the period of 30 days ending on the due date for any payment of principal or interest on that Note.

(i) ***Costs of exchange or registration***

The transfer of a Note will be effected without charge by or on behalf of the relevant Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require from the Noteholder in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(j) ***Replacement of Notes, Receipts, Coupons and Talons***

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent, in the case of a Bearer Note, Receipt or Coupon, or the Registrar, in the case of an Individual Registered Note, or any other place approved by the Trustee of which notice shall have been published in accordance with Condition 13, upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the relevant Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

(k) ***Rule 144A(d)(4) Information***

In relation to any Notes which are restricted securities (as defined in Rule 144(a)(3) under the Securities Act) and during any period in relation thereto during which the relevant Issuer is neither subject to Sections 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, the relevant Issuer will make available to each holder of such Notes in connection with any resale thereof and to any prospective purchaser of such Notes designated by a holder at or prior to the time of the sale, in each case upon request, the information specified in and meeting the requirements of Rule 144A(d)(4) under the Securities Act.

11. Agent, Paying Agents, Transfer Agents and Registrar

The names of the initial Agent, the other initial Paying Agents, the initial Registrar and the initial Transfer Agents and their initial specified officers are set out below.

The relevant Issuer and ZIC (where ZIC is not the relevant Issuer) are, with the prior written approval of the Trustee (such approval not to be unreasonably withheld), entitled to vary or terminate the appointment of any Paying Agent or Registrar or Transfer Agent and/or appoint additional or other Paying Agents, Registrars, Transfer Agents and/or approve any change in the specified office through which any Paying Agent, Registrar or Transfer Agent acts, provided that:

- (i) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent and a Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange;
- (ii) there will at all times be a Paying Agent with a specified office in a city approved by the Trustee in continental Europe;
- (iii) there will at all times be an Agent and a Registrar;
- (iv) there will at all times be a Transfer Agent having a specified office in a place approved by the Trustee; and
- (v) if the conclusions of the ECOFIN Council meeting of 26-27 November 2000 are implemented, the relevant Issuer and ZIC (where ZIC is not the relevant Issuer) will ensure that they maintain a Paying Agent and a Registrar in an EU member state that will not be obliged to withhold or deduct tax pursuant to any European Union Directive on the taxation of savings implementing such conclusions or any law implementing or complying with, or introduced to conform to, such Directive.

In addition, the relevant Issuer and ZIC (where ZIC is not the relevant Issuer) shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the penultimate paragraph of Condition 5(b). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 13.

Notwithstanding the foregoing, the relevant Issuer will in respect of any Listed Swiss Franc Notes at all times maintain a Principal Paying Agent having a specified office in Switzerland and will at no time maintain a Paying Agent having a specified office outside Switzerland, unless permitted by applicable law.

12. Exchange of Talons

On and after the Interest Payment Date, as appropriate, on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Bearer Note to which it appertains) a further Talon, subject to the provisions of Condition 8. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Interest Payment Date (as the case may be) on which the final Coupon of the relative Coupon sheet matures.

13. Notices

All notices regarding the Bearer Notes shall be published (i) in a leading English language daily newspaper of general circulation in London, (ii) if and for so long as such Bearer Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, in a daily newspaper of general circulation in Luxembourg, (iii) (in the case of Listed Swiss Franc Notes) in a leading newspaper of general circulation in Switzerland which is expected to be the *Feuille Officielle Suisse du Commerce* and in a daily newspaper in each of Zurich and Geneva. It is expected that such publication will be made (in the case of (i) above) in the Financial Times in London or any other daily newspaper in London approved by the Trustee or, if this is not possible, in another English language daily newspaper approved by the Trustee with general circulation in Europe and (in the case of (ii) above) the *Luxemburger Wort* or the *Tageblatt* in Luxembourg. The relevant Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange, listing authority and/or quotation system by which the Notes are for the time being admitted to listing, trading and/or quotation. To the extent required by Luxembourg law, notices shall also be published in the Memorial C, Journal Officiel du Grand-Duché de Luxembourg, Recueil des Sociétés et Associations ("**Memorial C**"). Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the first date on which publication in all the required newspapers has been made. If publication as provided above is not practicable, notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve. Receiptholders and Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the relative Noteholders in accordance with this Condition.

All notices to holders of Registered Notes will be valid if sent by first-class mail or (if posted to an overseas address) by air-mail to their registered addresses appearing on the Register. Any such notice

shall be deemed to have been given on the fourth day after the day on which it is mailed. If and for so long as the relevant Registered Notes are listed on the Luxembourg Stock Exchange, and the rules of that exchange so require, all notices regarding Registered Notes shall be published in a daily newspaper of general circulation in Luxembourg which is expected to be the *Luxemburger Wort* or the *Tageblatt*.

Until such time as any definitive Notes are issued, there may, so long as the global Note(s) is or are held in its/their entirety on behalf of Euroclear and Clearstream, Luxembourg (or, as the case may be, DTC), be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg (or, as the case may be, DTC) for communication by them to the holders of the Notes and in addition, for so long as any Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, a notice will be published in a daily newspaper of general circulation in Luxembourg. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg (or, as the case may be, DTC).

Notices to be given by any holder of the Notes shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent and/or the Registrar via Euroclear and/or Clearstream, Luxembourg (or, as the case may be, DTC), as the case may be, in such manner as the Agent and/or the Registrar and Euroclear and/or Clearstream, Luxembourg (or, as the case may be, DTC), as the case may be, may approve for this purpose.

14. Meetings of Noteholders, Modification and Waiver, Entitlement of Trustee, Substitution, Change and Indemnification of Trustee

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of such Notes, the relative Receipts, the relative Coupons or any relevant provisions of the Trust Deed. Such a meeting may be convened by the relevant Issuer, ZIC (where ZIC is not the relevant Issuer), the Trustee or at the request of Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Trust Deed, the Notes, Receipts or Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, Receipts or Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third, in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on the relevant Receiptholders and the relevant Couponholders. The Trust Deed provides that a written resolution signed by or on behalf of the holders of not less than 100 per cent. in nominal amount of Notes outstanding shall be as valid and effective as a duly passed Extraordinary Resolution. The provisions for convening meetings of Noteholders contained in the Trust Deed shall not apply to Listed Swiss Franc Notes.

The provisions of Articles 1157-1186 of the Swiss Code of Obligations will apply to all meetings of holders of Notes issued by ZIC.

The Trust Deed provides that the Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification (subject to certain exceptions as provided in the Trust Deed) of, or to any waiver or authorisation of any breach or proposed breach of, any of these Terms and Conditions or any of the provisions of the Trust Deed, or may (in relation to the Events of Default set out in Condition 9(a)(ii), (iii), (v), (vi), (vii)) and (xi) (to the extent it applies to Conditions 9(a)(v), (vi) and (vii)) determine that any condition, event or act which, but for such determination, would constitute an Event of Default or Potential Event of Default (as defined in the Trust Deed), shall not be treated as such which in any such case, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or to any modification of any of these Terms and Conditions of the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed which is of a formal, minor or technical nature or which is made to correct a manifest error or to comply with mandatory provisions of law. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders, Receiptholders

and Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 13.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation or substitution), the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders, Receiptholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the relevant Issuer, ZIC (where ZIC is not the relevant Issuer), or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders, Receiptholders or Couponholders except, in the case of the relevant Issuer, ZIC (where ZIC is not the relevant Issuer), to the extent provided for in Condition 7 and/or any undertaking given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

The Trust Deed contains provisions permitting the Trustee to agree, without the consent of the Noteholders, the Receiptholders or the Couponholders, to the substitution at any time or times of any other company in the place of the relevant Issuer as the principal debtor under the Trust Deed and the Notes, Receipts and Coupons issued by the relevant Issuer. Notwithstanding the above, by subscribing to or purchasing the Notes, the Noteholders expressly consent to the substitution of the relevant Issuer and expressly consent to the release of the Issuer from any and all obligations in respect of the Notes and are deemed to have expressly accepted such substitution. Such agreement shall be subject to the relevant provisions of the Trust Deed, including, except in the case of a substituted issuer domiciled in Luxembourg where appropriate, an irrevocable and unconditional guarantee by ZIC in terms substantially similar to those referred to in Condition 3(a) in respect of any Notes issued by the substituted issuer.

The Trust Deed contains general provisions for the retirement and removal of the Trustee and the appointment by the relevant Issuer of a substitute issuer which has previously been approved by the Trustee.

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured to its satisfaction.

The provisions of articles 86 to 94-8 of the Luxembourg act dated 10 August, 1915 on commercial companies, as amended, shall not apply in respect of the Notes, Receipts or Coupons or the Trust Deed.

15. Enforcement

- (a) The Trustee may at any time, at its discretion and without notice, take such proceedings against the relevant Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes, the Receipts and the Coupons, but it shall not be bound to take any proceedings or any other action in relation to the Trust Deed, the Notes, the Receipts or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of not less than 25 per cent. in principal amount of the Notes then outstanding, and (ii) it shall have been indemnified and/or secured to its satisfaction.
- (b) No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the relevant Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and such failure shall be continuing.

16. Further Issues

The relevant Issuer shall be at liberty from time to time without the consent of the Noteholders, Receiptholders or Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

17. Governing Law and Submission to Jurisdiction

- (a) The Trust Deed (other than the provisions relating therein to the Senior ZIC Guarantee and the Subordinated ZIC Guarantee which shall be governed by, and construed in accordance with the laws of Switzerland), the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law.
- (b) The relevant Issuer has agreed in the Trust Deed, for the exclusive benefit of the Trustee, the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have

jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Receipts and/or the Coupons and that accordingly any suit, action or proceedings (together referred to as "**Proceedings**") arising out of or in connection with the Notes, the Receipts and the Coupons may be brought in such courts.

- (c) The relevant Issuer has irrevocably waived in the Trust Deed any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum.
- (d) Nothing contained in this Condition shall limit any right to take Proceedings against the relevant Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.
- (e) The relevant Issuer (other than ZF (UK)) has appointed Zurich Insurance Company, UK branch at its registered office for the time being as its agent for service of process in respect of any Proceedings in England and has undertaken in the Trust Deed that, in the event of Zurich Insurance Company, UK branch ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings in England.
- (f) Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.
- (g) In respect of Listed Swiss Franc Notes only, the relevant Issuer and the Trustee have agreed in the Trust Deed for the benefit of the Noteholders, the Receipts and the Couponholders to the additional jurisdiction of the Commercial Court of the Canton of Zurich, the place of jurisdiction being Zurich, with the right of appeal, where the law permits, to the Swiss Federal Court of Justice in Lausanne, the decision of which shall be final.
- (h) Each of the Senior ZIC Guarantee and the Subordinated ZIC Guarantee are governed by, and shall be construed in accordance with, the laws of Switzerland. Any legal action or proceedings in respect of each Senior ZIC Guarantee or each Subordinated ZIC Guarantee shall be brought exclusively in the Commercial Court of the Canton of Zurich, the place of jurisdiction being Zurich, with the right of appeal, where the law permits, to the Swiss Federal Court of Justice in Lausanne, the decision of which shall be final.

18. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of this Note or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

USE OF PROCEEDS

The net proceeds from each issue of Notes by ZF (Luxembourg) or ZF (USA) will be used outside Switzerland to re-finance existing debt of ZIC and its subsidiaries (which, as a whole, will be referred to as the "**Zurich Group**") or, alternatively, for general corporate purposes.

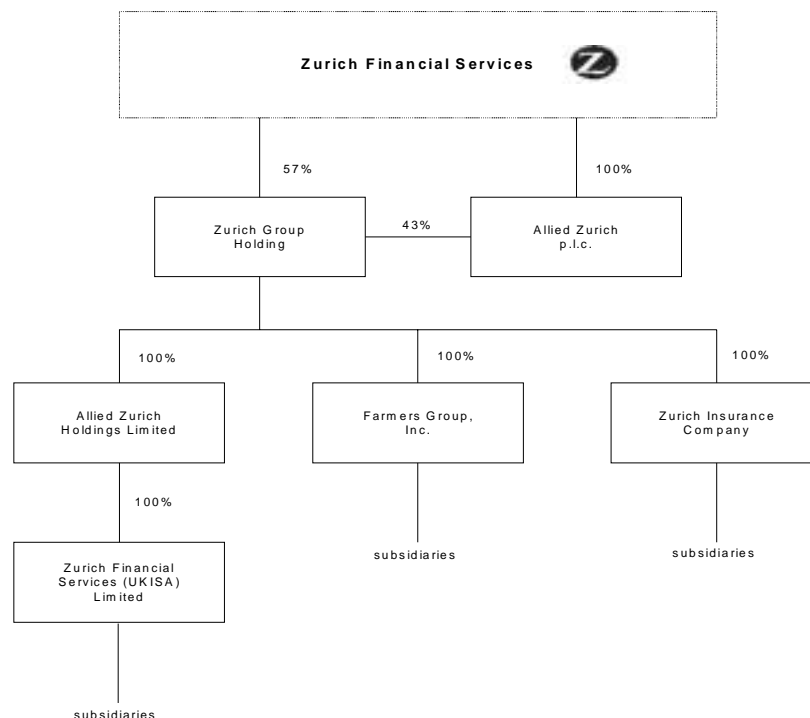
The net proceeds from each issue of Notes by ZIC will be used in Switzerland to refinance existing debt of ZIC or, alternatively, for general corporate purposes.

The net proceeds from each issue of Notes by ZF (UK) will be used outside Switzerland to re-finance existing debt of the Group or, alternatively, for general corporate purposes. Reference to the "**Group**" shall mean Zurich Financial Services, together with all of its subsidiaries.

ZURICH INSURANCE COMPANY

GENERAL INFORMATION

Overview of the Zurich Financial Services Group's structure



Zurich Financial Services Group

Zurich Financial Services was incorporated in Switzerland on 26 April 2000 as a joint stock company as defined in article 620 ss of the Swiss Federal Code of Obligations and was registered on 26 April 2000 in the Register of Commerce of the Canton of Zurich with registered number CH-020.3.023.083-6. Its registered office is at Mythenquai 2, CH-8002 Zurich, Switzerland. Zurich Financial Services is a Swiss holding company with registered offices in Zurich, Switzerland, and its shares are listed on the SWX Swiss Exchange ("SWX"), are traded on virt-x and, in addition, are admitted on a secondary basis to the Official List of the UK Listing Authority.

The Zurich Financial Services Group (the "**Group**") was created in September 1998 upon the completion of the merger of the financial services businesses of B.A.T Industries p.l.c. ("**B.A.T FS**") and Zurich Insurance Company ("**ZIC**"). After completion of the merger, Zurich Group Holding was owned 43 per cent. by Allied Zurich p.l.c. and 57 per cent. by Zurich Allied AG. Allied Zurich p.l.c. and Zurich Allied AG were publicly traded companies with primary listings on the London Stock Exchange and the SWX, respectively. Upon the completion of the restructuring on 17 October 2000, Zurich Financial Services, the newly formed Swiss holding company, replaced Allied Zurich p.l.c. and Zurich Allied AG as the ultimate holding company.

Zurich Insurance Company

ZIC is 100 per cent. owned by Zurich Group Holding and Zurich Financial Services. ZIC has a dual function, firstly as an insurer, operating through branch offices in Switzerland and other countries, and secondly as a holding company. ZIC and its subsidiaries are together referred to as the Zurich Group.

The Zurich Group offers its customers non-life risk coverage, life insurance and wealth accumulation solutions such as annuities, universal and variable life insurance and savings products. It also provides innovative risk financing solutions. Its customers include individuals, small and medium sized businesses as well as large and multinational corporations.

For the year ended 31 December 2002, the Zurich Group generated total premium volume of USD 42.0 billion, including life insurance deposits.

Business & Strategy

The Zurich Group's Strategy

During 2002, the Zurich Group launched a repositioning plan to restore profitability, strengthen its balance sheet, increase the capital base and focus on its core businesses with sound underwriting principles. The Zurich Group's objective is to be an insurance-based financial services provider. Its emphasis is on providing non-life and life insurance products in the geographic markets that it has identified as core: the United States, the United Kingdom and Continental Europe (particularly Germany, Switzerland, Italy and Spain). While it has identified these markets as core, it will continue to maintain an international network.

The Zurich Group's Business and Organization

The Zurich Group reported its results through seven segments until 31 December 2002. These segments are as follows:

- Non-life Insurance
- Life Insurance
- Capital Markets & Banking
- Centre
- Asset Management
- Reinsurance-run-off
- Corporate

Effective from 1 January 2003, the Zurich Group adjusted its financial reporting to better reflect the new strategic focus on being an insurance-based financial services provider. It will include new non-life finite risk contracts and renewals written by Centre in its non-life insurance segment. The remaining business of Centre, Capital Markets & Banking, Asset Management and Reinsurance-run-off will be combined into one segment, Other Businesses.

The Zurich Group also reports selected income statement and balance sheet items along the following geographical lines: North America Corporate, North America Consumer, Continental Europe, United Kingdom, Rest of the World and Other.

Various business acquisitions and disposals were carried out in 2002.

In April 2002, the Zurich Group acquired from Deutsche Bank 76.43 per cent. of Versicherungsholding der Deutschen Bank Aktiengesellschaft, which includes the Deutscher Herold Group, Bonnfinanz and Deutsche Gesellschaft für Vermögensberatung. In May 2002, the Zurich Group acquired Deutsche Bank's life insurance operations in Italy, Spain and Portugal. Finally, in February 2002, the Zurich Group completed the acquisition of the local operations of the Winterthur Group in Austria.

In April 2002, the Zurich Group sold its majority holding of Zurich Scudder Investments, after buy-out of minority interests and excluding the Threadneedle businesses, to Deutsche Bank. Additionally, in May 2002 the Zurich Group sold to Deutsche Bank its asset management businesses in Germany and Italy. Also during 2002, the Zurich Group sold Zurich Payroll Solutions Limited, Zurich Life Insurance Company of Canada, Zurich Afore, its operations in Hungary, Poland and Slovakia, and its non-life operations in Norway.

Refer to "Subsequent Events" for disposals carried out in 2003.

Following is a brief description of each of the Zurich Group's seven business segments as reported in 2002. For more detailed financial information on the segments, please see the 2002 Consolidated Financial Statements contained in the Zurich Group's Annual Report 2002.

Non-life Insurance

The Zurich Group offers a broad range of personal and commercial non-life insurance products. In 2002, the Zurich Group's non-life insurance operations accounted for USD 28.8 billion of gross written premiums and policy fees and generated a net loss of USD 1.6 billion, compared to USD 22.4 billion of gross written premiums and policy fees and a net loss of USD 136 million in 2001. The largest driver of the increased loss was our decision to take special provisions of USD 1.4 billion to strengthen reserves, USD 108 million to write-off goodwill and USD 275 million for operational improvements.

The Zurich Group's non-life insurance is offered through multiple distribution channels, including brokers and exclusive agents, as well as direct marketing channels such as telephone sales and the Internet. The Zurich Group's non-life business is comprised of the following principal lines:

- Automobile;

- Property and other non-life lines;
- General liability; and
- Accident and health.

Life insurance

The Zurich Group also offers a broad range of individual and group life insurance and asset accumulation products. In 2002, the Zurich Group's life insurance operations contributed USD 11.8 billion of gross written premiums, policy fees and insurance deposits, of which USD 7.8 billion were gross written premiums and policy fees, and generated a net loss of USD 242 million. This compares to USD 9.9 billion of gross written premiums, policy fees and insurance deposits, of which USD 5.6 billion were gross written premiums and policy fees, and USD 339 million in net income in 2001.

The Zurich Group has adopted a multi-channel distribution strategy for its life insurance operations including brokers, agents, company representatives, mail and the Internet, focusing on developing direct marketing and Internet sales channels. In addition, the Zurich Group is increasingly cross-selling its life insurance and non-life insurance products through existing distribution channels.

The Zurich Group primarily offers the following life insurance and asset accumulation products to both individual and group customers, which vary from market to market based on local regulations and market conditions:

- Protection products for individual and corporate customers providing coverage in case of death, accidental death and disability;
- Participating products offering long-term premium guarantees to customers; and
- Asset accumulation products, which are primarily savings or pensions related products such as annuities, variable and universal life insurance.

Capital Markets & Banking

The Zurich Group's capital markets and banking activities contributed USD 440 million in total revenue and a net loss of USD 173 million during 2002, compared to USD 909 million in total revenue and net income of USD 126 million in 2001.

The Capital Markets & Banking segment includes operations in retail and investment banking and capital markets. Zurich Capital Markets (ZCM), the most significant operation in this segment, serves a global clientele including financial institutions, hedge funds, funds-of-funds, pension funds, foundations, and ultra high net worth individuals. For ZCM, approximately 12% of the exposure at December 31, 2002 is with counterparties that are not rated by either S&P, Moody's or Fitch.

In November 2002, the Zurich Group announced a review of the overall strategy for this segment and a restructuring of ZCM. In addition, in December 2002, the Zurich Group bought out the interests of the minority shareholders in its operations in Australia and began to shut down much of its Australian operations.

The Zurich Group retail banking operations are primarily conducted in Switzerland and the United Kingdom. In January 2002, the Zurich Group sold 49.9% of the share capital of Zurich Bank, a United Kingdom based Internet bank to a third party. In September 2002, the Zurich Group announced the withdrawal from the on-line banking sector and by 31 December 2002, it had successfully closed 70% of Zurich Bank's previously active accounts. In 2003, the Zurich Group completed the sale of Rüd, Blass & Cie AG to Deutsche Bank.

Centre

Centre is the Zurich Group's insurance-based risk financing specialist that creates customized solutions to meet the risk-based and finance-based needs of its customers. Centre creates and acquires asset and liability positions that are not generally available in the insurance or capital markets.

In December 2002, the Zurich Group announced that Centre will no longer write new credit enhancement business, but will continue to support its existing book of that business. In January 2003, the Zurich Group announced that Centre will no longer write new life and health business but again will continue to support the existing contracts in this area. Centre will continue to write structured finite risk property and casualty business for its customers in North America, the United Kingdom and Continental European markets.

During 2002, Centre contributed USD 2.0 billion in revenue and generated a loss of USD 186 million, compared to USD 1.8 billion in revenue and USD 101 million in net income in 2001.

Asset Management

During 2002, the Zurich Group disposed of Zurich Scudder Investments and its asset management operations in Germany, Italy and Mexico. The Asset Management segment generated USD 1.1 billion in total revenues, including net gain on disposal of business of USD 389 million, and contributed net income of USD 329 million in 2002, compared to total revenues of USD 1.6 billion and USD 51 million in net losses in 2001.

Reinsurance – run-off

The Zurich Group's assumed third-party reinsurance business was spun-off by way of an initial public offering of the reinsurance business, re-branded as Converium, in December 2001. The Zurich Group retained certain business, mainly pre-1987 business, which is in run-off. During 2002, Reinsurance – run-off contributed USD 196 million in total revenues and had a net loss of USD 156 million compared to USD 2.7 billion in revenues and a net loss of USD 524 million in 2001.

Corporate

The Corporate segment covers Zurich Group holding companies, financing companies, alternative investments and other Corporate Center entities. During 2002, the Corporate segment contributed USD 308 million in revenues and generated a loss of USD 1.6 billion, compared to USD 361 million in revenues and a net loss of USD 1.2 billion in 2001.

Key Figures

Audited consolidated figures

| | As at or for the year ended 31 December 2002 | As at or for the year ended 31 December 2001 |
|--|---|---|
| | (in USD millions) | (in USD millions) |
| Gross written premiums, policy fees and life insurance deposits ⁽¹⁾ | 41,979 | 35,903 |
| Gross written premiums and policy fees..... | 38,074 | 31,610 |
| Net written premiums and policy fees..... | 30,484 | 25,863 |
| Net investment income..... | 4,755 | 4,528 |
| Loss before income tax benefit..... | (3,787) | (1,324) |
| Net loss..... | (3,630) | (1,354) |
| Total investments..... | 132,508 | 94,907 |
| Total insurance reserves..... | 125,765 | 87,360 |
| Shareholders' equity..... | 6,351 | 9,343 |

(1) In accordance with the Zurich Group's accounting policies, gross written premiums and policy fees do not include life insurance deposits collected from policyholders.

The Zurich Group's Investments

The Zurich Group's core investment strategy is to focus on high quality, liquid securities. The Zurich Group has a long-term investment horizon, designed to match the duration of its underlying liabilities. The approach to fixed income investments is to limit credit risk by concentrating on investments rated A or better and to limit interest rate risk within defined duration bands. With respect to equity investments, the Zurich Group focuses on large established corporations with strong positions in their chosen markets. In real estate, a careful approach is adopted, selecting properties in stable locations with quality construction. The following principles govern the Zurich Group's investment process:

- Investment decisions are based on long-term expectations and the investment needs of each of the businesses;
- Strategic and tactical asset allocation is contemplated, as overall investment return is significantly driven by asset allocation;
- Investment style and decisions are adapted to each local market in which the Zurich Group invests;
- Investment risks are frequently identified and monitored; and
- The investment policy is applied in a disciplined and consistent manner.

The Zurich Group's total investments were USD 132,508 million at the end of 2002 compared with USD 94,907 million at the end of 2001. The increase was mainly due to the completed acquisitions of the life operations of Deutsche Bank in Germany, Italy, Spain and Portugal during 2002.

The Zurich Group's Capitalization and Indebtedness

The following table shows the capitalization of the Zurich Group as at 31 December 2002 and 2001. Since 31 December 2002, there has been no material change in the capitalization and indebtedness of the Zurich Group. Components of shareholders' equity other than common stock are impacted by net income, accumulated foreign currency translation and the market value adjustment of investment securities available for sale. As the Zurich Group has not published interim consolidated financial statements since 31 December 2002, the impact of these items on shareholders' equity cannot be determined.

| | | 31 December 2002 (in USD millions) | 31 December 2001 (in USD millions) |
|--|---|---|---|
| <i>(a) Subordinated debt</i> | | | |
| Zurich Holding Company of America | 8.376% USD capital securities, due June 2037 | 1,000 | 1,000 |
| Total at 31 December | | 1,000 | 1,000 |
| <i>(b) Senior debt</i> | | | |
| Zurich Finance (USA), Inc. (EMTN Program) | 6% USD bond, due July 2003 | 300 | 300 |
| | 4.75% USD bond, due October 2003 | 150 | 150 |
| | 3.5% CHF bond, due July 2008 | 217 | 180 |
| | 2.75% CHF bond, due July 2006 | 361 | 301 |
| | Short-term debt | 5 | 4 |
| Zurich International (Bermuda) Ltd. | Zero coupon CHF exchangeable bond, due July 2004 | 370 | 298 |
| | 5.106% EUR loan, due June 2010 with Zurich Financial Services (Jersey) Ltd. | 57 | 48 |
| Centre Solutions (Bermuda) Ltd., Centre Re International Co. | Short-term debt | -- | 71 |
| Kemper Corp. | USD notes, due 2003/2009 | 228 | 229 |
| Zurich Insurance Company | 3.875% CHF bond, due 2011 | 723 | 602 |
| | Short-term borrowings and notes | 154 | 333 |
| | CHF short-term loan with Zurich Financial Services | 3,836 | 1,111 |
| | CHF short-term loan with Zurich Group Holding | -- | 1,720 |
| | GBP short-term loan with Allied Zurich | -- | 157 |
| | USD short-term loan with Farmers Group, Inc. | 100 | -- |
| | Various short-term loans | 3 | -- |
| Orange Stone Delaware Holdings Ltd. | Short-term borrowings | 220 | 250 |
| SMM No. 2 Co. Ltd. | GBP notes, due June 2007 | 354 | 320 |
| ZSLM Trust 2000-A | USD notes, due December 2007 | 160 | 160 |
| Mount Evans Funding 1 LLC | USD notes, due December 2031 | 100 | 100 |
| Other senior debt | Short-/medium-term debt | 399 | 478 |
| Total at 31 December | | 7,737 | 6,812 |

| <i>(c) Debt related to capital markets & banking and risk financing activities</i> | | | |
|--|--|---------------|---------------|
| Zurich Capital Markets | Asset backed notes | -- | 2,150 |
| | Commercial paper, due in the following year | 2,488 | 1,738 |
| | Notes and loans payable, due in the following year | 3,535 | 1,039 |
| | Notes and loans payable, due 2004-2012 | 614 | 523 |
| | Notes and loans payable, due 2013-2026 | 150 | 313 |
| Centre Solutions (Bermuda) Ltd. | Various debt instruments | 204 | 271 |
| Total at 31 December | | 6,991 | 6,034 |
| Total debt at 31 December | | 15,728 | 13,846 |
| Shareholders' equity | | | |
| | Common stock | 660 | 422 |
| | Additional paid-in capital (capital reserve) | 4,547 | 3,595 |
| | Net unrealized gains on investments | 978 | 1,270 |
| | Cumulative translation adjustments | (2,465) | (2,205) |
| | Retained earnings | 2,631 | 6,261 |
| Total shareholders' equity | | 6,351 | 9,343 |

(a) Subordinated debt

The USD 1,000 million Capital Securities issued by Zurich Holding Company of America mature in 2037. The Zurich Group has the option at any time on or after 1 June 2007 to redeem the securities in whole or in part.

(b) Senior debt

In 1998 the Zurich Group set up a USD 2 billion Euro Medium Term Note Program (EMTN Program), which has been increased to USD 4 billion in 2000, to allow for the issuance of notes on the Euromarket, denominated in any currency. The notes that may be issued by a number of special financing entities, may be listed on different Stock Exchanges.

Under the EMTN Program Zurich Finance (USA), Inc., a wholly owned subsidiary of Zurich Holding Company of America, placed a number of bond issues on the Euromarket in 1998 and 1999, which are listed above. The 3.5% CHF 300 million issue due July 2008 was swapped into USD at a fixed rate of 6.065% and for a notional amount of approximately USD 199.8 million with equal maturity and coupon payment dates. CHF 232 million of the 2.75% CHF 500 million bond was swapped into US dollars (3 months USD Libor less 3 bps) at the time of issuance. Net proceeds were primarily used to re-finance existing debt in the United States.

The Zero Coupon CHF 539 million Exchangeable Bonds issued by Zurich International (Bermuda) Ltd. are due in July 2004. The bonds are exchangeable into 4,800,000 registered shares of UBS AG and are guaranteed by Zurich Insurance Company. The unsecured and unsubordinated bonds were issued at par and may be called on or after 18 July 2003, subject to certain conditions.

Senior debt of Kemper Corporation, excluding unamortized premium, consists primarily of 6.875% USD 200 million notes due 2003, and USD 26 million of medium-term notes due in 2009.

At 31 December 2002, Zurich Insurance Company had a number of intra-group short-term loans outstanding, totaling USD 3.9 billion.

In 1999, Orange Stone Delaware Holdings Limited entered into a USD 250 million 5 year term loan from a subsidiary of the Zurich Financial Services Group at a rate of 7.5%. In 2002 this company made a partial repayment of USD 30 million.

A special purpose entity, SMM No. 2 Company Limited, Jersey, which was incorporated in 2000, is fully owned by the Zurich Group. In 2001 the company issued bonds to two UK domiciled entities of the broader Zurich Financial Services Group to partly finance the Zurich Group's alternative investments portfolio. In 2001, two additional entities, ZSLM Trust 2000-A, Delaware, and Mount Evans Funding ILLC, Delaware, were incorporated for the same purpose as SMM No. 2 Co. Ltd., by issuing bonds to US domiciled entities of the Zurich Financial Services Group.

At 31 December 2002 "Other senior debt" includes short- and medium-term debt of various subsidiaries and mandatory redeemable preferred stock issued by Centre Solutions (Bermuda) Ltd. and Centre Reinsurance International Company.

(c) **Debt related to capital markets & banking and risk financing activities**

In 2002, Zurich Capital Markets through various subsidiaries issued additional notes and loans of approximately USD 1 billion. Borrowings, which were used to finance the assets acquired by ZCM in the course of its normal business operations, include both fixed and variable interest rates. Two asset backed notes totaling USD 2.15 billion, of which USD 0.9 billion was issued in 2000 and USD 1.25 billion was issued in 2001, were restructured during 2002 to mature in 2003.

ZCM Matched Funding Corp. has access to a USD 2.5 billion US commercial paper program. The program allows the issuance of notes with a minimum denomination of USD 250,000 and with maturities not exceeding 366 days. At 31 December 2002, a USD 1,545 million syndicated credit facility was in place to back the commercial paper program. No borrowings were outstanding under this facility.

Centre Solutions (Bermuda) Ltd. has entered into certain structured arrangements whereby debt has been raised to fund assets in the ordinary course of business.

The following table illustrates the maturity schedule for the principal amount of all outstanding debt of the Zurich Group as of 31 December 2002.

| | 2002 |
|----------------------------|----------------------|
| | (in USD millions) |
| 2003..... | 10,706 |
| 2004..... | 665 |
| 2005..... | 200 |
| 2006..... | 948 |
| 2007..... | 525 |
| After 2007..... | 2,684 |
| Total at 31 December | <u>15,728</u> |

(d) **Loan facilities**

At 31 December 2002 Zurich Insurance Company together with Zurich Group Holding (which is the direct owner of the Zurich Group) have access to a USD 1.5 billion 5 year revolving credit facility maturing in 2004. Under the agreement both Zurich Insurance Company and Zurich Group Holding act as guarantors for drawings of up to USD 750 million for themselves and for a number of defined subsidiary borrowers. At 31 December 2002 there were no outstanding borrowings under this facility.

Several of the debt agreements have restrictive covenants related to the total amount of debt, net tangible assets and other matters. The Zurich Group was in compliance with all debt covenants at 31 December 2002.

(e) **Shareholders' equity**

Common stock and income shares

| number of shares as at 31 December | 2002 | 2001 |
|--|-------------------|------------|
| Contingent and issued common stock, CHF 10 nominal value | 86,000,000 | 52,000,000 |
| Issued common stock, CHF 10 nominal value | 82,500,000 | 48,500,000 |
| Issued income shares (Genussscheine) ¹ | 2 | 2 |

¹ These income shares confer on their holder their right to receive a dividend if and to the extent the General Meeting decides so, however, they do not confer on their holder any voting rights or rights associated thereto, any rights to subscribe for new shares, or any rights to liquidations proceeds.

At their Extraordinary General Meeting of 20 December 2002 Zurich Insurance Company's shareholders approved the issuance of 34 million fully paid registered shares with a nominal value of CHF 10 each at an issue price of CHF 50 per share, representing total gross proceeds of CHF 1.7 billion.

As of 31 December 2002 Zurich Insurance Company had 82.5 million shares of CHF 10 nominal value common stock issued and fully paid and two income shares (Genussscheine) in the name of Zurich Financial Services.

At the General Meeting of shareholders of 11 June 1997, a contingent capital of CHF 35 million, or 3.5 million shares, was created - of which 2.5 million shares can be issued in connection with the granting of conversion and/or option rights and 1 million shares for the purpose of employees' share ownership plan. None of the contingent shares have been issued as of 31 December 2002.

Subsequent Events

In May, the Zurich Group announced that Bank One would acquire Zurich Life (excluding Kemper Investors Life Insurance Company, or KILICO), Zurich Group's life insurance group of companies in the United States, for approximately USD 500 million in cash. The total value paid to or retained by the Group will be in excess of USD 1 billion, comprised of cash, retained capital, other assets and businesses retained. Bank One will provide administration and assume, through reinsurance, certain lines of business currently underwritten by KILICO. The transaction is expected to close in the third quarter, pending regulatory approvals.

In June, the Zurich Group announced an agreement to sell Threadneedle Asset Management Holdings Ltd to American Express Financial Corporation. The transaction value of approximately GBP 340 million (USD 570 million) will be paid in cash on completion. The deal is expected to close in the last quarter of the year, subject to approval by regulatory and competition authorities. Threadneedle is approximately 84% owned by the Zurich Group; the remainder is owned by another entity of the Zurich Financial Services Group.

The Zurich Group has also announced various other disposals and repositionings of non-core activities during 2003:

- In March, it completed the sale of Rüd, Blass & Cie AG to Deutsche Bank.
- In March, the agreements were announced to sell its asset management business in India to Housing Development Finance Corporation and to exit its insurance operations in the Baltic countries through both portfolio sales and runoff.
- In May, the Zurich Group announced the sale of the Group's life and non-life consumer operations in the Netherlands to SNS Reaal Groep.
- In May, the Group announced it was transferring the mutual fund portfolio of its subsidiary, Zurich Securities Investment Trust Company Ltd., in Taiwan to Taiwan Life Securities Investment Trust Co. Ltd.
- In June, the Zurich Group also announced that it will transfer part of the banking products of Zurich Invest Bank to AIG Private Bank Ltd. and will continue to administer the remainder within its Zurich Switzerland operations. Zurich Invest Bank AG is expected to cease operations at the end of 2003.

On 30 May 2003, Moody's Investors Service lowered the long-term insurance financial strength rating of Zurich Insurance Company and guaranteed subsidiaries to A2 from A1, senior debt rating to Baa1 from A2, and subordinated debt rating to Baa2 from A3. The long-term ratings have been assigned a negative outlook, reflecting the rating agency's assessment of the near-term execution risks associated with the company's divestment program and restructuring of the Global Assets Division. The short-term ratings remain unchanged.

Board of Directors of Zurich Insurance Company (as of the date of this Information Memorandum)

| Name | Principal Occupation |
|----------------------------------|--|
| Lodewijk C. van Wachem Chairman* | Retired Chairman of the Supervisory Board of Royal Dutch Petroleum Company, The Hague, Netherlands |
| Philippe O. Pidoux Vice Chairman | Vice President of the Swiss National Bank |
| Dana G. Mead | Retired Chairman of Tenneco Automotive Inc., Greenwich, |

| | |
|----------------|---|
| | Connecticut, USA |
| Armin Meyer | Chairman and Chief Executive Officer of Ciba Specialty Chemicals Inc., Basel, Switzerland |
| Rolf U. Watter | Partner of a law firm in Zurich and professor at the University of Zurich |

* With effect from 16 May 2002 Rolf Hueppi, the former Chairman resigned as Chairman and Member of the Boards of Directors of Zurich Financial Services and of Zurich Insurance Company and as Chief Executive Officer of the Zurich Financial Services Group. Effective as at the same date, the Boards of Directors of Zurich Financial Services and of Zurich Insurance Company appointed James J. Schiro as Chief Executive Officer of the Zurich Financial Services Group and of the Zurich Group. He joined the Zurich Financial Services Group in March 2002 as Chief Operating Officer Group Finance.

Employees

As 31 December 2002, the Zurich Group had 50,694 employees compared with 56,009 employees as at 31 December 2001.

Regulation

ZIC conducts its operations in Switzerland under operating licenses for all lines of business (except credit insurance and active legal cost insurance) granted by the Swiss Federal Ministry of Justice and Police. The operations of ZIC are subject to continued supervision by the Swiss Federal Office for Private Insurance ("FOPI") based on the Swiss Insurance Supervisory Act of 1978. The supervisory authority monitors the compliance of a company's operations with its approved business plan which provides details of, among other things, solvency margins and reserves. Non-Swiss subsidiaries and branches of ZIC are regulated and supervised by authorities in the relevant jurisdiction in which they operate.

Pursuant to presently applicable regulations, Swiss insurance companies are in principle not allowed to operate in any field outside insurance and reinsurance. The supervisory authority can grant exceptions to this policy if the nature and volume of the proposed non-insurance business does not threaten the solvency of the company and can approve the acquisition of participations in corporations operating outside the field of insurance. Non-insurance subsidiaries are subject to regulation according to their field of activities.

ZIC's subsidiaries may be subject to regulatory restrictions on the amount of dividends, cash loans and advances which can be remitted to ZIC. In accordance with legal requirements in Switzerland, ZIC is required to maintain certain solvency margins and certain subsidiaries are subject to capital requirements of regulatory agencies.

The different insurance and financial services subsidiaries of the Group are supervised by their relevant local regulators and may be subject to regulatory restrictions on the amount of dividends, cash loans and advances which can be remitted to ZGH or Zurich Financial Services respectively.

In addition, the FOPI issued a Decree concerning the Consolidated Supervision of the Group on 23 April 2001 which became effective on 1 July 2001. The FOPI will be the Lead Supervisor over the Group whereas the Swiss Federal Banking Commission ("SFBC") will assume the role of Sub Coordinator. The supervision on the Group level includes issues such as risk management, group solvency and capital adequacy and a number of reports to be provided at regular intervals.

Legal Proceedings

In the ordinary course of its insurance and financial services activities, the Zurich Group is routinely involved in litigation with respect to liabilities, which are in general the subject of policy claims. These liabilities are taken into account in setting its technical reserves. Except as set forth below, neither the Guarantors nor any of their subsidiaries are nor have been engaged in, nor (so far as the directors of ZIC are aware) have pending or threatened by or against them, any legal or arbitration proceedings, which may have a significant adverse effect on the financial position of the Zurich Group. The respective defendants intend to vigorously contest the claims brought against them.

Certain companies within the Zurich Group are engaged in the following material litigation:

- (a) In 1988, the Herold Group with its holding company, Deutscher Herold Aktiengesellschaft, formerly named Versicherungsholding der Deutschen Bank AG, was restructured and transferred its entire life insurance business, with the approval of the German supervisory authority for the insurance/regulatory industry (*Bundesaufsichtsamt für das Versicherungswesen* ("BAV")), to a newly set up subsidiary, Deutscher Herold Lebensversicherungs-AG ("DHL"), formerly named Deutscher Herold Neue Lebensversicherungs-AG.

A policyholder supported by the consumer protection organization "*Bund der Versicherten*" (Association of Insured Persons) raised a protest against the approval of the BAV, contesting this transfer. In the course of this so-called "*Widerspruchsverfahren*" (protest procedure), Deutscher Herold Aktiengesellschaft concluded a contract under public law with the BAV which essentially provided that, in the event of Deutscher Herold Aktiengesellschaft's remaining holdings being disposed of, any persons insured by DHL both at the time of the transfer and at the time of the disposal were to participate in the exceptional return on capital amounting to 90% of the value of their respective mathematical reserves. Once this contract was concluded, the protest of the policyholder was dismissed. The German Federal Administrative Court turned down an action against the dismissal of the protest in January 1994, upon which the policyholder filed a petition with the German Federal Constitutional Court in January 2002; in relation to the legal issue in question no amount has been claimed. It is a complaint about infringements of the German constitution committed by the State. Simultaneously with the petition of the policyholder of Deutscher Herold, five further petitions were simultaneously served upon other German insurance companies. In these cases, different legal issues are in question. The German Federal Constitutional Court has not yet decided.

(b) Zurich North America ("ZNA") is currently involved in the following three major coverage disputes related to the 9/11 terrorist attack on the World Trade Center, as follows:

1. SR International Business Insurance Co., Ltd. v. World Trade Center Properties LLC, et al. and World Trade Center Properties, LLC, et al. v. Allianz Insurance Company, et al. These coverage lawsuits, which have been consolidated, were filed in 2002 in the U.S. District Court for the Southern District of New York to resolve issues relative to the extent of coverage afforded for the loss of the World Trade Center ("WTC") under property insurance contracts issued by various insurers including ZNA.

ZNA has filed several motions arguing that ZNA's insurance binder fully defines the insurance agreement and that, by its terms, that binder provides only \$45.67 million of total available limits in a total loss scenario such as this, regardless of the number of occurrences involved. The court has denied these motions. As a result, ZNA will probably be required to proceed to a jury trial, to be held in late 2003 or early 2004.

2. Zurich American Insurance Company, et al. v. Westfield America, Inc. et al. (U.S. District Court, S.D.N.Y.). This litigation (filed 8th November 2002) involved a dispute over whether Westfield America, Inc. ("Westfield") is entitled to coverage for the loss of the World Trade Center ("WTC") retail area that was destroyed in the 11th September 2002 terrorist attack under a ZNA excess property policy (limits of USD 985 million per occurrence excess over USD 15 million primary). This policy had been bound but not yet issued as of the date of the loss. Westfield held a 99-year lease with respect to the WTC retail area.

Pursuant to a letter of understanding dated March 6, 2002, this litigation was dismissed with prejudice. The letter of understanding provides for the following:

- ZNA issues an insurance policy to Westfield with no terrorism exclusion.
- Westfield seeks to recover from other insurers for its World Trade Center loss and, with respect to that loss, will treat the policy issued by ZNA to Westfield as excess over the coverage afforded under all other potentially applicable policies.
- ZNA retains all of its coverage defenses with respect to this loss.
- In the event that Westfield is not able to fully recover its World Trade Center loss under all other insurance policies, Westfield may then require that the coverage issues that were raised in the dismissed litigation be submitted to a binding arbitration proceeding with ZNA. However, regardless of the outcome of that arbitration proceeding, Westfield will limit its recovery against ZNA to no more than USD 55 million.

3. Zurich American Insurance Company v World Trade Center Properties LLC et al; Broghammer v World Trade Center Properties LLC; Baksh v World Trade Center Properties LLC; Friedlander v World Trade Center Properties LLC. These lawsuits were filed in the United States District Court for the Southern District of New York to resolve questions concerning coverage under policies of liability insurance issued to WTC Properties LLC (a Silverstein related company) relating to certain World Trade Center Buildings with respect to underlying suits and claims for wrongful death, bodily injury and property damage.

WTC Properties LLC filed three third party lawsuits against Zurich American Insurance Company ("ZAIC") seeking declaratory relief and damages for breach of contract under the primary and umbrella policies issued by ZAIC to WTC Properties LLC. ZAIC filed a lawsuit against WTC Properties LLC and other Silverstein affiliated entities, the Port Authority of NY/NJ, Westfield Corporation and the excess insurers in the WTC Properties LLC insurance program and others seeking judicial guidance and relief on the coverage questions under the ZAIC primary and umbrella policies.

The parties are currently negotiating a case schedule that will contemplate the addition of new parties, development of information through discovery, the filing of motions on the significant coverage issues and a trial, if necessary.

- (c) Maryland Casualty Company ("MCC") is a party to a series of 20 lawsuits filed in the Circuit Court for Baltimore City, Maryland USA for alleged asbestos exposure in Libby, Montana USA and 2 additional cases filed in Lewis and Clark County, Montana. The lead case is Gerard. W.R. Grace owned the mining and milling operations in Libby, Montana. The plaintiff asserts that MCC, as Grace's workers' compensation carrier from 1963 to 1973, was aware that the mining and milling operations posed a threat to individuals coming into contact with asbestos dust and did not prevent employees and eventually Libby residents from becoming exposed to the asbestos dust. The plaintiff claims MCC undertook a duty as part of its risk and safety program for the plant to prevent toxic levels of dust from being disbursed into the town. The plaintiff claims MCC breached that duty and was negligent in preventing the exposure. The plaintiff claims compensatory and punitive damages based on theories of negligence and accuses MCC of aiding and abetting and civil conspiracy along with W.R. Grace in keeping this problem from the public. W.R. Grace is a co-defendant to the lawsuits and filed for bankruptcy. On June 20, 2002, the bankruptcy court entered an order finding that the Gerard case was an affiliated matter and extended the W.R. Grace bankruptcy stay and injunction to MCC and all cases arising out of the Libby mine. The Court denied plaintiff's Motion for Reconsideration on August 26, 2002. Plaintiffs filed an appeal to the U.S. District Court. Briefing was completed on the appeal on March 24, 2003. Oral argument has not been set by the Court. MCC anticipates that the Court will set argument during the next 6 months and issue an opinion on the appeal. Given the status of the stay and appeal, no further discovery has taken place on the case and it would be premature to comment on liability and damages.

ZAIC and MCC are parties to this suit and have been added to 60 additional lawsuits seeking personal injury damages for alleged asbestos exposure in various manufacturing facilities in Nueces and Bexar County, Texas. The lead case is Boson where Plaintiffs claim that ZAIC and MCC were negligent in the undertaking of an independent duty and responsibility to advise and protect the public and workers from the toxic and deadly effects of exposure to asbestos. Plaintiffs also contend that MCC and ZAIC conspired with other insurers and acted in concert to withhold medical and scientific data regarding the risks of asbestos. ZAIC and MCC have been served in 20 of the lawsuits in 6 separate Judicial Districts. Seven of the cases involving a total of 70 plaintiffs are proceeding under a trial order in the 117th Judicial District. Trial is set for October 28, 2003. An unsuccessful attempt was made to transfer and consolidate all of the cases to one of the Judicial Districts and a challenge to the denial has been filed. Motions for summary judgment on the issue of statute of limitations are also to be filed. Plaintiffs' written discovery relating to liability and damages will be pursued within the next 30-60 days. It is premature to comment on liability and damages at this time until the special exceptions and motions for summary judgment or the statute of limitations are decided.

ZAIC and MCC are parties to a series of lawsuits which have been filed in the Court of Common Pleas, Cuyahoga County (Cleveland) Ohio seeking personal injury damages for alleged asbestos exposure in various manufacturing facilities in Ohio. The lead case is Varner. ZAIC and MCC have been served in six cases which include both newly filed actions and amended actions. The cases include direct action claims against insurer defendants for negligent undertaking of independent duties to workers to protect them from asbestos exposure, conspiracy claims among the insurers to keep asbestos information from the public and spoliation and willful destruction of evidence of the dangers of asbestos. Appearances will be filed in the cases where served within the next 30 days to preserve denials and defenses. The cases operate pursuant to an Asbestos Master Case Management Order and the cases will be grouped for discovery and trial. A trial date in any of the current groupings of cases is not anticipated until February 2004. It is premature to comment on liability and damages at this time until preliminary procedural motions are heard and discovery materials are received.

- (d) On 19 April 2000, the Swiss Guaranty Fund For Occupational Retirement Schemes (the "Guaranty Fund") filed two claims against La Genevoise Life Insurance Company ("Genevoise Life") at the Administrative Court in Geneva, Switzerland, and on April 20, 2000 filed two similar claims against Zurich Life Insurance Company ("Zurich Life") at the Social Security Court in Winterthur, Switzerland. The Guaranty Fund is claiming a loss recovery of approximately CHF 73 million from each life insurer and the involved auditing company. It is now litigating on the basis of various allegations, which the Group companies are strongly contesting. To date, four further claims by the liquidators have been filed: a suit by the Vera Pension Fund against Zurich Life at the Social Security Court in Winterthur on 8 August 2000, a similar lawsuit against Genevoise Life at the Administrative Court in Geneva on 22 December 2000, a further claim by the Vera Investment Fund against Zurich Life at the Commercial Court in Zurich on December 20, 2000 and a further suit by the Vera Investment Fund against Genevoise Life at the Civil Court in Geneva on 2 April 2002. The claims mentioned above are all interrelated and refer to an alleged consolidated overall loss of approximately CHF141 million. Criminal investigations have been initiated by the liquidators against individuals involved in the transactions with the Vera and Pevos Pension Funds. The background of these actions is the insolvency of the Vera Pension Fund, Vera Investment Fund, Pevos Pension Fund and Pevos Investment Fund (collectively the "Funds"). Genevoise Life and Zurich Life were reinsurers to the pension funds, and had granted to the Funds loans to the extent of 50% of their policy reserves. The proceeds of such loans, together with additional bank loans, were invested by the Funds in real estate projects. Throughout the 1970s and 1980s, the Funds completed a considerable number of real estate projects. At the downturn of the real estate activity in the early 1990s, the Funds were faced with increasing financial problems, until they finally collapsed in 1996. Both Genevoise Life and Zurich Life set off the loans against their policy reserves.
- (e) Centre Insurance Company ("CIC") reinsured its workers' compensation business with subsidiaries of Superior National Insurance Group, Inc. ("SNIG"). Under a 31 December 1999 Partial Commutation and Settlement Agreement, CIC received securities and cash of approximately USD 163 million and USD 22 million ("Commutation Payments") and released certain SNIG insurers from liability under the reinsurance up to USD 180 million. In March 2000, the SNIG insurers ("SNICIL") were placed in conservation and in September 2000 into liquidation. The remaining SNIG entities filed under Chapter 11 of the Bankruptcy Code in April 2000. On 16 January 2002 the California Insurance Department, SNICIL's liquidator, sued CIC, Zurich Financial Services, certain related companies and other persons and entities regarding the Commutation Payments and other alleged transfers, asserting breach of fiduciary duties, gross negligence, fraud, misrepresentation, unfair business practices, contract breach, and alter ego liability for insolvent entities' debts, seeking amongst other relief, damages, avoidance and recovery of transfers as voidable preferences, disgorgement and injunctive relief. In response to the complaint, certain defendants moved to quash service of summons for lack of personal jurisdiction. At a hearing on June 19, 2003 the Court stated that the motions to quash for lack of personal jurisdiction of 17 defendants will be granted, and that it will be issuing an order to that effect shortly. The Court denied the motion to quash brought by Centre Reinsurance (U.S.) Limited.

With respect to those defendants who did not challenge the Court's jurisdiction, on 17 March 2003, the Court heard the demurrers filed by certain defendants, and sustained, without leave to amend, the demurrer as to plaintiff's "per se preference" and unfair business practices claims. The Court overruled the demurrers to plaintiff's Second and Third Causes of Action (Voidable Preferences under Insurance Code section 1034(c)(2) and (3) and, with respect to CIC (but not Centre Solutions Holdings (Delaware), Inc. whose demurrers were sustained), the Fourth, Fifth and Sixth Causes of Action (Constructive Fraudulent Transfers) and Tenth and Eleventh Causes of Action (Fraudulent Transfers). The Court also overruled CIC's demurrer to plaintiff's Eighteenth Cause of Action (Breach of Contract). With respect to all other causes of action, the Court sustained the demurrers subject to the plaintiff's ability to replead the causes of action at a later date should plaintiff develop facts to support said causes of action. The Court has not approved any discovery (save the limited jurisdictional discovery identified above). No discovery cut-off date or trial date has been set.

CIC is a defendant in two separate arbitration proceedings: one initiated by US Life against SNICIL and others seeking to rescind a 13 November 1998 multi-year quota share reinsurance contract; and another involving the Insurance Corp. of Hannover, Scandanavian Reinsurance Company and Odyssey Reinsurance Company ("Reinsurers") against SNIG and others seeking rescission on the basis of alleged fraudulent inducement. Furthermore, the Reinsurers also sued

Centre Reinsurance Limited ("CRL") regarding the latter contract alleging fraudulent inducement, which action is stayed pending the related arbitration. The Hannover hearings commenced in March, 2002 and are ongoing. They are scheduled to be concluded in February and March 2003, with additional hearing dates set aside in June 2003 if necessary. The US Life arbitration commenced in December 2002 and are ongoing. The arbitration likely will not be concluded until 2004.

- (f) The Canada Life Assurance Company filed a complaint on December 21, 2001 in the U.S. District Court of the Southern District of New York against Converium Holding AG's wholly owned subsidiary, Converium Rückversicherung (Deutschland) AG (formerly known as Zürich Rückversicherung (Köln) AG), in connection with certain retrocession reinsurance facilities for the years 2000 and 2001. Canada Life asserts, among other things, that Converium Rückversicherung (Deutschland) AG has failed to post security in respect of losses under the retrocession facilities related to the September 11th terrorist attacks in the United States, which Canada Life asserts should be in the amount of \$82.4 million. Converium Rückversicherung (Deutschland) AG disagrees with Canada Life over the maximum amount of potential exposure. Converium Rückversicherung (Deutschland) AG is disputing this claim on the grounds that its liability under the pertinent contracts is limited and is also raising other contract defenses. In its decision of April 11, 2002, the U.S. District Court of the Southern District of New York dismissed Canada Life's action, ruling that The Air Transportation Safety and System Stabilization Act, which Canada Life claimed to give the court jurisdiction over the subject matter, is not applicable. The court ruled that the act applies broadly to the actions filed by individual victims of the September 11th attacks but does not apply to disputes among reinsurers. As a result of this decision, Converium Rückversicherung (Deutschland) AG sent Canada Life a request to arbitrate. On May 17, 2002, Canada Life filed a notice of appeal from the District Court's decision. That appeal is currently pending. As part of its divestiture of Converium, ZIC, through its subsidiaries, agreed to arrangements to cap Converium's net exposure for losses and loss adjustment expenses arising out of the September 11th terrorist attacks at \$289 million, the amount of losses and loss adjustment expenses that Converium recorded as of September 30, 2001 net of retrocessional reinsurance recoveries.

ZURICH FINANCE (LUXEMBOURG) S.A.

ZF (Luxembourg) is a company owned by ZIC (99.92 per cent.) and Assuricum Company Limited (0.08 per cent.) ZF (Luxembourg), was incorporated for an unlimited duration under the laws of the Grand Duchy of Luxembourg as a public limited liability company (*société anonyme*) with registered office in Luxembourg pursuant to a notarial deed dated 19 May 1999, published in the *Journal Officiel du Grand-Duché de Luxembourg, Recueil des Sociétés et Associations*, Luxembourg No 553 of 19 July 1999, page 26500. It is registered with the Luxembourg trade and companies register under number B.69.748. The registered office of ZF (Luxembourg) is at 48, rue de Bragance, L-1255 Luxembourg. ZF (Luxembourg) has no subsidiaries.

The subscribed and fully paid up capital of ZF (Luxembourg) is EUR 124,000 divided into 1,240 ordinary shares in registered form, each with a par value of EUR 100.

According to its articles of incorporation, the corporate objects of ZF (Luxembourg) are the holding of participations directly or indirectly, in any form whatsoever, in Luxembourg and foreign companies, the acquisition by purchase, subscription, or in any other manner as well as the transfer by sale, exchange or otherwise of stock, bonds, debentures, notes and other securities of any kind, and the ownership, administration, development and management of its portfolio. ZF (Luxembourg) may also hold interests in partnerships.

ZF (Luxembourg) may borrow in any form. It may issue bonds and debentures and any kind of debt and/or equity securities. ZF (Luxembourg) may lend funds including the proceeds of such borrowings and issues to its subsidiaries, affiliated companies or to any other company. It may also give guarantees in favour of its subsidiaries, affiliated companies or any other companies.

ZF (Luxembourg) may enter into currency exchange and/or interest rate swap agreements, derivative transactions and other hedging arrangements or similar arrangements. ZF (Luxembourg) may generally employ any techniques and instruments relating to investments for the purpose of their efficient management, including techniques and instruments designed to protect it against currency exchange, interest rate risks or similar risks.

In general, ZF (Luxembourg) may take any controlling and supervisory measures and carry out any operation or transaction which it considers necessary or useful in the accomplishment and development of its corporate purposes.

The corporate objects of ZF (Luxembourg) are primarily to raise finance for members of the Zurich Group.

The current directors of ZF (Luxembourg) are:

Bruno Durieux, whose business address is 48, rue de Bragance, L-1255 Luxembourg;

Morgan Murphy, whose business address is Mythenquai 2, 8002 Zurich, Switzerland; and

Ronald Clark, whose business address is 48, rue de Bragance, L-1255 Luxembourg.

The annual general meeting of the shareholders of ZF (Luxembourg) takes place on the second Wednesday of June each year at 11 a.m. in Luxembourg.

The fiscal year of ZF (Luxembourg) begins on 1 January and terminates on 31 December of each year.

With effect from 1 January 2002, PricewaterhouseCoopers S.à r.l have been appointed as statutory auditors (*commissaire aux comptes*) to ZF (Luxembourg).

The following table sets out in EUR the capitalisation and indebtedness of ZF (Luxembourg) as per 31 December 2001 and 31 December 2002 and is derived from the financial statements of ZF (Luxembourg), which have been reviewed by PricewaterhouseCoopers S.à r.l.

Capitalisation and Indebtedness

| | as at 31 December 2002 | as at 31 December 2001 |
|--|-----------------------------------|-----------------------------------|
| | (EUR) | (EUR) |
| Subscribed capital | 124,000 | 124,000 |
| Retained earnings | 7,107 | 3,932 |
| Legal reserve..... | 202 | 105 |
| Total shareholders equity | 131,309 | 128,037 |

Key Figures

| | as at 31 December 2002 | as at 31 December 2001 |
|---------------------------|---------------------------------------|---------------------------------------|
| | (EUR) | (EUR) |
| Assets | 137,577 | 132,565 |
| Liabilities | 6,268 | 4,528 |
| Stockholders Equity | 131,309 | 128,037 |

| | for the year ended 31 December 2002 | for the year ended 31 December 2001 |
|-----------------|--|--|
| | (EUR) | (EUR) |
| Revenues..... | 6,074 | 4,341 |
| Expenses | 2,802 | 2,395 |
| Net income..... | 3,272 | 1,946 |

Since 31 December 2002 there has been no material change in the capitalisation and indebtedness of ZF (Luxembourg).

ZURICH FINANCE (USA), INC.

ZF (USA) was incorporated in the State of Delaware by the filing of its certificate of incorporation with the Delaware Secretary of State on 9 April 1998. ZF (USA) is not engaged in and does not propose to engage in any activity other than issuing the Notes and entering into other financing transactions.

The authorised capital stock of ZF (USA) consists of 1,000 shares of Common Stock par value U.S. \$.01 per share, of which 100 shares are issued and outstanding.

The primary objective of ZF (USA) is to raise capital to finance the operation of members of the Zurich Group.

The directors of ZF (USA) are:

David Levinson, whose business address is c/o Zurich American Insurance Company, 1400 American Lane, Schaumburg, Illinois 60196-1056, U.S.A.

Margarete Giondow, whose business address is Mythenquai 2, 8002 Zurich, Switzerland; and

Morgan Murphy, whose business address is Mythenquai 2, 8002 Zurich, Switzerland.

Recent Developments

As at 31 December 2002 the following Notes issues were outstanding:

U.S.\$300,000,000 6.00 per cent. Notes due July 2, 2003 issued pursuant to the Programme, and subsequently lent U.S.\$299,300,000 to Zurich Holding Company of America, Inc., CHF 300,000,000 3.50 per cent. Notes due 2008 issued pursuant to the Programme, and subsequently lent U.S.\$199,700,000 to Zurich Holding Company of America, Inc., U.S.\$150,000,000 4.75 per cent. Notes due October 30, 2003 issued pursuant to the Programme, and subsequently lent U.S.\$148,700,000 to Zurich Holding Company of America, Inc. CHF 500,000,000 2.75 per cent. Notes due 2006 issued pursuant to the Programme and subsequently lent U.S.\$323,300,000 to Zurich Holding Company of America, Inc.

ZF (USA) fully intends to repay the Notes due in 2003 on the maturity dates.

As at 31 December 2002 no other Notes are outstanding.

Capitalisation and Indebtedness

The following table sets out in U.S. dollars the capitalisation and indebtedness of ZF (USA) as at 31 December 2002 and is derived from the audited financial statements of ZF (USA). Since 31 December 2002, there has been no material change in the capitalisation or indebtedness of ZF (USA).

Short term liabilities

| | |
|------------------------|-------------|
| Interest Payable | 17,740,451 |
| Due to Affiliates..... | 969,972 |
| Bonds Payable | 449,685,894 |

Long term liabilities

| | |
|-----------------------------------|-------------|
| Deferred Income Tax Payable | 5,835,196 |
| Bonds Payable | 571,901,142 |

Shareholder's Equity

| | |
|--|-------------|
| Common Stock at U.S.\$0.01 par value | |
| Authorised 1,000 shares; issued and outstanding 100 shares | 1 |
| Additional Paid-in Capital PP | 1,000 |
| Unrealized Losses on Cash Flow Hedge, net of tax | (5,361,897) |
| Retained Earnings | 13,477,013 |
| Total Shareholder's Equity..... | 8,116,115 |

Total Capitalisation and Indebtedness 1,054,248,770

With the issuance of this 2003 EMTN Information Memorandum, there has been a change in accounting basis for ZF (USA). ZF (USA) previously reported financial figures on a U.S. GAAP basis while the current financials are reported using IFRS. The 2001 financial results have been restated to reflect this change in accounting basis. The changes in the balance sheet and income statement items are due to the valuation of the fair value hedge and change in the calculation of deferred issue costs.

IAS 39, "Financial Instruments: Recognition and Measurement", was implemented as of January 1, 2001 and requires that all derivative instruments be recorded on the balance sheet at their fair market value. Changes in the fair value of derivatives are recorded each period in current earnings or in shareholder's equity, depending on whether a derivative is designated as part of a hedging relationship and, if it is, depending on the type of hedging relationship. For fair-value hedges in which the Company is hedging changes in an asset's, a liability's, or a firm commitment's fair value, changes in the fair value of the derivative instrument will generally be offset in the income statement by changes in the hedged item's fair value. For cash flow hedges in which the Company is hedging the variability of cash flows related to a variable-rate asset, variable-rate liability, or a forecasted transaction, the effective portion of the gain or loss on the derivative instrument will be reported in shareholder's equity. The gain or loss on the derivative instrument that is reported in shareholder's equity will be reclassified as earnings in the periods during which earnings are impacted by the variability of the cash flows of the hedged item. The ineffective portion of all hedges will be recognised in current-period earnings.

On 1 January 2001, ZF (USA) recorded a net-of-tax transition adjustment to recognise at fair value all derivative instruments that had previously been designated as a hedge of fair values. ZF (USA) also recorded an offsetting net-of-tax transition adjustment to recognise the difference in carrying value of the hedged item. This resulted in a net adjustment to equity of U.S.\$3,854,911 loss.

On 1 January 2001, ZF (USA) recorded a net-of-tax transition adjustment to recognise at fair value all derivative instruments that had previously been designated as a hedge of cash flows. ZF (USA) also recorded a net-of-tax cumulative-effect-type adjustment to recognise the changes in carrying value of the related hedged item. These resulted in a net adjustment to equity of U.S.\$1,447,952 loss.

Key Figures

| | as at 31 December 2002 | as at 31 December 2001 |
|---------------------------|--|--|
| | (in U.S.\$) | (in U.S.\$) |
| Assets | 1,054,248,770 | 994,620,616 |
| Liabilities | 1,046,132,655 | 1,000,414,832 |
| Stockholder's Equity..... | 8,116,115 | (5,794,216) |
| | for the year ended 31 December 2002 | for the year ended 31 December 2001 |
| | (in U.S.\$) | (in U.S.\$) |
| Revenues | 134,099,922 | 50,189,323 |
| Expenses | 111,904,035 | 45,445,435 |
| Income tax expense | 7,768,561 | 1,689,242 |
| Net income..... | <u>14,427,327</u> | <u>3,054,646</u> |

ZURICH FINANCE (UK) plc

Zurich Finance (UK) plc (ZF (UK)) is a wholly owned subsidiary of Zurich Financial Services (UKISA) Limited. It was incorporated and registered in England and Wales on 18 June 2002 under the Companies Act 1985 as a public limited company with an unlimited duration with company number 4463547. The registered office of ZF (UK) is 22 Arlington Street, London SW1A 1RW. ZF (UK) has no subsidiaries and has not conducted any operations to date.

ZF (UK)'s authorised share capital is GBP 50,000,000, divided into 50,000,000 ordinary shares of GBP 1.00 each. The issued and fully paid up capital of ZF (UK) is GBP 50,000 divided into 50,000 shares of GBP 1.00 each.

The primary purpose of ZF (UK) is to raise capital to finance the operations of members of the Group.

The current directors of ZF (UK) are:

- Mark George Culmer, whose business address is UK Life Centre, Station Road, Swindon, Wiltshire SN1 1EL;
- Christopher Wills Beazley, whose business address is UK Life Centre, Station Road, Swindon, Wiltshire SN1 1EL; and
- Morgan Murphy, whose business address is Mythenquai 2, 8002 Zurich, Switzerland.

The Company Secretary is Peter Charles Howe, whose business address is UK Life Centre, Station Road, Swindon, Wiltshire SN1 1EL.

The fiscal year of ZF (UK) begins on January 1 and terminates on December 31.

PricewaterhouseCoopers LLP have been appointed as auditors to ZF (UK).

The following table sets out in GBP the capitalisation and indebtedness of ZF (UK) as at 31 December 2002 and is derived from the financial statements of ZF (UK), which have been audited by PricewaterhouseCoopers LLP:

Capitalisation and Indebtedness

| | as at 31 December 2002 |
|----------------------------------|---------------------------------------|
| | <u>(GBP)</u> |
| Share capital..... | <u>50,000</u> |
| Total shareholders equity | <u><u>50,000</u></u> |

ZF (UK) was incorporated on 18 June 2002 and did not trade during the period ended 31 December 2002. Accordingly, no profit nor loss was generated.

Since 31 December 2002 there has been no material change in the capitalisation and indebtedness of ZF (UK).

FORM OF SENIOR GUARANTEE FROM ZIC

This guarantee agreement is made on the date of issue of the relevant tranche as specified in the Schedule hereto between:

- (1) **ZURICH INSURANCE COMPANY** of Mythenquai 2, CH-8002 Zurich, Switzerland, a company incorporated with limited liability under the laws of Switzerland (the "**Guarantor**"); and
- (2) **CITICORP TRUSTEE COMPANY LIMITED**, of Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, acting as trustee for the Noteholders, the Receiptholders and the Couponholders (each as defined below) (the "**Trustee**", which expression shall, where the context so admits, include such company and all other persons or companies for the time being the trustee or trustees of the Trust Deed).

WHEREAS

- (A) [**ZURICH FINANCE (LUXEMBOURG) S.A.] [ZURICH FINANCE (USA), INC.] [ZURICH FINANCE (UK) PLC]** as issuer, may issue Euro Medium Term Notes in an aggregate nominal amount of up to U.S.\$4,000,000,000 (or its equivalent in other currencies) pursuant to a Euro Medium Term Note Programme established by them.
- (B) The Issuer of the Notes of the relevant tranche specified in the Schedule hereto (the "**Issuer**") has agreed to issue the Notes described in the Schedule hereto (the "**Notes**") on the issue date specified in the Schedule hereto.
- (C) The Guarantor has agreed to guarantee to the Trustee up to a specified maximum amount the obligations of the Issuer to pay principal, interest and all other amounts payable on all outstanding Notes and under the Trust Deed (the "**Senior ZIC Guarantee**") for the benefit of the Trustee, the holders of the Notes (the "**Noteholders**"), the holders of the Receipts (if any) relating thereto (the "**Receiptholders**" and the "**Receipts**", respectively) and the holders of the Coupons (if any) relating thereto (the "**Couponholders**" and the "**Coupons**" respectively) (the Noteholders, the Receiptholders and the Couponholders together the "**Holders**" and the Notes, the Coupons and the Receipts together the "**Securities**").

1. GUARANTEE

(1) *Senior ZIC Guarantee*

The Guarantor hereby irrevocably and unconditionally undertakes in its capacity as primary obligor and not merely as a surety, pursuant to Art. 111 of the Swiss Federal Code of Obligations, irrespective of the validity of the Securities and the Trust Deed and waiving all rights of objection and defence arising from the Securities and the Trust Deed to pay to the Trustee, acting for the benefit of the Holders, within seven days after the receipt by the Guarantor of the Trustee's first written demand for payment and the Trustee's confirmation in writing that an amount due under the Securities or the Trust Deed which is equivalent to the amount claimed under the Senior ZIC Guarantee has remained unpaid on the due date (the last day of such period of seven days being hereinafter referred to as the "**Seventh Day**"), such amount upon the following terms:

- (a) the Senior ZIC Guarantee constitutes a direct, unconditional, unsubordinated and (subject to Condition 3(b) of the Terms and Conditions of the Notes) unsecured obligation of the Guarantor ranking (subject as aforesaid) *pari passu* with all its other outstanding unsecured and unsubordinated obligations, present and future, save for statutorily preferred exceptions, but in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights;
- (b) the maximum liability of the Guarantor under the Senior ZIC Guarantee (including, in particular, all amounts payable under Clause 3 of the Senior ZIC Guarantee and all other amounts payable under the Senior ZIC Guarantee) shall not exceed in aggregate [insert currency and amount] (the "**Guarantee Amount**"), calculated in accordance with Note 1 below, which may not be reduced for so long as any sum remains payable under the Securities;
- (c) all rights arising from the Senior ZIC Guarantee shall be held exclusively by the Trustee and no Holder may proceed directly against the Guarantor under the Senior ZIC Guarantee unless the Trustee having been so requested in writing by the Holders of not less than 25 per cent. in nominal amount of the Notes then outstanding or so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders to proceed, fails to do so within a reasonable period and such failure is continuing; and

- (d) the Guarantor agrees that any payments to be made by it hereunder shall be made to or to the order of the Trustee in the place of payment specified in the Schedule hereto in the currency specified in the Schedule hereto in immediately available funds before close of business in that city on the Seventh Day and any such payment shall, to that extent, satisfy the obligation of the Guarantor under the Senior ZIC Guarantee.

Such written demand shall, however, not be submitted to the Guarantor before seven days have passed since the due date on which such amount due under the Securities or the Trust Deed should have been paid.

(2) ***Guarantor's Obligations Continuing***

Subject to Clause 1(1)(b), the Guarantor's obligations under each Senior ZIC Guarantee are and will remain in full force and effect by way of continuing security until no sum remains payable under the Securities. Furthermore, the obligations of the Guarantor hereunder are additional to, and not instead of, any security or other guarantee or indemnity at any time existing in favour of any person, whether from the Guarantor or otherwise, and may be enforced without first having recourse to the Issuer, any other person, any security or any other guarantee or indemnity.

(3) ***Exercise of Guarantor's Rights***

So long as any sum remains payable by the Issuer under the Securities, no right of the Guarantor, by reason of the performance of any of its obligations under the Senior ZIC Guarantee, to be indemnified by the Issuer or to take the benefit of or enforce any security or other guarantee or indemnity shall be exercised or enforced. Until all amounts which may be or become payable in respect of the Securities have been irrevocably paid in full, the Guarantor shall not by virtue of the Senior ZIC Guarantee be subrogated to any rights of the Trustee or any Holder or claim in competition with the Trustee or the Holders against the Issuer.

(4) ***Avoidance of Payments***

Any settlement or discharge between the Guarantor and the Trustee in respect of the Senior ZIC Guarantee shall be conditional upon no payment to the Trustee or any Holder by the Issuer or any person on the Issuer's behalf being avoided or reduced by virtue of any provision or enactment relating to bankruptcy, insolvency or liquidation or similar laws of general application for the time being in force and, in the event of any such payment being so avoided or reduced, the Trustee shall be entitled to recover from the Guarantor the amount by which such payment is so avoided or reduced as if such settlement or discharge had not occurred.

2. **ACCEPTANCE**

The Trustee accepts the Senior ZIC Guarantee in its capacity as trustee for the Holders. The Guarantor agrees to be bound by the provisions of Condition 7 (subject to Clause 1(1)(b)) of the Terms and Conditions of the Notes as if set out in full in this guarantee agreement.

3. **CURRENCY INDEMNITY**

(1) ***Currency of Account and Payment***

The currency of the Notes (the "**Contractual Currency**") is the sole currency of account and payment for all sums payable by the Guarantor under or in connection with the Senior ZIC Guarantee, including damages.

(2) ***Extent of Discharge***

Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Guarantor or otherwise), by the Trustee in respect of any sum expressed to be due to it from the Guarantor will only discharge the Guarantor to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recover (or, if it is not practicable to make that purchase on that day, on the first date on which it is practicable to do so).

(3) ***Indemnity***

If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the recipient under the Senior ZIC Guarantee, the Guarantor will, subject to Clause 1(1)(b), indemnify the recipient against any loss sustained by it as a result and will indemnify it against the cost of making any such purchase.

(4) ***Indemnity separate***

This indemnity constitutes a separate and independent obligation from the other obligations in the Senior ZIC Guarantee, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by the Trustee and will continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under the Senior ZIC Guarantee or any judgment or order, subject always to Clause 1(1)(b).

4. **NOTICES**

Each notice or demand under the Senior ZIC Guarantee shall be made in writing. Each notice or demand to be made or sent to the Guarantor under the Senior ZIC Guarantee shall be made or sent (airmail, postage prepaid, if sent by post to another country) to the Guarantor at the address, and for the attention of the person, from time to time designated by the Guarantor for the purposes of the Senior ZIC Guarantee. Any such notice or demand shall be effective when actually delivered to such address. The address, attention and telefax number of the Guarantor for notices or demands under the Senior ZIC Guarantee for the time being are as follows:

Zurich Insurance Company
Mythenquai 2
CH-8002 Zurich Fax: +411 625 3497
Attention: Head of Corporate Legal Department
With a copy to: Fax: +411 625 3499
Attention: Head of Group Financing

5. **RIGHT OF PRODUCTION**

A copy of the Senior ZIC Guarantee will be deposited with each of the paying agents appointed under the Agency Agreement. The Guarantor hereby acknowledges the right of each Holder to production of a copy of the Senior ZIC Guarantee.

6. **GOVERNING LAW AND JURISDICTION**

(1) ***Governing Law***

The Senior ZIC Guarantee shall be governed by, and construed in accordance with, the substantive laws of Switzerland.

(2) ***Jurisdiction***

Any dispute arising out of the Senior ZIC Guarantee between the Guarantor and the Trustee, or between the Guarantor and a Holder who is entitled to proceed against the Guarantor pursuant to Clause 1(1)(c), shall fall exclusively within the jurisdiction of the Commercial Court of the Canton of Zurich, venue being Zurich 2, with the right of appeal, where the law permits, to the Swiss Federal Court of Justice in Lausanne, the decision of which shall be final.

This guarantee agreement has been entered into on the date stated at the beginning.

ZURICH INSURANCE COMPANY

By:

By:

CITICORP TRUSTEE COMPANY LIMITED

By:

By:

Note 1:

* The Guarantee Amount in respect of a relevant tranche of Notes (other than Variable Notes (as defined below)) will be calculated as follows:

For Fixed Rate Notes:

$$GA = RA + (3 \times I) + AA$$

For Floating Rate Notes:

$$GA = RA + (3 \times EI) + AA$$

For Zero Coupon Notes:

$$GA = RA + AA$$

where:

"GA" means Guarantee Amount;

"RA" means the greater of the Early Redemption Amount and the Final Redemption Amount of the Notes, each as defined in the relevant Pricing Supplement;

"I" means the amount of interest payable on the Notes up to the first anniversary of their issue date;

"EI" means the estimated amount of interest payable on the Notes up to the first anniversary of their issue date calculated on the basis that interest is payable for each interest period ending on or prior to such first anniversary at 1.5 times the rate fixed for the first interest period; and

"AA" means U.S.\$100,000 (or its equivalent in the currency of the Guarantee Amount) representing an additional amount to guarantee the payments of the Issuer to be due under the Trust Deed but not under the Securities.

For Notes with a variable or partial redemption amount or for Notes (other than Floating Rate Notes) where the amount of interest is not determinable at the Issue Date ("**Variable Notes**"), the Guarantee Amount will be signed between the Guarantor and the relevant Dealer on or before the Issue Date.

[Pricing Supplement annexed]

THE SCHEDULE

Issuer:

[Zurich Finance (Luxembourg) S.A.] [Zurich Finance (USA), Inc.] [Zurich Finance (UK) plc]

Title of Notes being issued:

[•]

Date of issue of relevant Tranche:

[•]

Guarantee Amount:

[•]

Place of payment and specified currency for the purposes of Clause 1(d):

FORM OF SUBORDINATED GUARANTEE FROM ZIC

This subordinated guarantee agreement is made on the date of issue of the relevant tranche as specified in the Schedule hereto between:

1. **ZURICH INSURANCE COMPANY** of Mythenquai 2, CH-8002 Zurich, Switzerland, a company incorporated with limited liability under the laws of Switzerland (the "**Guarantor**"); and
2. **CITICORP TRUSTEE COMPANY LIMITED**, of 11 Old Jewry, London EC2R 8DU, acting as trustee for the Noteholders and the Couponholders (each defined below) (the "**Trustee**", which expression shall, where the context so admits, include such company and all other persons or companies for the time being the trustee or trustees of the Trust Deed).

WHEREAS

- (A) [ZURICH FINANCE (LUXEMBOURG) S.A.] [ZURICH FINANCE (USA), INC.] [ZURICH FINANCE (UK) plc], as issuer, may issue Euro Medium Term Notes in an aggregate nominal amount of up to U.S.\$ 4,000,000,000 (or its equivalent in other currencies) pursuant to a European Medium Term Note Programme established by it.
- (B) The Issuer of the Notes of the relevant tranche specified in the Schedule hereto (the "**Issuer**") has agreed to issue the Notes described in the Schedule hereto (the "**Subordinated Notes**") on the issue date specified in the Schedule hereto.
- (C) The Guarantor has agreed to guarantee to the Trustee up to a specified maximum amount the obligations of the Issuer to pay principal, interest and all other amounts payable on all outstanding Subordinated Notes and under the Trust Deed (the "**Subordinated ZIC Guarantee**") for the benefit of the Trustee, the holders of the Subordinated Notes (the "**Noteholders**") and the holders of the Coupons (if any) relating thereto (the "**Couponholders**" and the "**Coupons**" respectively) (the Noteholders and the Couponholders together the "**Holders**" and the Subordinated Notes and the Coupons together the "**Subordinated Securities**").

1. GUARANTEE

(1) *Subordinated ZIC Guarantee*

The Guarantor hereby irrevocably and unconditionally undertakes on a subordinated basis in its capacity as primary obligor and not merely as a surety, pursuant to Art. 111 of the Swiss Federal Code of Obligations, irrespective of the validity of the Subordinated Securities and the Trust Deed and waiving all rights of objection and defence arising from the Subordinated Securities and the Trust Deed to pay to the Trustee, acting for the benefit of the Holders, within seven days after the receipt by the Guarantor of the Trustee's first written demand for payment and the Trustee's confirmation in writing that an amount due under the Subordinated Securities or the Trust Deed which is equivalent to the amount claimed under the Subordinated ZIC Guarantee has remained unpaid on the due date (the last day of such period of seven days being hereinafter referred to as the "**Seventh Day**"), such amount upon the following terms:

- (a) The Subordinated ZIC Guarantee hereunder constitutes a direct, unconditional, subordinated and unsecured obligation of the Guarantor.

Claims in respect of the Subordinated ZIC Guarantee will, in the event of a winding up, liquidation, dissolution, bankruptcy of or other similar proceedings against the Guarantor (such as bankruptcy ("Konkurs") composition ("Nachlassvertrag") and moratorium ("Stundung")), rank junior in the meaning of article 725 paragraph 2 of the Swiss Code of Obligations to all its other liabilities, present and future (other than any liability of the Guarantor ranking or expressed to rank *pari passu* with or junior to the Subordinated ZIC Guarantee) (hereinafter "**Senior Debt**"), it being understood, that the Guarantor's obligations under the guarantee agreements between Zurich Holding Company of America, Zurich Insurance Company and Bank of New York, as the guarantee trustee, and between Zurich Holding Company of America, Inc. and Zurich Insurance Company respectively, each dated May 30, 1997 and relating to Zurich Capital Trust I, shall rank senior to the Subordinated ZIC Guarantee. The obligations of the Guarantor hereunder do not constitute Senior Debt and all Senior Debt of the Guarantor shall first be paid in full before any payment (or distribution, whether in cash, securities or other property) shall be made to the Trustee and the Holders under this Subordinated ZIC Guarantee;

- (b) Neither the Trustee nor any Noteholder and/or Couponholder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer and/or the Guarantor arising under or in connection with the Subordinated Notes or the Subordinated ZIC Guarantee and the Trustee and

each Noteholder, and/or Couponholder shall, by virtue of being the holder of any of the Subordinated Notes and/or Coupons, be deemed to have waived all such rights of set-off.

- (c) the maximum liability of the Guarantor under the Subordinated ZIC Guarantee (including, in particular, all amounts payable under Clause 3 of the Subordinated ZIC Guarantee and all other amounts payable under the Subordinated ZIC Guarantee) shall not exceed in aggregate [insert currency and amount] (the "**Guarantee Amount**"), calculated in accordance with Note 1 which may not be reduced for so long as any sum remains payable under the Subordinated Securities;
- (d) all rights arising from the Subordinated ZIC Guarantee shall be held exclusively by the Trustee and no Holder may proceed directly against the Guarantor under the Subordinated ZIC Guarantee unless the Trustee having been so requested in writing by the Holders of not less than 25 per cent., in nominal amount of the Subordinated Notes then outstanding or so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders to proceed, fails to do so within a reasonable period and such failure is continuing; and
- (e) the Guarantor agrees that any payments to be made by it hereunder shall be made to or to the order of the Trustee in the place of payment specified in the Schedule hereto in immediately available funds before close of business in that city on the Seventh Day and any such payment shall to that extent, satisfy the obligation of the Guarantor under the Subordinated ZIC Guarantee.

Such written demand shall, however, not be submitted to the Guarantor before 7 days have passed since the due date on which such amount due under the Subordinated Securities or the Trust Deed should have been paid.

(2) ***Guarantor's Obligations Continuing***

Subject to Clause 1(1)(c), the Guarantor's obligations under the Subordinated ZIC Guarantee are and will remain in full force and effect by way of continuing security until no sum remains payable under the Subordinated Securities. Furthermore, the obligations of the Guarantor hereunder are additional to, and not instead of, any security or other guarantee or indemnity at any time existing in favour of any person, whether from the Guarantor or otherwise, and may be enforced without first having recourse to the Issuer, any other person, any security or any other guarantee or indemnity.

(3) ***Exercise of Guarantor's Rights***

So long as any sum remains payable by the Issuer under the Subordinated Securities, no right of the Guarantor, by reason of the performance of any of its obligations under the Subordinated ZIC Guarantee, to be indemnified by the Issuer or to take the benefit of or enforce any security or other guarantee or indemnity shall be exercised or enforced. Until all amounts which may be or become payable in respect of the Subordinated Securities have been irrevocably paid in full, the Guarantor shall not by virtue of the Subordinated ZIC Guarantee be subrogated to any rights of the Trustee or any Holder or claim in competition with the Trustee or the Holders against Issuer.

(4) ***Avoidance of Payments***

Any settlement or discharge between the Guarantor and the Trustee in respect of the Subordinated ZIC Guarantee shall be conditional upon no payment to the Trustee or any Holder by the Issuer or any person on the Issuer's behalf being avoided or reduced by virtue of any provision or enactment relating to bankruptcy, insolvency or liquidation or similar laws or general application for the time being in force and, in the event of any such payment being so avoided or reduced, the Trustee shall be entitled to recover from the Guarantor the amount by which such payment is so avoided or reduced as if such settlement or discharge had not occurred.

2. **ACCEPTANCE**

The Trustee accepts the Subordinated ZIC Guarantee in its capacity as trustee for the Holders. The Guarantor agrees to be bound by the provisions of Conditions 7 (subject to Clause 1(1)(c)) of the Terms and Conditions of the Subordinated Notes as if set out in full in this guarantee agreement.

3. **CURRENCY INDEMNITY**

(1) ***Currency of Account and Payment***

The currency of the Subordinated Notes (the "**Contractual Currency**") is the sole currency of account and payment for all sums payable by the Guarantor under or in connection with the Subordinated ZIC Guarantee, including damages.

(2) ***Extent of Discharge***

Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of the enforcement of a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Guarantor or otherwise), by the Trustee in respect of any sum expressed to be due to it from the Guarantor will only discharge the Guarantor to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recover (or, if it is not practicable to make that purchase on that day, on the first date on which it is practicable to do so).

(3) ***Indemnity***

If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the recipient under the Subordinated ZIC Guarantee, the Guarantor will, subject to Clause 1(1)(c), indemnify the recipient against any loss sustained by it as a result and will indemnify it against the cost of making any such purchase.

(4) ***Indemnity separate***

This indemnity constitutes a separate and independent obligation from the other obligations in the Subordinated ZIC Guarantee, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by the Trustee and will continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under the Subordinated ZIC Guarantee or any judgment or order, subject always to Clause 1(1)(c).

4. NOTICES

Each notice or demand under the Subordinated ZIC Guarantee shall be made in writing. Each notice or demand to be made or sent to the Guarantor under the Subordinated ZIC Guarantee shall be made or sent (airmail, postage prepaid, if sent by post to another country) to the Guarantor at the address, and for the attention of the person, from time to time designated by the Guarantor for the purposes of the Subordinated ZIC Guarantee. Any such notice or demand shall be effective when actually delivered to such address. The address, attention and telefax number of the Guarantor for notices or demands under the Subordinated ZIC Guarantee for the time being are as follows:

Zurich Insurance Company
Mythenquai 2
CH-8002 Zurich Fax: + 41 1 625 34 97
Attention: Head of Corporate Legal Department
With a copy to: Fax: + 41 1 625 34 99
Attention: Head of Group Financing

5. RIGHT OF PRODUCTION

A copy of the Subordinated ZIC Guarantee will be deposited by the Guarantor with each of the paying agents appointed under the Agency Agreement. The Guarantor hereby acknowledges the right of each Holder to production of a copy of the Subordinated ZIC Guarantee.

6. GOVERNING LAW AND JURISDICTION

(1) ***Governing law***

The Subordinated ZIC Guarantee shall be governed by, and construed in accordance with, the substantive laws of Switzerland.

(2) ***Jurisdiction***

Any dispute arising out of the Subordinated ZIC Guarantee between the Guarantor and the Trustee, or between the Guarantor and a Holder who is entitled to proceed against the Guarantor pursuant to Clause 1(1)(d), shall fall exclusively within the jurisdiction of the Commercial Court of the Canton of Zurich, venue being Zurich 2, with the right of appeal, where the law permits, to the Swiss Federal Court of Justice in Lausanne, the decision of which shall be final.

This guarantee agreement has been entered into on the date stated at the beginning.

ZURICH INSURANCE COMPANY

By:

By:

CITICORP TRUSTEE COMPANY LIMITED

By:

By:

Note 1:

* The Guarantee Amount in respect of a relevant tranche of Subordinated Notes (other than Variable Notes (as defined below)) will be calculated as follows:

For Fixed Rate Notes:

$$GA = RA + (3 \times I) + AA$$

For Floating Rate Notes:

$$GA = RA + (3 \times EI) + AA$$

For Zero Coupon Notes:

$$GA = RA + AA$$

where:

"GA" means Guarantee Amount;

"RA" means the greater of the Early Redemption Amount and the Final Redemption Amount of the Subordinated Notes, each as defined in the relevant Pricing Supplement;

"I" means the amount of interest payable on the Subordinated Notes up to the first anniversary of their issue date;

"EI" means the estimated amount of interest payable on the Subordinated Notes up to the first anniversary of their issue date calculated on the basis that interest is payable for each interest period ending on or prior to such first anniversary at 1.5 times the rate fixed for the first interest period; and

"AA" means U.S.\$100,000 (or its equivalent in the currency of the Guarantee Amount) representing an additional amount to guarantee the payments of the Issuer to be due under the Trust Deed but not under the Securities.

For Subordinated Notes with a variable or partial redemption amount or for Subordinated Notes (other than Floating Rate Notes) where the amount of interest is not determinable at the Issue Date ("**Variable Notes**"), the Guarantee Amount will be signed between the Guarantor and the relevant Dealer on or before the Issue Date.

[Pricing Supplement annexed]

THE SCHEDULE

| | |
|--|--|
| Issuer: | [Zurich Finance (Luxembourg) S.A.] [Zurich Finance (USA), Inc.] [Zurich Finance (UK) plc] |
| Title of Subordinated Notes being issued: | [Specify details of the Notes (including whether the Notes are Dated or Undated Subordinated Notes)] |
| Date of issue of relevant Tranche: | [•] |
| Guarantee Amount: | [•] |
| Place of payment and specified currency for the purposes of Clause 1(e): | [•] |

TAXATION

United States Taxation (in respect of Notes issued by ZF (USA))

Certain U.S. Federal Income Tax Consequences

The following is a general discussion of the material U.S. Federal income tax considerations applicable to initial holders of the Notes issued by ZF (USA). This summary is based upon current provisions of the Internal Revenue Code of 1986, as amended (the "**Code**"), regulations of the Treasury Department ("**Treasury Regulations**"), administrative rulings and pronouncements of the Internal Revenue Service ("**IRS**") and judicial decisions currently in effect, all of which are subject to change, possibly with retroactive effect. The discussion does not deal with all aspects of U.S. Federal income taxation that may be relevant to particular investors in light of their personal investment circumstances, including persons holding Notes as part of a conversion transaction or as part of a hedge or hedging transaction, or as a position in a straddle for tax purposes, nor does it discuss U.S. Federal income tax considerations applicable to certain types of investors subject to special treatment under the U.S. Federal income tax laws, including insurance companies, tax-exempt organizations, U.S. expatriates and financial institutions or broker-dealers. In addition, the discussion does not consider the effect of any foreign, state, local gift, estate or other tax laws that may be applicable to a particular investor.

For purposes of this discussion, a "**U.S. person**" means (i) a citizen or resident (as defined in Section 7701(b)(1) of the Code) of the United States, (ii) a corporation or other entity taxable as a corporation created or organized under the laws of the United States or any State thereof (including the District of Columbia), (iii) an estate or trust described in Section 7701(a)(30) of the Code, or (iv) a person whose worldwide income or gain is otherwise subject to U.S. Federal income taxation on a net income basis. A "**U.S. Holder**" means any beneficial owner of a Note that is a U.S. person, and a "**Non-U.S. Holder**" means any beneficial owner of a Note that is not a U.S. person.

The following discussion is based upon certain of the facts set forth in this Information Memorandum and other documents related to the issuance of Notes and upon compliance with the provisions thereof and the representations and agreements therein. This discussion is based on representations to the Issuers by the Dealers that they have in effect procedures reasonably designed to ensure that their employees or agents who are directly engaged in selling the Notes are aware that the Bearer Notes cannot be offered or sold during the restricted period (or resold in connection with the original issue) to a person who is within the United States or its possessions or who is a United States person, except as permitted by the Treasury Regulations.

THE TAX DISCUSSION SET FORTH BELOW IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A NOTEHOLDER'S PARTICULAR SITUATION. NOTEHOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE PARTICULAR CONSEQUENCES TO THEM OF HOLDING AND DISPOSING OF NOTES IN LIGHT OF THEIR OWN PARTICULAR CIRCUMSTANCES INCLUDING THE TAX CONSEQUENCES UNDER LOCAL, STATE, FOREIGN AND OTHER TAX LAWS AND POSSIBLE EFFECTS OF CHANGES IN UNITED STATES FEDERAL INCOME OR OTHER TAX LAWS.

Taxation of U.S. Holders

Debt Treatment

It is generally expected that the Notes will be treated as debt for U.S. federal income tax purposes and the following discussion is based on that assumption. However, it is possible that a Note could be issued with certain less conventional terms that would create a significant risk of equity treatment for U.S. federal income tax purposes, e.g. if a perpetual Note having no maturity date were issued. In such circumstances, the Pricing Supplement will contain a more detailed discussion of the treatment of a Note as debt or equity for U.S. federal income tax purposes.

Payments of Interest

In general, interest on a Note, whether payable in U.S. dollars or a foreign currency (other than certain payments on a Discount Note, as determined and described below under "Original Issue Discount"), will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on the holder's method of accounting for tax purposes. If an interest payment is denominated in or determined by reference to a foreign currency, then special rules, described below under "Foreign Currency Notes", apply.

Original Issue Discount

The following discussion summarizes the U.S. Federal income tax consequences to holders of Notes issued with original issue discount ("**OID**"). The basic rules for reporting OID are contained in the Code and the Treasury Regulations promulgated thereunder (the "**OID Regulations**").

Special rules apply to OID on a Discount Note (as defined below) that is denominated in a foreign currency. See "Foreign Currency Notes-Foreign Currency Discount Notes".

General. A Note will be treated as issued with OID (a "**Discount Note**") if the excess of the Note's "stated redemption price at maturity" over its "issue price" is greater than a *de minimis* amount (as set forth in the Code and the OID Regulations). Generally, the "**issue price**" of a Note (or any Note that is part of an issue of Notes) will be the first price at which a substantial amount of Notes that are part of such issue of Notes are sold. Under the OID Regulations, the "**stated redemption price at Maturity**" of a Note is the sum of all payments provided by the Note that are not payments of "qualified stated interest". A "qualified stated interest" payment includes any stated interest payment on a Note that is unconditionally payable in cash or property at least annually at a single fixed rate (or at certain floating rates) that appropriately takes into account the length of the interval between stated interest payments. The Pricing Supplement will state whether a particular issue of Notes will constitute an issue of Discount Notes.

In general, if the excess of a Note's stated redemption price at maturity over its issue price is *de minimis*, then such excess constitutes "**de minimis OID**". Under the OID Regulations, unless the election described below under "Election to Treat All Interest as Original Issue Discount" is made, such a Note will not be treated as issued with OID (in which case the following paragraphs under "Original Issue Discount" will not apply).

In certain cases, Notes that bear stated interest and are issued at par may be deemed to bear OID for U.S. Federal income tax purposes, with the result that the inclusion of interest in income for U.S. Federal income tax purposes may vary from the actual cash payments of interest made on such Notes, generally accelerating income for cash method taxpayers. Under the OID Regulations, a Note may be a Discount Note where (i) a Floating Rate Note provides for a maximum interest rate or a minimum interest rate that is reasonably expected as of the issue date to cause the yield on the debt instrument to be significantly less, in the case of a maximum rate, or more, in the case of a minimum rate, than the expected yield determined without the maximum or minimum rate, as the case may be; (ii) a Floating Rate Note provides for significant front-loading or back-loading of interest; or (iii) a Note bears interest at a floating rate in combination with one or more floating or fixed rates. Notice will be given in the applicable Pricing Supplement when the Company determines that a particular Note will be a Discount Note. Unless specified in the applicable Pricing Supplement, Floating Rate Notes will not be Discount Notes.

The Code and the OID Regulations provide rules that require a U.S. Holder of a Discount Note having a maturity of more than one year from its date of issue to include OID in gross income before the receipt of cash attributable to such income, without regard to the holder's method of accounting for tax purposes. The amount of OID which may be included in gross income by a U.S. Holder of a Discount Note is the sum of the "daily portions" of OID, with respect to the Discount Note for each day during the taxable year or portion of the taxable year in which the U.S. Holder holds such Discount Note ("**accrued OID**"). The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allowable to that accrual period. Under the OID Regulations, accrual periods with respect to a Note may be any set of periods (which may be of varying lengths) selected by the U.S. Holder as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Note occurs on the first day or final day of an accrual period.

The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Note's adjusted issue price at the beginning of the accrual period and the Discount Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of any payments of qualified stated interest on the Discount Note allocable to the accrual period. The "**adjusted issue price**" of a Discount Note at the beginning of the first accrual period is the issue price and at the beginning of any accrual period thereafter is (x) the sum of the issue price of such Discount Note, the accrued OID for each prior accrual period (determined without regard to the amortization of any acquisition premium or bond premium, which are discussed below), and the amount of any qualified stated interest on the Note that has accrued prior to the beginning of the accrual period but is not payable until a later date, less (y) any prior payments on the Discount Note that were not qualified stated interest payments. If a payment (other than a payment of qualified stated interest) is made on the first day of an accrual period, then the adjusted issue price at the beginning of such accrual period is reduced by the amount of the payment.

U.S. Holders of Discount Notes generally will have to include in income increasingly greater amounts of OID over the life of the Note.

Acquisition Premium. A U.S. Holder that purchases a Note at its original issuance for an amount in excess of its issue price but less than its stated redemption price at maturity (any such excess being "**acquisition premium**"), and that does not make the election described below under "Original Issue Discount-Election to Treat All Interest as Original Issue Discount", is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder's purchase price for the Note over the issue price and the denominator of which is the excess of the sum of amounts payable on the Note after the purchase date, other than payments of qualified stated interest, over the Note's issue price. Alternatively, a U.S. Holder may elect to compute OID accruals as described under "Original Issue Discount-General" above, treating the U.S. Holder's purchase price as the issue price.

Optional Redemption. If the relevant Issuer has an option to redeem a Note, or the Holder has an option to cause a Note to be repurchased prior to the Note's stated maturity, such option will be presumed to be exercised if, by utilizing any date on which such Note may be redeemed or repurchased as the maturity date and the amount payable on such date in accordance with the term of such Note (the "**redemption price**") as the stated redemption price at maturity, the yield on the Note would be (i) in the case of an option of the relevant Issuer, lower than its yield to stated maturity or (ii) in the case of an option of the Holder, higher than its yield to stated maturity. If such option is not in fact exercised when presumed to be exercised, the Note would be treated solely for OID purposes as if it were redeemed or repurchased, and a new Note were issued, on the presumed exercise date for an amount equal to the Note's adjusted issue price on that date.

Short-Term Notes. Under the Code, special rules apply with respect to OID on Notes that mature one year or less from the date of its issuance ("**Short-Term Notes**"). In general, a cash basis U.S. Holder of a Short-Term Note is not required to accrue OID for U.S. Federal income tax purposes unless it elects to do so. Accrual basis U.S. Holders and certain other U.S. Holders, including banks, regulated investment companies, dealers in securities and cash basis U.S. Holders who so elect, are required to accrue original issue discount on Short-Term Notes on either a straight-line basis or under the constant yield method (based on daily compounding), at the election of the U.S. Holder. In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realized on the sale or retirement of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant yield method) through the date of sale or retirement. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allowable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realized.

Any U.S. Holder of a Short-Term Note can elect to apply the rules in the preceding paragraph taking into account the amount of "acquisition discount", if any, with respect to the Note (rather than the OID with respect to such Note). Acquisition discount is the excess of the stated redemption price at maturity of the Short-Term Note over the U.S. Holder's purchase price. Acquisition discount will be treated as accruing on a ratable basis or, at the election of the Holder, on a constant-yield basis.

For purposes of determining the amount of OID subject to these rules, the OID Regulations provide that no interest payments on a Short-Term Note are qualified stated interest, but instead such interest payments are included in the Short-Term Note's stated redemption price at maturity.

Notes Purchased at a Premium

Under the Code, a U.S. Holder that purchases a Note for an amount in excess of its principal amount will not be subject to the OID rules and may elect to treat such excess as "amortizable bond premium", in which case the amount of qualified stated interest required to be included in the U.S. Holder's income each year with respect to interest on the Note will be reduced by the amount of amortizable bond premium allowable (based on the Note's yield to maturity) to such year. Any election to amortize bond premium shall apply to all bonds (other than bonds the interest on which is excludable from gross income) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. See also "Original Issue Discount-Election to Treat All Interest as Original issue Discount".

Notes Purchased at a Market Discount

A Note, other than a Short-Term Note, will be treated as issued at a market discount (a "**Market Discount Note**") if the amount for which a U.S. Holder purchased the Note is less than the Note's issue price, subject to a *de minimis* rule similar to the rule relating to *de minimis* OID described under "Original Issue Discount- General".

In general, any gain recognized on the maturity or disposition of a Market Discount Note will be treated as ordinary income to the extent that such gain does not exceed the accrued market discount on such Note. Alternatively, a U.S. Holder of a Market Discount Note may elect to include market discount in income currently over the life of the Note. Such an election applies to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the IRS.

Market discount accrues on a straight-line basis unless the U.S. Holder elects to accrue such market discount on a constant-yield-to-maturity basis. Such an election applies only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. A U.S. Holder of a Market Discount Note who does not elect to include market discount in income currently generally will be required to defer deductions for interest on borrowings allocable to such Note in an amount not exceeding the accrued market discount on such Note until the maturity or disposition of such Note.

The market discount rules do not apply to a Short-Term Note.

Election to Treat All Interest as Original Issue Discount

Any U.S. Holder that holds a Note may elect to include in gross income all interest that accrues on a Note using the constant-yield method described above under the heading "Original Issue Discount-General", with the modifications described below.

In applying the constant-yield method to a Note with respect to which this election has been made, the issue price of the Note will equal the electing U.S. Holder's adjusted basis in the Note immediately after its acquisition, the issue date of the Note will be the date of its acquisition by the electing U.S. Holder, and no payments of the Note will be treated as payments of qualified stated interest. This election generally will apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. If this election is made with respect to a Note with amortizable bond premium, then the electing U.S. Holder will be deemed to have elected to apply amortizable bond premium against interest with respect to all debt instruments with amortizable bond premium (other than debt instruments the interest on which is excludable from gross income) held by such electing U.S. Holder as of the beginning of the taxable year in which the Note with respect to which the election is made is held or thereafter acquired. The deemed election with respect to amortizable bond premium may not be revoked without the consent of the IRS.

If the election described above to apply the constant-yield method to all interest on a Note is made with respect to a Market Discount Note, as defined above, then the electing U.S. Holder will be treated as having made the election discussed above under "Notes Purchased at a Market Discount" to include market discount in income currently over the life of all debt instruments held or thereafter acquired by such U.S. Holder.

Purchase, Sale and Retirement of the Notes

A U.S. Holder's tax basis in a Note generally will be its U.S. dollar cost (which, in the case of a Note purchased with a foreign currency, will be the U.S. dollar value of the purchase price on the date of purchase), increased by the amount of any OID or market discount (or acquisition discount, in the case of a Short-Term Note) included in the U.S. Holder's income with respect to the Note and the amount, if any, of income attributable to de minimis OID included in the U.S. Holder's income with respect to the Note, and reduced by the sum of (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortizable bond premium applied to reduce interest on the Note. A U.S. Holder generally will recognize gain or loss on the sale or retirement of a Note equal to the difference between the amount realized on the sale or retirement and the tax basis of the Note. The amount realized on a sale or retirement for an amount in a foreign currency will be the U.S. dollar value of such amount on the date of sale or retirement. Except to the extent described above under "Original Issue Discount-Short-Term Notes" or "Market Discount" or as described below under "Foreign Currency Notes-Exchange Gain or Loss", and except to the extent attributable to accrued but unpaid interest, gain or loss recognized on the sale or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the Note was held for more than one year. In the case of individuals, such long-term capital gain will be subject to a maximum tax rate of 15 per cent.

Foreign Tax Credit

Interest and OID. Interest paid on, and any OID accrued with respect to, Notes should constitute income from sources inside the United States.

Effect of Withholding Taxes. A U.S. Holder will be required to include any foreign withholding taxes imposed on payments on a Note and foreign withholding taxes imposed with respect to any additional amounts payable with respect thereto as interest income in gross income. Such treatment will be required

regardless of whether, as will generally be true, additional amounts are set so that the amount of foreign withholding taxes does not reduce the net amount actually received by the U.S. Holder of the Note.

Subject to certain limitations, a U.S. Holder may be entitled to a credit against its U.S. Federal income tax liability, or a deduction in computing its U.S. Federal taxable income, for foreign income taxes withheld by the Issuer (which, as described above, would include the amount of any additional amounts paid by the Issuer with respect to such foreign taxes). Such credit or deduction will not be available to the extent the foreign income taxes are used, directly or indirectly, to provide a subsidy by any means (including, but not limited to, a rebate, refund, credit, deduction, payment or discharge of an obligation or any other method) to the U.S. Holder (or to certain other persons) and certain other conditions are satisfied.

Potential purchasers of Notes should carefully consider the applicable Pricing Supplement for information regarding the U.S. Federal tax consequences of payments by the Issuer of withholding or other taxes and of additional amounts.

Foreign Currency Notes

Interest Payments. If an interest payment is denominated in or determined by reference to a foreign currency, the amount of income recognized by a cash-basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. Accrual-basis U.S. Holders may determine the amount of income recognized with respect to such interest payments in accordance with either of two methods. Under the first method, the amount of income recognized will be based on the average exchange rate in effect during the interest accrual period (or, with respect to an accrual period that spans two taxable years, the partial period within the taxable year). Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Note) determined by reference to a foreign currency, an accrual-basis U.S. Holder will recognize ordinary income or loss measured by the difference between such average exchange rate and the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. Under the second method, an accrual-basis U.S. Holder may elect to translate interest income into U.S. dollars at the spot exchange rate in effect on the last day of the accrual period or, in the case of an accrual period that spans two taxable years, at the exchange rate in effect on the last day of the partial period within the taxable year. Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period or taxable year, an accrual-basis U.S. Holder applying the second method may instead translate such accrued interest into U.S. dollars at the spot exchange rate in effect on the day of actual receipt (in which case no exchange gain or loss will result). Any election to apply the second method will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Exchange of Amounts in Other than U.S. Dollars. Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its U.S. dollar value at the time such interest is received or at the time of such sale or retirement as the case may be. Foreign currency that is purchased generally will have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognized on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be ordinary income or loss.

Foreign Currency Discount Notes. OID for any accrual period on a Discount Note that is denominated in a foreign currency will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual-basis U.S. Holder. Upon receipt of an amount attributable to original issue discount (whether in connection with a payment of interest or the sale or retirement of a Note), a U.S. Holder may recognize ordinary income or loss.

Amortizable Bond Premium. In the case of a Note that is denominated in a foreign currency, any bond premium will be computed in units of foreign currency, and amortizable bond premium will reduce interest income in units of the foreign currency. At the time amortized bond premium offsets interest income, a U.S. Holder may realize ordinary income or loss, measured by the difference between exchange rates at that time and at the time of the acquisition of the Note.

Exchange Gain or Loss. Gain or loss recognized by a U.S. Holder on the sale or retirement of a Note that is attributable to changes in exchange rates will be treated as ordinary income or loss. However, exchange gain or loss is taken into account only to the extent of total gain or loss realized on the sale or retirement.

Indexed Notes

The applicable Pricing Supplement will contain a discussion of any special United States Federal income rules with respect to currency indexed Notes or other indexed Notes.

Taxation of Non-U.S. Holders

Under present U.S. Federal income and estate tax laws and subject to the discussion of backup withholding below:

- (a) A Non-U.S. Holder generally will not be subject to the U.S. Federal income or withholding tax on payments of interest on a Note (including OID), provided that (i) the holder is not (A) a direct or indirect owner of 10 per cent. or more of the total voting power of all voting stock of the relevant Issuer or (B) a controlled foreign corporation related to the relevant Issuer through stock ownership, (ii) such interest payments are not effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States, (iii) the Holder is not a bank receiving interest described in Section 881(c)(3)(A) of the Code, (iv) the interest is not contingent interest described in Section 871(h)(4) of the Code, related primarily to interest based on or determined by reference to income, profits, cash flow and other comparable attributes of the obligor or a party related to the obligor, and (v) in the case of Registered Notes, the relevant Issuer or its paying agent receives certain information from the holder (or a financial institution that holds the Notes in the ordinary course of its trade or business) certifying that such holder is a Non-U.S. Holder;
- (b) A Non-U.S. Holder generally will not be subject to U.S. Federal income or withholding tax on gains from the sale or other disposition of a Note, provided that (i) such gains are not effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States and (ii) such Non-U.S. Holder is not an individual who is present in the United States for 183 days or more in the taxable year of disposition and meets certain other requirements; and
- (c) Any Note or coupon beneficially owned by an individual who at the time of death is not a citizen or resident of the U.S. will not be subject to U.S. Federal estate tax provided that, at the time of death, such individual does not actually or constructively own 10 per cent. or more of the total combined voting power of the relevant Issuer entitled to vote and interest on the Notes or coupon was not effectively connected with a U.S. trade or business conducted by such individual.

To qualify for the exemption from withholding tax in the case of Registered Notes, referred to in (a)(v) above, the beneficial owner of such Registered Notes, or a financial institution holding the Registered Note on behalf of such owner, must provide in accordance with specified procedures, a paying agent of the relevant Issuer with a statement to the effect that the beneficial owner is not a U.S. person. Pursuant to current Treasury Regulations, these requirements will be met if (a) the beneficial owner provides his name and address, and certifies, under penalties of perjury, that he is not a U.S. person (which certification may be made on an IRS Form W-8BEN) or (b) a financial institution holding the Note on behalf of the beneficial owner certifies, under penalties of perjury, that such statement has been received by it and furnishes a paying agent with a copy thereof. Certain alternative documentation may be permissible under Treasury Regulations. Treasury Regulations also provide special certification rules for certain intermediaries receiving payments on behalf of beneficial owners, including payments received by non-U.S. participants and trusts. Non-U.S. holders should consult their own tax advisors regarding the effect, if any, of the Treasury Regulations on their particular situation.

If a Non-U.S. Holder cannot satisfy the requirements of the "portfolio interest" exception described in (a) above, payments of premium, if any, and interest made to such Non-U.S. Holder will be subject to a 30 percent withholding tax unless such holder provides the relevant Issuer or its paying agent as the case may be with a properly executed (1) IRS Form W-8BEN claiming an exemption from withholding under the benefit of a tax treaty or (2) IRS Form W-8ECI stating that interest paid on the Note is not subject to withholding tax because it is effectively connected with the holder's conduct of a trade or business in the United States.

If a Non-U.S. Holder is engaged in a trade or business in the United States and premium, if any, or interest on the Notes is effectively connected with the conduct of such trade or business, such holder, although exempt from the withholding tax discussed above, will be subject to United States Federal income tax on such interest on a net income basis in the same manner as if it were a U.S. person. In addition, if such Non-U.S. Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30 per cent. of its effectively connected earnings and profits for the taxable year, subject to adjustments. For this purpose, premium, if any, and interest on a Note will be included in such foreign corporation's earnings and profits.

Information Reporting and Backup Withholding

A holder of a Note may be subject to backup withholding at a rate of 28 per cent. with respect to interest paid on the Note and proceeds from the sale, exchange, redemption or retirement of the Note, unless such holder (i) is a corporation or comes within with certain other exempt categories and, when required, demonstrates that fact or (ii) provides a correct taxpayer identification number (social security number or

employer identification number), certifies as to its exemption from backup withholding and otherwise complies with applicable requirements of the backup withholding rules. Certain penalties may be imposed by the IRS on a holder that is required to supply information but does not do so in the proper manner.

A Non-U.S. Holder generally will be exempt from backup withholding and information reporting requirements, but may be required to comply with certification and identification procedures in order to obtain an exemption from backup withholding and information reporting.

Any amount withheld under the backup withholding rules from a payment to a holder is allowable as a credit against such holder's U.S. Federal income tax (which might entitle such holder to a refund), provided that such holder furnishes the required information to the IRS.

Luxembourg Taxation

The following information is of a general nature only and is based on the laws presently in force in Luxembourg. It does not purport to be a comprehensive description of all tax implications that might be relevant to an investment decision. Noteholders who are in doubt as to their tax position should consult their professional advisers.

(a) Withholding tax, income tax

Interest paid in respect of Notes issued by Zurich Finance (Luxembourg) S.A. will not be subject to withholding tax in Luxembourg. A Luxembourg withholding tax on payments to individual holders of Notes may in the future be required to be made pursuant to any European Directive on savings implementing the conclusion of the ECOFIN Council meeting of 26 and 27 November 2000 and ECOFIN Council meeting of 3 June 2003 or any law or regulation implementing or complying with, or introduced in order to conform to, such Directive.

The Noteholder who is a resident of Luxembourg for tax purposes or who has a permanent establishment or a fixed place of business in Luxembourg, to which the Notes are attributable, is subject to Luxembourg income tax in respect of the interest paid or accrued on the Notes. Specific exemptions may be available for certain taxpayers benefiting from a particular tax status.

Foreign withholding tax on interest payments in respect of Notes issued by ZF (USA) to a Noteholder who is a resident of Luxembourg for tax purposes or who has a permanent establishment or a fixed place of business in Luxembourg, to which the Notes are attributable, may give rise to a (limited) tax credit in Luxembourg.

Under Luxembourg domestic tax law, capital gains realised by an individual Noteholder, who is a resident of Luxembourg for tax purposes and acts in the course of the management of its private wealth, on the sale of Notes issued by a Luxembourg or foreign issuer are not subject to Luxembourg income tax, except if the alienation takes place within six months of the acquisition of the Notes. Gains realised by a corporate Noteholder or an individual Noteholder, acting in the course of the management of a business undertaking, who is a resident of Luxembourg for tax purposes or who has a permanent establishment or a fixed place of business in Luxembourg, to which the Notes are attributable, on the sale of Notes issued by a Luxembourg or foreign issuer are, in general, subject to Luxembourg income taxes. Gains realised by a non resident Noteholder who does not have a permanent establishment or fixed place of business in Luxembourg, to which the Notes are attributable, on the sale of Notes are not subject to Luxembourg income tax.

(b) Registration taxes

Except for the issue of undated Notes, the issue of Notes by Zurich Finance (Luxembourg) S.A. will not be subject to a Luxembourg registration or stamp duty. The issue of undated Notes may be subject to the 1% Luxembourg capital duty, which is applicable to contributions increasing the relevant company's own funds.

The transfer or sale of such Notes will not be subject to a Luxembourg registration or stamp duty.

(c) Other taxes

Under present Luxembourg tax law, a Noteholder who is a resident of Luxembourg for tax purposes or who has a permanent establishment or a fixed place of business in Luxembourg, to which the Notes are attributable, has to take into account the Notes for purposes of the Luxembourg wealth tax.

Under present Luxembourg tax law, in the case where a Noteholder is a resident for tax purposes of Luxembourg at the time of his death, the Notes are included in his taxable estate, for inheritance tax purposes.

Swiss Taxation

The following information is of a general nature and is based on the law presently in force in Switzerland. It does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision of an investor to purchase, hold or dispose of Notes. Noteholders who are in doubt as to their personal tax position should consult their professional advisers.

(a) Tax Ruling

In case of an issue of Undated Subordinated Notes by ZIC, ZIC will obtain a tax ruling from the Swiss Federal Tax Administration confirming the tax principles applicable to such Notes.

(b) Withholding Tax

Interest paid in respect of Senior Notes or Dated Subordinated Notes issued by ZIC will be subject to the Swiss Anticipatory Tax at the rate of currently 35 per cent. and ZIC will be required to withhold tax at such rate from any interest payment to a Noteholder. The holder of such Note who is resident in Switzerland may claim credit for the amount withheld in his tax filing, and the holder of such Note of ZIC who is not resident in Switzerland may claim a refund and/or credit for the amount withheld by reason of the provisions of a double tax treaty, if any, between Switzerland and the country of residence or incorporation of such holder.

Exceptionally, interest paid in respect of Senior Notes or Dated Subordinated Notes issued by ZIC in one or more private placements to banks (for their own account) and to not more than 10 investors (which do not qualify as a bank) will be exempted from the Swiss Anticipatory Tax pursuant to a ruling of the Swiss Federal Tax Administration.

Payments in respect of Notes issued by ZF (Luxembourg), ZF (USA) or ZF (UK), or by ZIC as Guarantor in respect of such Notes, are, according to present practice of the Swiss Federal Tax Administration, not subject to the Swiss Anticipatory Tax provided that the net proceeds from the issue of the Notes are used outside Switzerland.

(c) Federal Stamp Tax

The issue of Notes issued by ZIC will be subject to the Swiss Federal Issue Stamp Duty. The transfer or sale of such Notes with a maturity of more than 12 months will be subject to the Swiss Federal Transfer Stamp Duty of presently 0.15 per cent. if such transfer or sale is made by or through the intermediary of a Swiss registered securities dealer as defined in the Swiss Federal Stamp Duty law.

Exceptionally, Notes issued by ZIC in one or more private placements to banks (for their own account) and to not more than 10 investors (which do not qualify as a bank) may be exempted from the Swiss Federal Issue Stamp Duty pursuant to a ruling of the Swiss Federal Tax Administration.

The issue of Notes issued by an Issuer other than ZIC will not be subject to any taxes in Switzerland. The transfer or sale of such Notes with a maturity of more than 12 months will be subject to the Swiss Federal Transfer Stamp Duty of presently 0.3 per cent. if such transfer or sale is made by or through the intermediary of a Swiss registered securities dealer as defined in the Swiss Federal Stamp Duty Law.

(d) Other Taxes

Under present Swiss law, a Noteholder who is a non-resident of Switzerland and who during the taxable year has not engaged in trade or business through a permanent establishment in Switzerland and who is not subject to taxation by Switzerland for any other reason will be exempted from any Swiss Federal Cantonal or Municipal income or other tax on gains on the sale of, or payments received under the Notes.

Under present Swiss law, certain types of Notes may constitute "Obligationen mit ueberwiegender Einmalverzinsung" in accordance with the directive issued by the Swiss Federal Tax Administration on 12th April, 1999 (updated as per January 28, 2002). This characterisation is relevant to the Swiss tax consequences of individuals resident in Switzerland and holding Notes for private investment purposes.

On 6 March 2003, the European Union and Switzerland have agreed on the principles of the implementation of the EU Savings Directive in Switzerland through a bilateral treaty EU/Switzerland. Switzerland will be required to operate a withholding system in relation to interest payments (or similar income) paid by a person within its jurisdiction to an individual resident in the European Union. However, the respective treaty between the European Union and Switzerland has not yet been finally elaborated and will have to pass the decision making procedure of the Swiss Parliament. The treaty will enter into force on 1 January 2005 at the earliest.

United Kingdom Taxation

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. The comments do not deal with

other United Kingdom tax aspects of acquiring, holding or disposing of Notes (and for the avoidance of doubt do not include consideration of direct taxation of income on which tax may or may not be withheld). The comments relate only to the position of persons who are absolute beneficial owners of the Notes. Prospective Noteholders should be aware that the particular terms of issue of any series of Notes as specified in the relevant Pricing Supplement may affect the tax treatment of that and other series of Notes. The following is a general guide and should be treated with appropriate caution. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

(a) *Interest on the Notes issued by ZF (UK)*

The Notes issued by ZF (UK) which carry a right to interest will constitute "quoted Eurobonds" within the meaning of section 349 of the UK Income and Corporation Taxes Act 1988 (the "Act") as long as they are and continue to be listed on a "recognised stock exchange" within the meaning of section 841 of the Act. On the basis of the United Kingdom Inland Revenue's published interpretation of the relevant legislation, securities which are to be listed on a stock exchange in a country which is a member state of the European Union or which is part of the European Economic Area will satisfy this requirement if they are listed by a competent authority in that country and are admitted to trading on a recognised stock exchange in that country. (The Luxembourg Stock Exchange is acknowledged by the Inland Revenue to be a recognised stock exchange for these purposes.) Accordingly, payments of interest on such Notes may be made without withholding on account of UK income tax provided such Notes remain so listed at the time of payment.

In all other cases, interest on the Notes issued by ZF (UK) may fall to be paid under deduction of United Kingdom income tax at the lower rate (currently 20%), subject to any direction to the contrary (in respect of all or part of such deduction) by the Inland Revenue under an applicable double taxation treaty and subject to certain other exceptions. For example, this withholding will not apply if the relevant interest is paid on Notes with a maturity date of less than one year from the date of issue and which are not issued under arrangements the effect of which is to render such Notes part of a borrowing with a total term of a year or more.

(b) *Payments by guarantor*

If any payments are made pursuant to a Subordinated ZIC Guarantee in respect of interest on Notes issued by ZF (UK) (or other amounts due under such Notes other than the repayment of amounts subscribed for the Notes) such payments may be subject to United Kingdom withholding tax at the basic rate (currently 22%) subject to the availability of relief (in respect of all or part of such withholding tax) under the provisions of any applicable double taxation treaty and to certain other exceptions (although such payments may not be eligible for the exemptions described in paragraph (a) above).

(c) *Provision of information*

Noteholders who are individuals should note that where any interest on Notes is paid to them (or to any person acting on their behalf) by ZF (UK) or any person in the United Kingdom acting on behalf of ZF (UK), ZF (Luxembourg), ZF USA or ZIC (a "**paying agent**"), or is received by any person in the United Kingdom acting on behalf of the relevant Noteholder (other than solely by clearing or arranging the clearing of a cheque) (a "**collecting agent**"), then ZF (UK), the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to the United Kingdom Inland Revenue details of the payment and certain details relating to the Noteholder (including the Noteholder's name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the Noteholder is resident in the United Kingdom for United Kingdom taxation purposes. Where the Noteholder is not so resident, the details provided to the United Kingdom Inland Revenue may, in certain cases, be passed by the United Kingdom Inland Revenue to the tax authorities of the jurisdiction in which the Noteholder is resident for taxation purposes.

For the purposes of this paragraph (c), "**interest**" should be taken, for practical purposes, as including payments made by a guarantor in respect of interest on Notes.

With effect from 6 April 2003 the provisions referred to in this paragraph (c) above may also apply, in certain circumstances, to payments made on redemption of any Notes where the amount payable on redemption is greater than the issue price of the Notes.

(d) *Other rules relating to United Kingdom withholding tax*

Notes may be issued at an issue price of less than 100 per cent of their principal amount. Any discount element on any such Notes will not be subject to any United Kingdom withholding tax pursuant to the provisions mentioned in (a) above, but may be subject to reporting requirements as outlined in (c) above and in "Proposed EU Savings Directive" below.

Where Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax, and to reporting requirements as outlined in (c) above and in "Proposed EU Savings Directive" below.

The references to "interest" in this United Kingdom Taxation section above mean "interest" as understood in United Kingdom tax law. Such statements do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation (e.g. see Condition 5(d) of the Notes).

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an issuer pursuant to Condition 14 of the Notes and does not consider the tax consequences of any such substitution.

Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

Proposed EU Savings Directive

On 3 June 2003, the EU Council adopted a directive regarding the taxation of savings income. Under the directive, each Member State will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State; however, for a transitional period only which will end after agreement on exchange of information is reached between the European Union and certain non-European Union States, Austria, Belgium and Luxembourg will instead apply a withholding system in relation to such payments. Subject to certain conditions being satisfied, the directive is scheduled to be applied from 1 January 2005. The attention of Noteholders is drawn to Condition 7 of the Terms and Conditions of the Notes.

SUBSCRIPTION AND SALE

The Dealers have an amended and restated dealer agreement (as further amended or supplemented from time to time, the "**Dealer Agreement**") dated 26 June 2003 agreed with the Issuers as the basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "Form of the Notes" and "Terms and Conditions of the Notes" above. In the Dealer Agreement, the Issuers have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme.

United States

The Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act.

Notes in bearer form are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. tax regulations. Terms used in the preceding sentence have the meanings given to them by the United States Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it will offer, sell and deliver Notes (i) as part of their distribution at any time and (ii) otherwise until forty days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, only in accordance with Rules 903 and 904 of Regulation S or, if applicable, Rule 144A under the Securities Act and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it or through it during the distribution compliance period a confirmation or notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the above paragraph have the meanings given to them by Regulation S.

Each issuance of index-, commodity- or currency-linked Notes shall be subject to additional U.S. selling restrictions as the relevant Dealer or Dealers shall agree as a term of the issuance and purchase of such Notes. Each Dealer agrees that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

The Notes are being offered and sold only (A) to a limited number of QIBs in compliance with Rule 144A, and (B) outside the United States to persons other than U.S. persons ("**foreign purchasers**," which term includes dealers or other professional fiduciaries in the United States acting on a discretionary basis for foreign beneficial owners, other than an estate or trust) in reliance upon Regulation S. As used in this discussion of "Subscription and Sale" ± "United States", the terms "**United States**" and "**U.S. person**" have the meanings given to them in Regulation S.

UNLESS OTHERWISE PERMITTED BY ALL APPLICABLE LAWS AND REGULATIONS, NOTES MAY NOT BE OFFERED OR SOLD IN ALABAMA, DELAWARE, LOUISIANA, NEW MEXICO OR PUERTO RICO.

Each purchaser of Notes will be deemed to have represented and agreed as follows:

- (1) It is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is either (A) a QIB, and is aware that the sale to it is being made in reliance on Rule 144A, or (B) a foreign purchaser that is outside the United States (or a foreign purchaser that is a dealer or other fiduciary as referred to above).
- (2) It acknowledges that the Notes have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below.
- (3) It agrees that the Issuer has no obligation to register the Notes under the Securities Act.
- (4) It will not resell or otherwise transfer any Notes within two years after the original issuance of the Notes except (A) to the Issuer, (B) inside the United States to a QIB in a transaction complying with Rule 144A, (C) inside the United States to a limited number of other institutional "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that, prior to the transfer, furnish (or have furnished on their behalf by U.S. broker-dealers) to the Trustee signed letters containing certain representations and agreements relating to restrictions on transfer of the Notes (the form of which letter can be obtained from the Trustee), (D) outside the United States in compliance with Rule 904 under the Securities Act, (E) pursuant to the exemption from

registration provided by Rule 144 under the Securities Act (if available) or (F) pursuant to an effective registration statement under the Securities Act.

- (5) It will give to each person to whom it transfers Notes notice of any restrictions on transfer of those Notes.
- (6) It understands that the Notes offered in reliance on Rule 144A or Regulation S will be represented by Global Notes. Before any interest in a Reg. S. Global Note or in a Restricted Global Note may be offered, sold, pledged or otherwise transferred to a person who is not a QIB or a foreign purchaser, the transferee will be required to provide the Trustee with a written certification (the form of which certification can be obtained from the Trustee) as to compliance with the transfer restrictions referred to above.
- (7) It understands that each of the Notes will bear a legend substantially to the following effect unless otherwise agreed by the Issuer and the holder of particular Notes:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OF BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH BELOW. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(a)(1), (2), (3), OR (7) UNDER THE SECURITIES ACT) (AN INSTITUTIONAL "ACCREDITED INVESTOR") OR (C) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT, (2) AGREES THAT IT WILL NOT, PRIOR TO THE DATE THAT IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUANCE OF THIS SECURITY AND THE LAST DATE ON WHICH THE ISSUER OF THIS SECURITY OR ANY AFFILIATED PERSON OF THE ISSUER WAS THE OWNER OF THIS SECURITY, RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT (A) TO THE ISSUER OR ANY SUBSIDIARY OF THE ISSUER, (B) INSIDE THE UNITED STATES, TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) INSIDE THE UNITED STATES TO AN INSTITUTIONAL ACCREDITED INVESTOR THAT, PRIOR TO THE TRANSFER, FURNISHES (OR HAS FURNISHED ON ITS BEHALF BY A U.S. BROKER-DEALER) TO THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THIS SECURITY (THE FORM OF WHICH LETTER CAN BE OBTAINED FROM THE TRUSTEE FOR THIS SECURITY), (D) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT, (E) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), OR (F) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THIS SECURITY WITHIN TWO YEARS AFTER THE ORIGINAL ISSUANCE OF THIS SECURITY, IF THE PROPOSED TRANSFEREE IS AN INSTITUTIONAL ACCREDITED INVESTOR, THE HOLDER MUST, PRIOR TO THE TRANSFER, FURNISH TO THE TRUSTEE AND THE ISSUER SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS EITHER OF THEM MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. AS USED IN THIS STATEMENT, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

- (8) It will not sell or otherwise transfer Notes to, and each purchaser represents and covenants that it is not acquiring the Notes for or on behalf of, and will not transfer Notes to, any "employee benefit plan" as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974 ("ERISA") which is subject to Title I of ERISA or any "plan" as defined in Section 4975 of the Code, which is subject to Section 4975 of the Code (in such case, a "**Plan**"), or any entity the assets of which constitute "plan assets" of any Plan for the purposes of ERISA or Section 4975 of

the Code (a "**Plan Entity**") except that a purchase for or on behalf of a Plan or a Plan Entity will be permitted:

- (a) if the purchase is made by or on behalf of a bank collective investment fund maintained by the purchaser, and at any time while the Notes are held by the purchaser the applicable conditions of Prohibited Transaction Class Exemption 91-38 issued by the Department of Labor are satisfied, so that the purchase and holding of the Notes do not violate Section 406 of ERISA or Section 4975 of the Internal Revenue Code;
 - (b) if the purchase is made by or on behalf of an insurance company pooled separate account maintained by the purchaser, and at any time while the Notes are held by the purchaser and the applicable conditions of Prohibited Transaction Class Exemption 90-1 issued by the Department of Labor are satisfied, so that the purchase and holding of the Notes do not violate Section 406 of ERISA or Section 4975 of the Internal Revenue Code;
 - (c) if the purchase is made by or on behalf of an insurance company general account maintained by the purchaser, and at any time while the Notes are held by the purchaser, the applicable conditions of Prohibited Transaction Class Exemption 95-60 issued by the Department of Labor are satisfied, so that the purchase and holding of the Notes do not violate Section 406 of ERISA or Section 4975 of the Internal Revenue Code;
 - (d) if the purchase is made on behalf of a Plan by (i) an investment adviser registered under the Investment Advisers Act of 1940 that had as of the last day of its most recent fiscal year total assets under its management and control in excess of \$50,000,000 and had stockholders' or partners' equity in excess of \$750,000, as shown on its most recent balance sheet prepared in accordance with generally accepted accounting principles, (ii) a bank as defined in Section 202(a)(2) of the Investment Advisers Act of 1940 with equity capital in excess of \$1,000,000 as of the last day of its most recent fiscal year, (iii) an insurance company which is qualified under the laws of more than one state to manage, acquire or dispose of any assets of a plan, which insurance company has, as of the last day of its most recent fiscal year, net worth in excess of \$1,000,000 and which is subject to supervision and examination by a state authority having supervision over insurance companies, or (iv) a savings and loan association, the accounts of which are insured by the Federal Savings and Loan Insurance Corporation, that has made application for and been granted trust powers to manage, acquire or dispose of assets of a plan by a state or federal authority having supervision over savings and loan associations, which savings and loan association has, of the last day of its most recent fiscal year, equity capital or net worth in excess of \$1,000,000 and, in any case, such investment adviser, bank, insurance company or savings and loan association is otherwise a "qualified professional asset manager", as that term is used in Prohibited Transaction Class Exemption 84-14 issued by the Department of Labor ("**PTE 84-14**") and, at any time while the Notes are held by the purchaser the applicable conditions of PTE 84-14 are satisfied so that the purchase and holding of the Notes do not violate Section 406 of ERISA or Section 4975 of the Internal Revenue Code; or
 - (e) if such purchase is made by or on behalf of a Plan by an in-house manager and, at any time while the Notes are held by the purchaser, the applicable conditions of Prohibited Transaction Class Exemption 96-23 issued by the Department of Labor are satisfied so that the purchase and the holding of the Notes do not violate Section 406 of ERISA or Section 4975 of the Internal Revenue Code.
- (9) It acknowledges that the Trustee for the Notes will not be required to accept for registration of transfer any Notes acquired by it, except upon presentation of evidence satisfactory to the Issuer and the Trustee that the restrictions described above have been complied with.
- (10) It acknowledges that the Issuers, the Dealers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of the acknowledgments, representations and agreements deemed to have been made by its purchase of Notes are no longer accurate, it will promptly notify the Issuer and the Dealers. If it is acquiring the Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations, and agreements on behalf of each account.

In the case of a Registered Global Note registered in the name of Cede & Co. as nominee (or another nominee) of The Depository Trust Company, the following paragraph shall appear in the legend:

"UNLESS THIS GLOBAL NOTE IS PRESENTED BY AN AUTHORISED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY REGISTERED NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUIRED BY AN AUTHORISED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUIRED BY ANY AUTHORISED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL IN AS MUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN."

United Kingdom

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (a) **No offer to public:** in relation to Notes which have a maturity of one year or more, it has not offered or sold and, prior to the expiry of a period of six months from the Issue Date of such Notes, will not offer or sell any such Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;
- (b) **No deposit-taking:** in relation to any Notes which have a maturity of less than one year:
 - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
 - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the relevant Issuer;
- (c) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the relevant Issuer or the Guarantor; and
- (d) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

Each Dealer understands that the Notes have not been and will not be registered under the Securities and Exchange Law of Japan. Accordingly, each Dealer undertakes that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for reoffering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph "**Japanese Person**" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan. No Notes denominated in Japanese Yen shall be sold without the specific approval of the Japanese Ministry of Finance, except for Notes which are already permitted by the Japanese Ministry of Finance.

Luxembourg

The Notes may not be offered or sold to the public in the Grand Duchy of Luxembourg, directly or indirectly, and neither this Information Memorandum nor any other circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in, or from or published in, the Grand Duchy of Luxembourg, except in circumstances which do not constitute a

public offer of securities and except for the purposes of the listing of the Notes on the Luxembourg Stock Exchange.

Germany

Each Dealer has confirmed that it is aware of the fact that no selling prospectus ("**Verkaufsprospekt**") has been or will be published in respect of the Programme and that it has and will comply with the Securities Selling Prospectus Act of the Federal Republic of Germany ("**Wertpapier-Verkaufsprospektgesetz**") of 13 December 1990. In particular, each Dealer has undertaken not to engage in public offerings ("**öffentliches Anbieten**") in the Federal Republic of Germany with respect to any Notes issued under the Programme.

Switzerland

In respect of Listed Swiss Franc Notes, each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that (a) such Notes will be offered and sold in accordance with practices and documentation customary in Switzerland and (b) the issuance of such Notes is subject to guidelines or restrictions imposed by governmental, banking or securities authorities in Switzerland. The Swiss Dealer in respect of any such issue will prepare and provide to potential investors in Listed Swiss Franc Notes an information memorandum which incorporates this Information Memorandum and provides any further information required by applicable Swiss regulations to be provided to such investors.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will comply with all applicable laws and regulations in force in any country or jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes any offering material in relation to such Notes and will obtain any consent, approval or permission required by it for the subscription, offer, sale or delivery by it of Notes or possession or distribution of such offering material under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such subscription, offer or sale.

No Issuer nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other additional restrictions as the relevant Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Pricing Supplement.

FORM OF PRICING SUPPLEMENT

Pricing Supplement dated •

**[Zurich Finance (Luxembourg) S.A.* /
Zurich Finance (USA), Inc./Zurich Finance (UK) plc/Zurich Insurance Company]**
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
[Guaranteed by **Zurich Insurance Company**]
under the U.S.\$4,000,000,000
Euro Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Information Memorandum dated 26 June 2003. This Pricing Supplement must be read in conjunction with such Information Memorandum.

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement.]

- | | | |
|----|---|---|
| 1. | [i] Issuer: | Zurich Finance (Luxembourg) S.A./Zurich Finance (USA), Inc./Zurich Finance (UK) plc/Zurich Insurance Company] |
| | [ii] Guarantor (not applicable to Notes issued by Zurich Insurance Company:) | [Zurich Insurance Company] |
| 2. | [i] Series Number: | [] |
| | [ii] Tranche Number: | [] |
| | (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.) | [] |
| 3. | Specified Currency or Currencies: | [] |
| 4. | Aggregate Nominal Amount: | [] |
| | [i] Series: | [] |
| | [ii] Tranche: | [] |
| 5. | [i] Issue Price: | [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [<i>insert date</i>] (<i>in the case of fungible issues only, if applicable</i>)] |
| | [ii] Net proceeds: | [] (<i>Required only for listed issues</i>) |
| 6. | Specified Denominations:** | [] [] |
| 7. | [i] Issue Date: | [] |

* Include where ZF (Luxembourg) is the Issuer: incorporated with limited liability as a société anonyme under the laws of the Grand Duchy of Luxemburg, registered with the Luxemburg trade and companies register under number B.69.748.

** If the Maturity Date of the Notes (including Notes denominated in sterling) is less than one year from the Issue Date and either (a) the issue proceeds are received by the relevant Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the relevant Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) or (ii) another applicable exemption from section 19 of the FSMA must be available.

- [(ii) Interest Commencement Date (if different from the Issue Date): []]
8. Maturity Date (for dated Notes only): [*specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year/ Not Applicable*]
9. Interest Basis: [•% Fixed Rate]
[[*specify reference rate*] +/- •% Floating Rate]
[Zero Coupon]
[Index Linked Interest]
[Other (*specify*)]
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
[Index Linked Redemption]
[Dual Currency]
[Partly Paid]
[Instalment]
[Other (*specify*)]
11. Change of Interest or Redemption/Payment Basis: [*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
12. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
13. [(i) Status of the Notes: [Unsubordinated/Subordinated]
(ii) Status of the Guarantee: [Unsubordinated/Subordinated]]
14. Listing: [Luxembourg/other (*specify*)/ None]
15. Method of distribution [Syndicated/Non-syndicated]
16. Bearer/Registered/Reg. S/Restricted Notes [*specify*]
17. Guarantee Amount (for Notes issued by Zurich Finance (Luxembourg) S.A., Zurich Finance (USA), Inc. or Zurich Finance (UK) plc only): []

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

18. Fixed Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Fixed Rate[(s)] of Interest: [] per cent. per annum [payable [annually/semi- annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [] in each year
- (iii) Fixed Coupon Amount[(s)]: [] per [] in Nominal Amount
- (iv) Broken Amount(s): [*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]*]
- (v) Fixed Day Count Fraction [Actual/Actual-ISMA/30/360/other]

- (vi) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
19. Floating Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph. Also consider whether EURO BBA LIBOR or EURIBOR is the appropriate reference rate)
- (i) Specified Period(s)/Specified Interest Payment Dates: []
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ other (give details)]
- (iii) Additional Business Centre(s): []
- (iv) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/] other (give details)]
- (v) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]): []
- (vi) Screen Rate Determination:
- Reference Rate: []
 - Interest Determination Date(s): []
 - Relevant Screen Page: []
- (vii) ISDA Determination:
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (viii) Margin(s): [+/-][] per cent. per annum
- (ix) Minimum Rate of Interest: [] per cent. per annum
- (x) Maximum Rate of Interest: [] per cent. per annum
- (xi) Day Count Fraction: []
- (xii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
20. Zero Coupon Note Provisions [Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Accrual Yield: [] per cent. per annum
- (ii) Reference Price: []

- (iii) Any other formula/basis of determining amount payable: []
21. Index-Linked Interest Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Index/Formula: [insert details of the index to which amounts payable in respect of interest are linked and/or the formula to be used in determining the rate of interest, together with details of the calculation agent and the fallback provisions]
- (ii) Calculation Agent responsible for calculating the interest due: []
- (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: []
- (iv) Specified Period(s)/Specified Interest Payment Dates: []
- (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
- (vi) Additional Business Centre(s): []
- (vii) Minimum Rate of Interest: [] per cent. per annum
- (viii) Maximum Rate of Interest: [] per cent. per annum
- (ix) Day Count Fraction: []
22. Dual Currency Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: []
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: []
- (iv) Person at whose option Specified Currency(ies) is/are payable: []

PROVISIONS RELATING TO REDEMPTION

23. Call Option [Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): []
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: []
- (b) Maximum Redemption Amount: []
- (iv) Notice period (if other than as set out in the Conditions): []
24. Put Option [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): []
- (iii) Notice period (if other than as set out in the Conditions): []
25. Final Redemption Amount [Par/other/see Appendix]
26. Early Redemption Amount
- Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions):

GENERAL PROVISIONS APPLICABLE TO THE NOTES

27. Form of Notes:
- Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on 60 days' notice/in the limited circumstances specified in the Permanent Global Note.]
- [Temporary Global Note exchangeable for Definitive Notes]
- [Permanent Global Note exchangeable for Definitive Notes on 60 days' notice/in the limited circumstances specified in the Permanent Global Note]
- [In the case of Restricted Notes and/or Reg. S Notes whether the Notes are to be represented on issue by a Restricted Global Note and/or Reg. S Global Note or by Individual Registered Notes]: [Restricted Global Note and/or Reg. S Global Note exchangeable into Individual Registered Notes if requested by the holder upon not less than 60 days' notice/only in the limited circumstances described in the Information Memorandum] [Individual Registered Notes]

28. Payment Business Centre(s) or other special provisions relating to Payment Dates for the purpose of Condition 5(c): [Not Applicable/*give details. Note that this item relates to the place of payment, and not interest period end dates, to which item 19(iii) relates*]
29. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. *If yes, give details*]
30. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/*give details*]
31. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/*give details*]
32. Redenomination and exchangeability provisions: [Not Applicable/The provisions [in Condition 5] [annexed to this Pricing Supplement] apply]
33. Consolidation provisions:
- (i) Listed Swiss Franc Note [Yes/No]
- (ii) Identity of Principal Paying Agent and other Paying Agents []
34. Relevant Jurisdictions: [Specify if different from those set out in Condition 6(b)]
35. Other terms or special conditions: [Not Applicable/*give details*]

DISTRIBUTION

36. (i) If syndicated, names of Managers: [Not Applicable/*give names*]
- (ii) Stabilising Manager (if any): [Not Applicable/*give name*]
37. If non-syndicated, name of Dealer: [Not Applicable/*give name*]
38. U.S. Selling Restrictions: [Reg. S Compliance Category; TEFRA C: TEFRA D: TEFRA D (Swiss)/TEFRA Not Applicable]
39. Additional selling restrictions: [Not Applicable/*give details*]

OPERATIONAL INFORMATION

40. ISIN Code: []
41. Common Code: []
42. CUSIP/CINS number: [Not Applicable/*give details*]

43. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg approved by the Issuer, the Trustee and the Agent and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
44. Delivery: Delivery [against/free of] payment
45. Additional Paying Agent(s) (if any): []
46. Rating: []

RESPONSIBILITY

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By:
Duly authorised

[Signed on behalf of the Guarantor:

By:
Duly authorised]

[LISTING APPLICATION]

If the Notes are to be listed, the above Pricing Supplement comprises the details required to list this issue of Notes pursuant to the [Name of Issuer]'s U.S.\$4,000,000,000 Euro Medium Term Note Programme (as from [insert issue date for the Notes]) for which purpose it is hereby submitted.

Citibank, N.A.
(as Agent)

Notes:

- If Notes are issued under the Programme pursuant to Rule 144A of the Securities Act, the following legend shall appear on the Pricing Supplement for such issue of Notes: "The offering and sale of the Notes have not been registered under the Securities Act and may not be offered or sold within the United States or to U.S. persons, except to persons reasonably believed to be Qualified Institutional Buyers. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A."
- The Guarantee Amount in respect of a relevant Tranche of Notes (other than Variable Notes (as defined below)) will be calculated as follows:

| | | |
|------------------------------|---------------------------------|------------------------------|
| For Fixed Rate Notes: | For Floating Rate Notes: | For Zero Coupon Notes |
| GA = RA + (3 x I) + AA | GA = RA + (3 x EI) + AA | GA = RA + AA |

- "GA" means Guarantee Amount;
- "RA" means the greater of the Early Redemption Amount and the Final Redemption Amount of the Notes, each as defined in the relevant Pricing Supplement;
- "I" means the amount of interest payable on the Notes up to the first anniversary of their issue date;
- "EI" means the estimated amount of interest payable on the Notes up to the first anniversary of their issue date calculated on the basis that interest is payable for each interest period ending on or prior to such first anniversary at 1.5 times the rate fixed for the first interest period; and
- "AA" means U.S.\$100,000 (or its equivalent in the currency of the Guarantee Amount) representing an additional amount to guarantee the payments of the Issuer to be due under the Trust Deed but not under the Securities.

For Notes with a variable or partial redemption amount or for Notes (other than Floating Rate Notes) where the amount of interest is not determinable at the Issue Date ("**Variable Notes**") the Guarantee Amount will be agreed between ZIC and the relevant Dealer on or before the Issue Date.

In the event of a discrepancy between the above footnote and the footnote contained in the [Senior ZIC Guarantee] [Subordinated ZIC Guarantee], the footnote contained in the [Senior ZIC Guarantee] [Subordinated ZIC Guarantee] will prevail.

GENERAL INFORMATION

1. The establishment of the Programme and the issue of Notes have been duly authorised by resolutions of the Board of Directors of ZF (USA) dated 27 May 1998, 27 May 1999, 13 June 2000, 11 June 2001, 25 June 2002 and 20 June 2003, of ZIC dated 4 March 1998 and 25 May 2000 and 19 June 2002. ZF (Luxembourg) has been authorised to be an Issuer on the Programme and become party to documents in connection therewith by resolutions of the Board of Directors of ZF (Luxembourg) dated 21 May 1999, 30 May 2000, 13 June 2001, 25 June 2002 and 25 June 2003. ZF (UK) has been authorised to be an Issuer on the Programme and become party to documents in connection therewith by resolutions of the Board of Directors of ZF (UK) dated 25 June 2002 and 25 June 2003. The giving of each Senior ZIC Guarantee and each Subordinated ZIC Guarantee has been duly authorised by resolutions of the Board of Directors of ZIC dated 4 March 1998 and 19 June 2002.
2. Application has been made to list Notes issued under the Programme on the Luxembourg Stock Exchange. The Luxembourg Stock Exchange has allocated the number 12063 to the Programme for listing purposes. A legal notice (*notice légale*) relating to the Programme and the constitutional documents of each Issuer are being lodged with the trade and companies register at the Luxembourg district court where such documents may be examined and copies obtained.
3. So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available free of charge from the registered office of each Issuer and from the specified offices of the Paying Agent for the time being in Luxembourg:
 - (i) the constitutional documents (with, if applicable, an English translation thereof) of each Issuer;
 - (ii) the most recent audited annual financial statements of ZF (Luxembourg), ZF (USA), ZF (UK) and ZIC (in each case with, if applicable, an English translation thereof). Neither ZF (Luxembourg), ZF (USA), ZF (UK) nor ZIC are required to publish interim accounts;
 - (iii) the Dealer Agreement, the Trust Deed, the Agency Agreement, the forms of the bearer and registered Global Notes and the Notes in bearer definitive and individual registered form, the receipts, the Coupons, the Talons, each Senior ZIC Guarantee, each Subordinated ZIC Guarantee and each agency agreement entered into in relation to an issue of Listed Swiss Franc Notes (which will contain the form of permanent global certificate in respect of such Notes);
 - (iv) a copy of this Information Memorandum;
 - (v) any future offering circulars, prospectuses, information memoranda and supplements including Pricing Supplements (save that a Pricing Supplement relating to a Note which is not admitted to listing, trading and/or quotation by any stock exchange, listing authority and/or quotation system will only be available for inspection at the registered office of the relevant Issuer by a holder of such Note and such holder must produce evidence satisfactory to the relevant Issuer as to its holding and identity) to this Information Memorandum and any other documents incorporated herein or therein by reference; and
 - (vi) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).
4. The Bearer Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg and SIS. The appropriate Common Code and ISIN for each Tranche of Bearer Notes allocated by Euroclear and Clearstream, Luxembourg or SIS will be specified in the relevant Pricing Supplement. In addition, the relevant Issuer may make an application for any Registered Notes to be accepted for trading in a book-entry form by DTC. The CUSIP numbers for each Tranche of Registered Notes, together with the relevant ISIN and common code, if applicable, will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the relevant Pricing Supplement.
5. Save as disclosed in this Information Memorandum and since the date of the latest available audited financial statements of ZIC there has been no significant change in the financial or trading position of ZIC or the Zurich Group and no material adverse change in the financial position or prospects of ZIC or the Zurich Group since 31 December 2002 that is or could reasonably be

expected to be material in the context of the issue of Notes under the Programme. There has been no significant change in the financial or trading position of any of the Issuers and no material adverse change in the financial position or prospects of any of the Issuers since the date of its incorporation that is or could reasonably be expected to be material in the context of the issue of Notes under the Programme.

6. Save as disclosed in this Information Memorandum or in the relevant Pricing Supplement, there are no legal or arbitration proceedings against or affecting any of the Issuers or the Zurich Group or any of their respective assets, nor are the Issuers aware of any pending or threatened such proceedings which may have or have had a significant effect on the financial position of the Issuers or the Zurich Group.
7. The auditors of ZF (Luxembourg) are PricewaterhouseCoopers S.à r.l. The auditors of ZF (USA) are PricewaterhouseCoopers LLP. The auditors of ZF (UK) are PricewaterhouseCoopers LLP.
8. The financial statements of Zurich Group as of and for the year ended 31 December 2001 and the year ended 31 December 2002 incorporated by reference in the Information Memorandum have been audited by PricewaterhouseCoopers AG, independent public accountants (respectively), in accordance with auditing standards promulgated by the profession and with Standards on Auditing issued by the International Federation of Accountants.

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