Jahresbericht 2009

ZURICH

Zurich HelpPoint

Inhalt

Zurich ist für Sie da, wenn es darauf ankommt

Unsere Kunden wissen, dass wir für sie da sind, wenn es darauf ankommt, überall auf der Welt oder gleich nebenan. In einer ungewissen Welt helfen wir ihnen, ihre Risiken zu bewältigen. Mit 60’000 Mitarbeitenden sind wir in mehr als 170 Ländern stets für sie da.

Der Kunde steht bei uns im Mittelpunkt. *Zurich HelpPoint* steht für diese Ausrichtung auf unsere Kunden und unser Engagement, für sie da zu sein, wenn es darauf ankommt.

Zurich HelpPoint

Group Performance Review

Financial Information

Operative Highlights

- Die ökonomische Eigenkapitalquote von 136% zeugt von einer soliden Bilanz
- Starke operative Leistungen in allen Kerngeschäften
- Fortgesetzte Transformation operativer Plattformen zur Stärkung der Effektivität und Effizienz unseres Geschäfts
- Kostensenkungsziel von USD 400 Mio. für 2009 erreicht
- Die Effiziensteigerungen aus Initiativen im Rahmen von The Zurich Way übertrafen 2009 die Zielvorgabe von USD 900 Mio. nach Steuern klar
- Wachstum, vorangetrieben durch die Erweiterung unseres Produktsortiments und unserer Vertriebskapazitäten sowie durch die weiterhin erfolgreiche Integration der jüngsten Akquisitionen in Europa, den USA und den aufstrebenden Märkten

Kennzahlen (ungeprüft)

Die folgende Tabelle zeigt die zusammengefassten konsolidierten Ergebnisse der Gruppe für die per 31. Dezember 2009 bzw. 2008 abgeschlossenen Geschäftsjahre. Alle aufgeführten Beträge sind in Millionen USD ausgewiesen und, sofern nicht anders vermerkt, auf die nächste Million gerundet. Dies kann dazu führen, dass die Addition der gerundeten Beträge nicht in allen Fällen genau dem gerundeten Total entspricht. Alle Kennzahlen und Veränderungen werden unter Verwendung des zugrunde liegenden Betrages und nicht des gerundeten Betrages berechnet. Dieses Dokument sollte in Zusammenhang mit dem Jahresbericht 2009 von Zurich Financial Services Group und den geprüften Consolidated Financial Statements per 31. Dezember 2009 gelesen werden. Gewisse Vergleichswerte, einschliesslich der Segmentinformationen, wurden an Änderungen der Darstellung und für Umklassifizierungszwecke angepasst, sodass sie der Darstellung für 2009 entsprechen (siehe hierzu auch die Noten 1 und 30 der geprüften Consolidated Financial Statements). Die Umklassifizierungen tangieren weder den früher ausgewiesenen Business Operating Profit noch den Reingewinn oder das den Aktionären zurechenbare Eigenkapital.

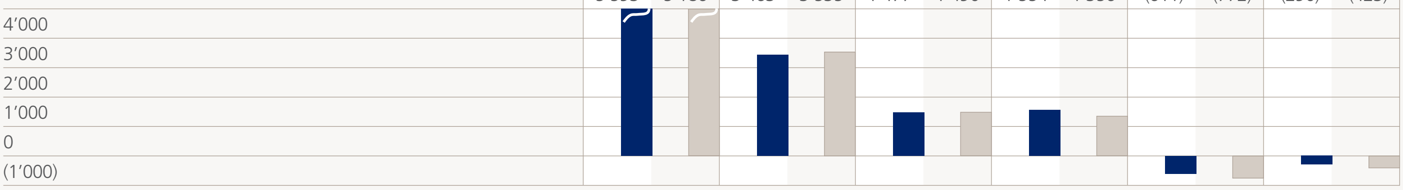
in Millionen USD, für die per 31. Dezember abgeschlossenen Geschäftsjahre, sofern nicht anders ausgewiesen	2009	2008	Veränderung[1]
Business Operating Profit	**5’593**	5’186	8%
Den Aktionären zurechenbarer Reingewinn	**3’215**	3’039	6%
General Insurance – Bruttoprämien und Policengebühren	**34’157**	37’151	(8%)
Global Life – Bruttoprämien, Policengebühren und Beiträge mit Anlagecharakter	**26’029**	21’873	19%
Farmers Management Services – Managementgebühren und verbundene Erträge	**2’690**	2’458	9%
Farmers Re – Bruttoprämien und Policengebühren	**6’615**	3’381	96%
General Insurance – Business Operating Profit	**3’463**	3’535	(2%)
General Insurance – Schaden-Kosten-Satz (Combined Ratio)	**96,8%**	98,1%	1,3 pts
Global Life – Business Operating Profit	**1’477**	1’490	(1%)
Global Life – Jahresprämienäquivalent aus Neugeschäft (APE)	**3’667**	3’261	12%
Global Life – Gewinnmarge aus Neugeschäft, nach Steuern (in % des APE)	**21,3%**	23,1%	(1,8 pts)
Global Life – Wert des Neugeschäfts, nach Steuern	**782**	753	4%
Farmers – Business Operating Profit	**1’554**	1’356	15%
Farmers Management Services – Bruttomanagementergebnis	**1’291**	1’142	13%
Farmers Management Services – Marge aus den verdienten Bruttoprämien, die von uns verwaltet werden	**7,2%**	6,9%	0,3 pts
Durchschnittliche Kapitalanlagen der Gruppe[2]	**187’579**	185’558	1%
Gesamtergebnis aus Kapitalanlagen der Gruppe, netto	**6’082**	5’805	5%
Anlagerendite aus Kapitalanlagen der Gruppe (in % des durchschnittlichen Kapitalanlagebestandes)	**3,2%**	3,1%	0,1 pts
Den Aktionären zurechenbares Eigenkapital	**29’678**	22’103	34%
Solvabilitätsmarge I (Solvency I ratio)	**198%**	160%	38 pts
Verwässerter Gewinn je Aktie (in CHF)	**24.21**	23.35	4%
Buchwert je Aktie (in CHF)	**209.27**	167.92	25%
Den Aktionären zurechenbare Eigenkapitalrendite ohne Vorzugspapiere (ROE)	**12,6%**	12,1%	0,5 pts
Den Aktionären zurechenbare Eigenkapitalrendite ohne Vorzugspapiere, basierend auf dem Business Operating Profit, nach Steuern (BOPAT ROE)	**17,2%**	16,8%	0,4 pts

[1] Zahlen in Klammern stellen eine negative Abweichung dar.
[2] Ohne als Sicherheit dienende flüssige Mittel für Securities-Lending-Programme von USD 335 Mio. und USD 1,0 Mrd. für die per 31. Dezember 2009 und 2008 abgeschlossenen Geschäftsjahre.

Wichtige Performance Kennzahlen

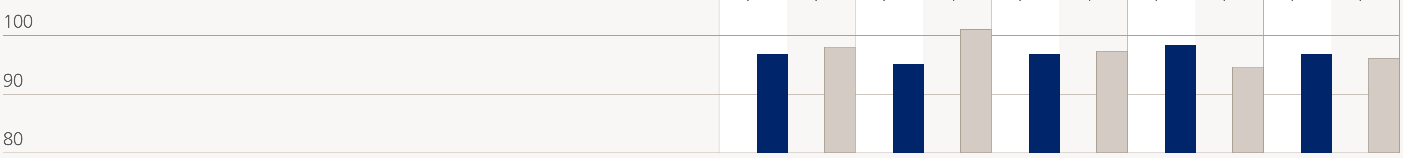
Business Operating Profit

in Millionen USD, für die per 31. Dezember abgeschlossenen Geschäftsjahre	Total		General Insurance		Global Life		Farmers		Other Operating Businesses		Non-Core Businesses	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	5’593	5’186	3’463	3’535	1’477	1’490	1’554	1’356	(611)	(772)	(290)	(423)



General Insurance – Schaden-Kosten-Satz (Combined Ratio)

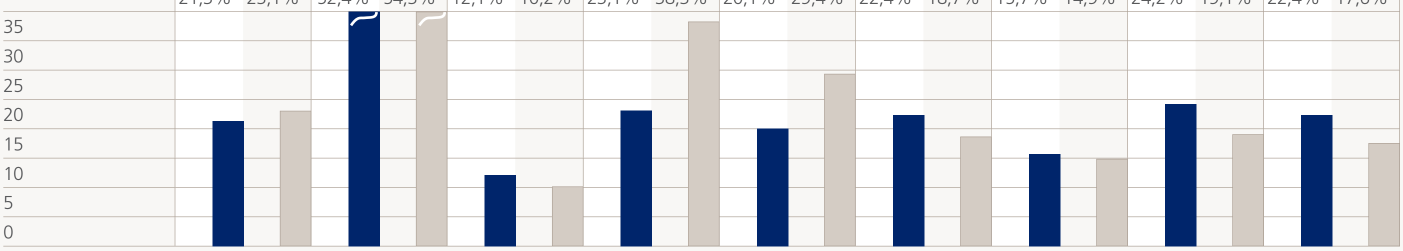
in %, für die per 31. Dezember abgeschlossenen Geschäftsjahre	Total [1]		Global Corporate		North America Commercial		Europe General Insurance		International Markets	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	96,8%	98,1%	95,1%	112,4%	96,9%	97,4%	98,4%	94,7%	96,9%	96,2%



[1] Einschliesslich ‘GI Global Functions inklusive Group Reinsurance’.

Global Life – Gewinnmarge aus Neugeschäft, nach Steuern (in % des APE)

in %, für die per 31. Dezember abgeschlossenen Geschäftsjahre	Total		Americas		Gross-britannien		Deutschland		Schweiz		Irland		Spanien		Aufstrebende Märkte in Asien		Rest of the World	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	21,3%	23,1%	52,4%	54,3%	12,1%	10,2%	23,1%	38,3%	20,1%	29,4%	22,4%	18,7%	15,7%	14,9%	24,2%	19,1%	22,4%	17,6%



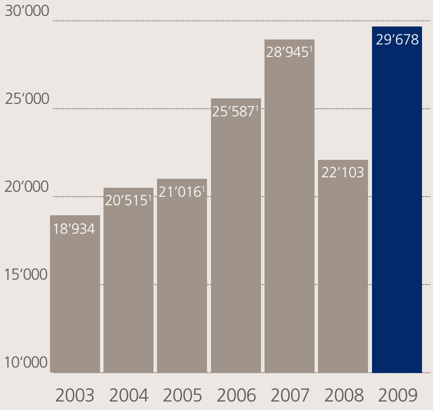
Unsere Performance

Unsere Strategie ist darauf ausgerichtet, unter verschiedensten Marktbedingungen erstklassige finanzielle Ergebnisse zu erzielen. Im Jahr 2009 zählten wir weltweit zu den Top Five der Versicherungsgesellschaften (basierend auf der Marktkapitalisierung [1]). Unsere Performance wird darüber hinaus durch folgende Kennzahlen nachgewiesen.

Schaffung von Shareholder Value

Den Aktionären zurechenbares Eigenkapital

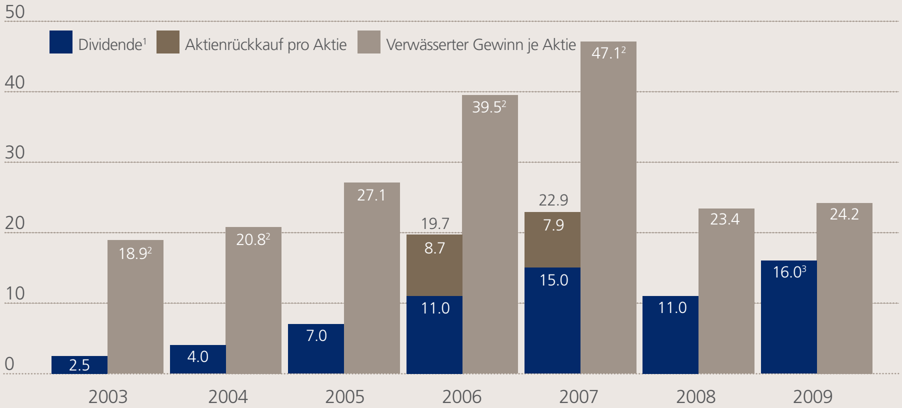
(USD Millionen)



[1] Angepasst.

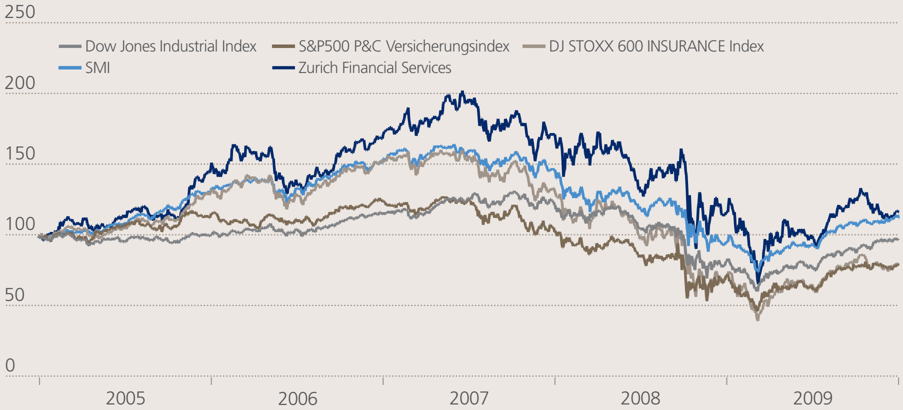
Vorgeschlagene Dividende von CHF 16[3] pro Aktie für 2009, entsprechend einer Auszahlungsquote von 66%

Dividenden/EPS in Bezug auf das Geschäftsjahr (in CHF)[1]



[1] Dividende beinhaltet Bruttodividende und Auszahlung der Nennwertverringerung pro eingetragene Aktie.
[2] Angepasst.
[3] Der ordentlichen Generalversammlung 2010 vom Verwaltungsrat vorgeschlagene Bruttodividende.

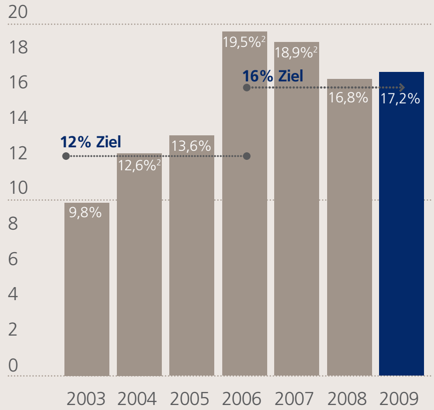
Kursverlauf der Zurich-Aktie (indexiert) während der letzten fünf Jahre



Quelle: Thomson Datastream

ROE[1] Business Operating Profit (nach Steuern)

(%)

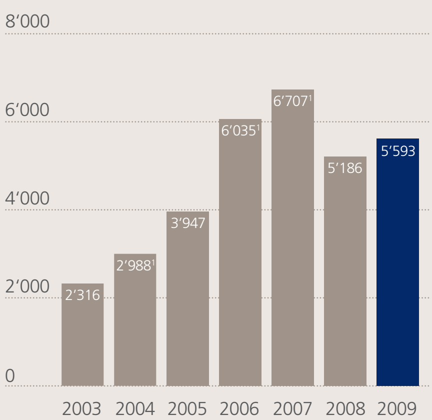


[1] Den Aktionären zurechenbare Eigenkapitalrendite ohne Vorzugspapiere basierend auf Business Operating Profit (nach Steuern).
[2] Angepasst.

[1] Per 31. Dezember 2009.

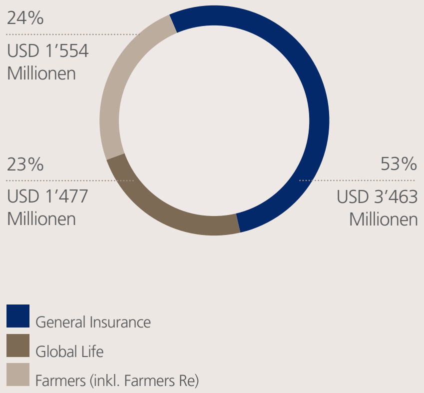
Profitables Wachstum

Business Operating Profit
(USD Millionen)



[1] Angepasst.

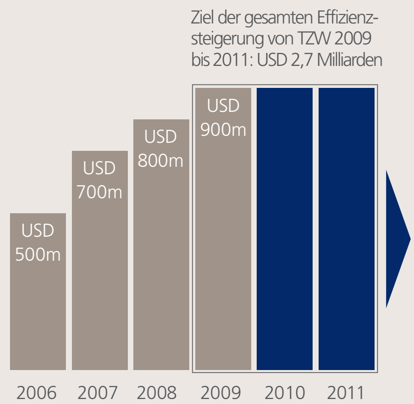
2009 Business Operating Profit nach Segmenten[1]



[1] Ausgenommen Other Operating Businesses und Non-Core Businesses.

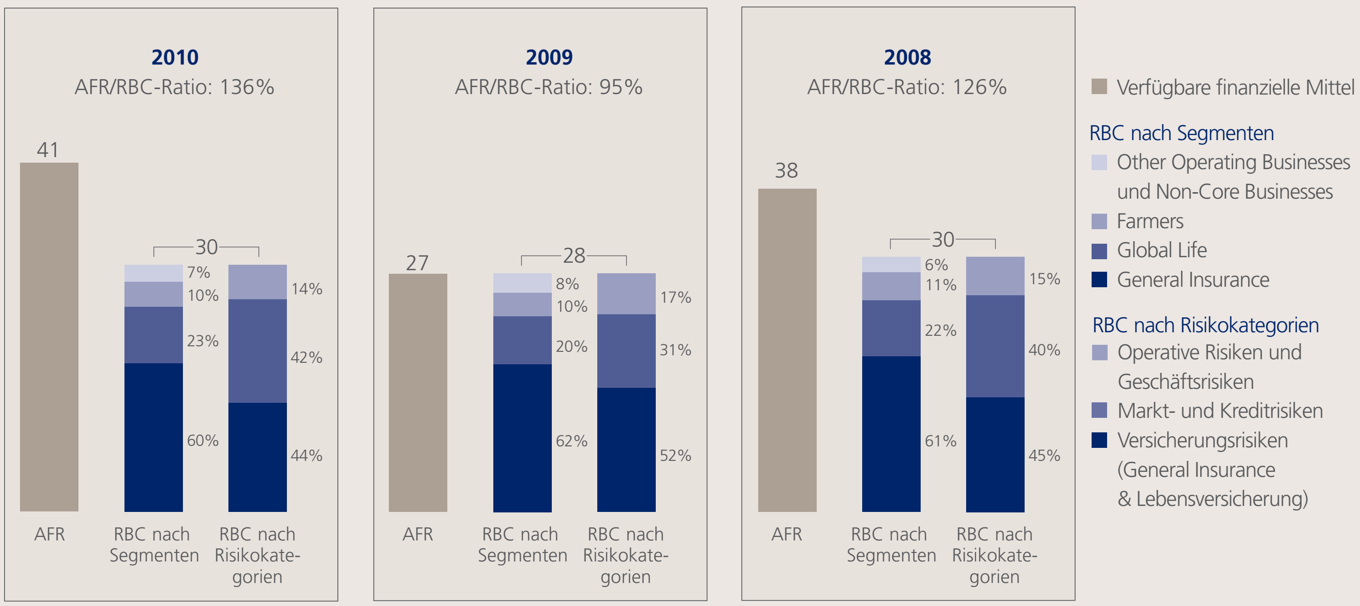
Operative Verbesserungen

The Zurich Way
Ziel von USD 2,7 Milliarden für 2009 bis 2011



Beibehaltung der finanziellen Stärke

Analyse der verfügbaren finanziellen Mittel (AFR) und des Risikokapitals (RBC) der Gruppe
(USD Milliarden, per 1. Januar)



Zurich auf einen Blick

Wir sind ein im Versicherungsgeschäft verankerter Finanzdienstleister mit einem globalen Netzwerk von Tochtergesellschaften und Filialen in Nordamerika und Europa sowie im asiatisch-pazifischen Raum, in Lateinamerika und in weiteren Märkten. Die im Jahre 1872 gegründete Unternehmensgruppe mit Hauptsitz in Zürich, Schweiz, beschäftigt rund 60'000 Mitarbeitende, die in mehr als 170 Ländern für ihre Kunden Dienstleistungen erbringen.

Unser Angebot

Wir sind im Versicherungsgeschäft tätig. Wir teilen unser Geschäft in drei Segmente auf: General Insurance, Global Life und Farmers.

General Insurance ist das grösste unserer drei Segmente. Es bietet Privat- und Firmenkunden Produkte und Dienstleistungen im Bereich Schadenversicherung an. Gemäss seinem Geschäftsmodell stellt es eine globale Plattform – mit Produktmanagement, Schadenbearbeitung, Vertriebsmanagement, Underwriting und Kundenservices – für die Kundenbetreuung auf lokaler Ebene zur Verfügung.

Global Life ist das nächstgrössere Segment und ein wichtiger Wachstumsmotor für die Gruppe. Global Life bietet erstklassige Lösungen in den Bereichen Lebensversicherung, Kapitalanlagen, Spar- und Vorsorgeprodukte für internationale und Expatriate Investoren, Firmenkunden und Privatbanken. Die Produkte werden über drei Hauptvertriebskanäle mit globaler Reichweite angeboten: Agenten, IFA/Makler und Privatbanken. Global Life wird global verwaltet, konzentriert sich aber weiterhin auf die Bedürfnisse lokaler Kunden und Vertriebspartner.

Farmers umfasst Farmers Re und Farmers Management Services durch welche unsere Gruppe die Farmes Exchanges sowie die Produkte von Foremost, Bristol West und 21st Century managt.

Alle Segmente werden durch unser gemeinsames Ziel vereint, der führende Versicherungsanbieter in den von uns ausgewählten Märkten zu werden.

Weitere Informationen finden Sie unter
www.zurich.com

General Insurance

Aktivitäten

Unser Segment General Insurance deckt die Bedürfnisse von Privatpersonen, Kleinbetrieben, mittleren und grossen Unternehmen sowie multinationalen Gesellschaften ab.

Bruttoprämien und Policengebühren

USD 34'157 Mio.

Business Operating Profit

USD 3'463 Mio.

Marktpositionen

#1 Grösster Arbeitgeberhaftpflichtversicherer in Grossbritannien
basierend auf Bruttoprämien 2008
Quelle: Datamonitor

#2 Zweitgrösster Schadenversicherer in der Schweiz
basierend auf Bruttoprämien 2008
Quelle: FOPI

#2 Zweitgrösster kommerzieller Motorfahrzeug-Versicherer in den USA
basierend auf Erstversicherungsprämien 2008
Quelle: Highline LLC (NAIC data)

Global Life

Aktivitäten
Bietet Privatpersonen und Unternehmen ein weites Spektrum an Lebensversicherungs-, Anlage-, Spar- und Vorsorgelösungen.

Bruttoprämien, Policengebühren und Beiträge mit Anlagecharakter

USD 26’029 Mio.

Business Operating Profit

USD 1’477 Mio.

Marktpositionen

#1 Grösster Lebensversicherer in Spanien
basierend auf Bruttoprämien 2009
Quelle: ICEA

#1 Bei IHT (Erbschaftssteuer) für lebenslängliche Versicherungen in Grossbritannien
basierend auf APE 2008
Quelle: ABI

#1 Bei weltweiten regulären Prämieneinsparungen im Bereich Expatriates
basierend auf APE 2008
Quelle: NBE-Bericht/Boal & Co

Farmers

Aktivitäten
Farmers umfasst auch Farmers Management Services durch welche unsere Gruppe die Farmes Exchanges sowie die Produkte von Foremost, Bristol West und 21st Century managt.

Managementgebühren und verbundene Erträge

USD 2’690 Mio.

Business Operating Profit

USD 1’544 Mio.

Marktpositionen

#3 Drittgrösster Motorfahrzeug-Direktversicherer für Privatkunden in den USA (einschliesslich 21st Century, ohne Direct Affinity Model Carriers)
basierend auf dem Marktanteil-Bericht 2008
Quelle: A.M. Best

#3 Drittgrösster Versicherer für Hauseigentümer im Privatkundengeschäft in den USA
basierend auf dem Marktanteil-Bericht 2008
Quelle: A.M. Best

#3 Drittgrösster Schadenversicherer im Privatkundengeschäft in den USA
basierend auf dem Marktanteil 2008
Quelle: A.M. Best

Brief des Verwaltungsratspräsidenten und des CEO

Die Ergebnisse von Zurich zeigen unsere anhaltende Fähigkeit zur Umsetzung einer bewährten Strategie, auf der Grundlage operativer Spitzenleistungen und finanzieller Disziplin.

Dr. Manfred Gentz
Präsident des Verwaltungsrats

Martin Senn
Chief Executive Officer

Wir freuen uns, Ihnen für 2009 einen eindrücklichen Leistungsausweis präsentieren zu können. Unser Business Operating Profit verbesserte sich um 8% auf USD 5,6 Mrd. und der Reingewinn stieg um 6% auf USD 3,2 Mrd. Zudem gehen wir aus dem Jahr 2009 mit einer der stärksten Bilanzen unserer Geschichte sowie einer operativen Eigenkapitalrendite nach Steuern von 17,2% hervor, die unseren anspruchsvollen Zielwert übertrifft.

Diese Ergebnisse zeigen unsere anhaltende Fähigkeit zur Umsetzung einer bewährten Strategie, auf der Grundlage operativer Spitzenleistungen und finanzieller Disziplin. Angesichts dieser Stärke und mit grossem Vertrauen in die Nachhaltigkeit der Strategie von Zurich wird der Verwaltungsrat an der ordentlichen Generalversammlung eine Bruttodividende von CHF 16.00 je Aktie vorschlagen. Dies entspricht einer aussergewöhnlich hohen Ausschüttungsquote bezogen auf den Gewinn und stellt damit gegenüber der Bruttodividende des Vorjahres von CHF 11.00 eine ausserordentliche Steigerung dar.

Alle Kerngeschäftsbereiche haben sehr gute operative Leistungen erbracht. Im Schadenversicherungssegment galt unser besonderes Augenmerk weiterhin der Rentabilität. Hier konnten wir durch diszipliniertes Underwriting und Portfolio-Management sowie durch erfolgreiche Anpassungen bei den Prämiensätzen einen Business Operating Profit von USD 3,5 Mrd. erzielen und unseren Schaden-Kosten-Satz (Combined Ratio) auf 96,8% verbessern. Dies war trotz niedrigerer Anlagerenditen und geringerer Volumina möglich, die sowohl dem wirtschaftlichen Umfeld als auch jenen entgangenen Geschäftsmöglichkeiten zuzuschreiben waren, die wir aufgrund unserer strengen Underwriting-Standards nicht nutzen konnten. In den Motorfahrzeug-Versicherungsmärkten einiger europäischer Länder sind schwierige Entwicklungen insbesondere bei der Abwicklung von Schäden zu verzeichnen. Wir haben jedoch geeignete Massnahmen ergriffen und erwarten in diesen Geschäftsbereichen im zweiten Halbjahr 2010 deutliche Verbesserungen.

Global Life erzielte ein hervorragendes Ergebnis und ausserordentlich gute Wachstumsraten bei gleichzeitig weiterhin hoher Rentabilität. Das Neugeschäft-Volumen (gemessen als Jahresprämienäquivalent) stieg um 19% in Lokalwährungen auf USD 3,7 Mrd. Dies belegt den Erfolg unserer Wachstumsstrategien in zahlreichen Produktsparten und Vertriebskanälen. Wir konnten eine hervorragende Gewinnmarge aus dem Neugeschäft von über 21% erreichen. Hierin zeigt sich der Wert unserer umfangreichen Optimierungsmassnahmen im Lebensversicherungsgeschäft.

In ähnlicher Weise konnte Farmers eine gestiegene Rentabilität und ein solides Wachstum verbuchen. Der Business Operating Profit stieg um 10%, worin sich nicht nur die weiter voranschreitende erfolgreiche Integration von 21st Century, sondern auch erfolgreiches Kostenmanagement sowie eine gesteigerte Rentabilität von Farmers Re als Folge eines höheren Anteils am Rückversicherungsvertrag niederschlagen.

Die Gesamtrendite aus Kapitalanlagen der Gruppe betrug 6,3%. Hierin enthalten sind Kapitalerträge, realisierte Gewinne und Verluste und Wertminderungen sowie Änderungen bei den im Aktienkapital enthaltenen nicht realisierten Gewinnen und Verlusten. Diese Ergebnisse zeigen unser besonnenes Anlageverhalten und unser Bestreben auf der Grundlage eines konsequenten Asset-Liability-Managements unter adäquater Berücksichtigung von Risikoüberlegungen unseren Kunden zu dienen und gleichzeitig unsere Aktionäre zu schützen.

In ihrer Gesamtheit verdeutlichen diese Ergebnisse das Engagement von Zurich für ihre unterschiedlichen Anspruchsgruppen. Angefangen bei den Kunden, die erwarten, dass unsere Versprechen durch zuverlässigen Service und finanzielle Stärke gesichert sind, über die Aktionäre, die nachhaltige Wertschöpfung erwarten, bis hin zu den Mitarbeitenden, die anspruchsvolle und attraktive Karrieremöglichkeiten erwarten, ist Zurich gegenüber allen diesen Gruppen bestrebt, ihre gesellschaftliche Rolle so auszufüllen, dass unsere Anspruchsgruppen stolz auf uns sein können. Wir hoffen, Sie sind mit uns einer Meinung, dass wir dieses Ziel 2009 erreicht haben.

Abschliessend möchten wir uns für die aussergewöhnlichen Leistungen des am Jahresende ausgeschiedenen Chief Executive Officer James J. Schiro bedanken. Unter seiner Leitung hat sich unser Unternehmen aus einer höchst schwierigen und angespannten Lage herausarbeiten können und gehört heute zu den stärksten und weltweit anerkanntesten Versicherungsunternehmen. Die von ihm beharrlich und konsequent verfolgten Massnahmen und die vielfältigen von ihm gesetzten Impulse werden weiter wirken. Wir werden nicht vergessen, was wir ihm zu verdanken haben.

Wir danken Ihnen für Ihre fortwährende Unterstützung.

Dr. Manfred Gentz
Präsident des Verwaltungsrats

Martin Senn
Chief Executive Officer

Marktüberblick

Risikomanagement in einer sich wandelnden Welt

Inmitten fortdauernder wirtschaftlicher Unsicherheit gelang es uns, dank Konzentration auf eine starke Bilanz und operative Spitzenleistungen in ausgewählten Marktsegmenten nachhaltig profitables Wachstum zu erzielen.

Während die Intensität der Krise im Laufe des Jahres 2009 etwas nachliess, blieb doch eine gewisse Unsicherheit zurück. Wir bei Zurich haben unbeirrt weiter auf unsere Ziele hin gearbeitet, mit fortgesetztem Fokus auf Disziplin, Umsetzungsstärke und mit dem uneingeschränkten Willen unsere Verantwortung als Versicherer wahrzunehmen.

Im Jahr 2009 wurden die Versicherer angesichts der Wirtschaftslage auf eine harte Probe gestellt: Die Nachfrage nach bestimmten Sparten der Sach- und Unfallversicherungsdeckung blieb aufgrund der fortgesetzten Rezession schwach, während niedrige Zinssätze eine Herausforderung für alle Geschäftssparten darstellten. Im Grossen und Ganzen schnitten 2009 diejenigen Versicherer am besten ab, die in ihrem Kerngeschäft erfolgreich operierten, das Vertrauen ihrer Kunden zu gewinnen, um so deren Risiken profitabel zu versichern. Mit Stolz konnten wir prüfen, ob unsere Strategie und wir selbst dieser Herausforderung standhielten. Am Jahresende waren wir dankbar für das Vertrauen, das uns unsere Kunden entgegengebracht haben, ermutigt durch die soliden Finanzergebnisse, die uns halfen, ausgezeichnete Leistungen zu erbringen, und ausserordentlich erfreut, dass wir unser langfristiges Ziel erreicht haben und zu den fünf führenden globalen Versicherungsgesellschaften gehören.

Dies ist die Belohnung für unsere jahrelangen Anstrengungen. Seit 2003 stärken wir unsere Wettbewerbsfähigkeit durch diszipliniertes Underwriting, Bildung versicherungstechnischer Reserven und integrierte Risikoabsicherung auf beiden Seiten der Bilanz. Im gesamten Unternehmen Zurich arbeiten wir unermüdlich daran, über alle Bereiche hinweg eine «One Zurich» zu schaffen und gleichzeitig die Verantwortung für unsere Leistungen dauerhaft von den Unwägbarkeiten des Marktes abzukoppeln und in unsere eigenen Hände zu legen.

Heute verfügen wir über Kontrollmechanismen, die uns helfen das Risiko-Rendite-Verhältnis abschätzen zu können – bei jedem Aspekt unseres Geschäfts, bei jedem Produkt, das wir verkaufen, und bei jedem Vermögenswert, den wir halten. Denn schliesslich ist Risikomanagement unser Geschäft. Unabhängig von den herrschenden Marktbedingungen werden wir in erster Linie an unserer Fähigkeit gemessen, unsere Kunden bei der Absicherung ihrer Risiken zu unterstützen. Dies ist auch der Standard, nach dem wir uns intern selbst beurteilen. Und das erklärt, warum wir fortlaufend die Übereinstimmung unserer Risikomanagementpraktiken mit unserem tatsächlichen und potenziellen Risikoprofil überprüfen. Diese Praktiken sind der Beweis für unser Bestreben, unseren Kunden, unseren Aktionären und unseren Anspruchsgruppen eine Plattform der Stärke und Stabilität zu bieten.

Risikomanagement ist heute ein aktiver Bestandteil unserer Kultur. Mit unseren Standorten in der ganzen Welt sind wir in der Lage, die Risiken, die das Erreichen unserer Ziele beeinträchtigen könnten, zu identifizieren, zu messen, abzusichern, zu melden und zu überwachen. Diese Bemühungen werden global koordiniert und sind nahtlos mit allen Bereichen unseres Geschäfts verbunden. Wir stellen beispielsweise sicher, dass unser Naturkatastrophen-Risiko geografisch ausgewogen ist, und wir arbeiten mit Rückversicherern zusammen, um das Risiko in jedem Jahr zu begrenzen. Diese Rückversicherer sowie die Banken und anderen Organisationen, mit denen wir zusammenarbeiten, unterliegen unseren strengen Kreditrisikokontrollen in Abstimmung mit unserer Konzentration auf die Marktentwicklungen. Wir vermeiden Investitionen in Anlagen, deren Risikoprofil wir nicht verstehen. Von diesem Grundsatz lassen wir und auch bei allfälligen Fusionen und Akquisitionen leiten.

Diese Massnahmen bilden die Säulen unserer Stärke und Stabilität, doch wir sind auch bestrebt sicherzustellen, dass unsere Kunden in möglichst grossem Umfang von den Vorteilen profitieren. Mit Blick auf sich abzeichnende potenzielle Quellen betrieblicher Risiken haben wir unser Unternehmen auf die Möglichkeit einer globalen Pandemie vorbereitet. Gleichzeitig lieferten wir Input für das Webinar und führten andere Outreach-Bestrebungen durch, mit denen wir unsere Kunden informierten, wie sie ihr eigenes diesbezügliches Risiko absichern können. Als Reaktion auf die Finanzkrise und die anhaltende Rezession haben wir eng mit Entscheidungsträgern zusammengearbeitet und ihnen unsere Sicht in Bezug auf eine Reform des Aufsichtsregimes dargelegt. Zudem haben wir unsere eigene Initiative eingeführt, um den allgemein zu beobachtenden Anstieg bei schadens- und nicht schadensbezogenen Betrugsfällen zu bekämpfen, der häufig in Zeiten der Rezession auftritt. Diese Massnahmen zeugen von unserem Engagement, proaktiv mit einem sich ändernden Risikoumfeld umzugehen; darüber hinaus sollen unsere Kunden vor einem unnötigen Anstieg der Versicherungskosten geschützt werden.

Blick in die Zukunft

Obwohl 2009 kaum Sicherheit zu bieten hatte, haben wir eine Lektion sicher gelernt: Finanzinstitute müssen mehr denn je der genauen Prüfung durch ihre Kunden und die Gesellschaft standhalten. Vertrauen und Transparenz werden für die Geschäftstätigkeit in der Zeit nach der Krise *unabdingbar* sein. Obwohl wir keine Vermutungen darüber anstellen, wann diese Zeit beginnen wird, sind wir zuversichtlich, dass wir durch unsere integren Geschäftspraktiken und die solide Marke Zurich heute und in Zukunft gut für eine führende Marktposition aufgestellt sind.

> Durch unsere integren Geschäftspraktiken und die solide Marke Zurich sind wir heute und in Zukunft gut für eine führende Marktposition aufgestellt.

Wir sind bestrebt, in Zukunft noch transparenter zu werden. Transparent in den erzielten Gewinnen (siehe Financial Review, Seite 70), bei den versicherten Risiken (siehe Insurance Risk, Seite 104), beim Management unseres Kapitals und der Kapitalanlagen (siehe Kapitalmanagement, Seite 130, und Kapitalanlagen, Seite 86) und beim Management der Risiken in unserem Geschäft (siehe operatives Risiko, Seite 128). Wir achten stets auf die Anforderungen, die an einen wirklich nachhaltigen Versicherer gestellt werden, und es ist unser Ziel, jeder einzelnen im Namen unserer Kunden, Aktionäre und der Gesellschaft als Ganzes gerecht zu werden.

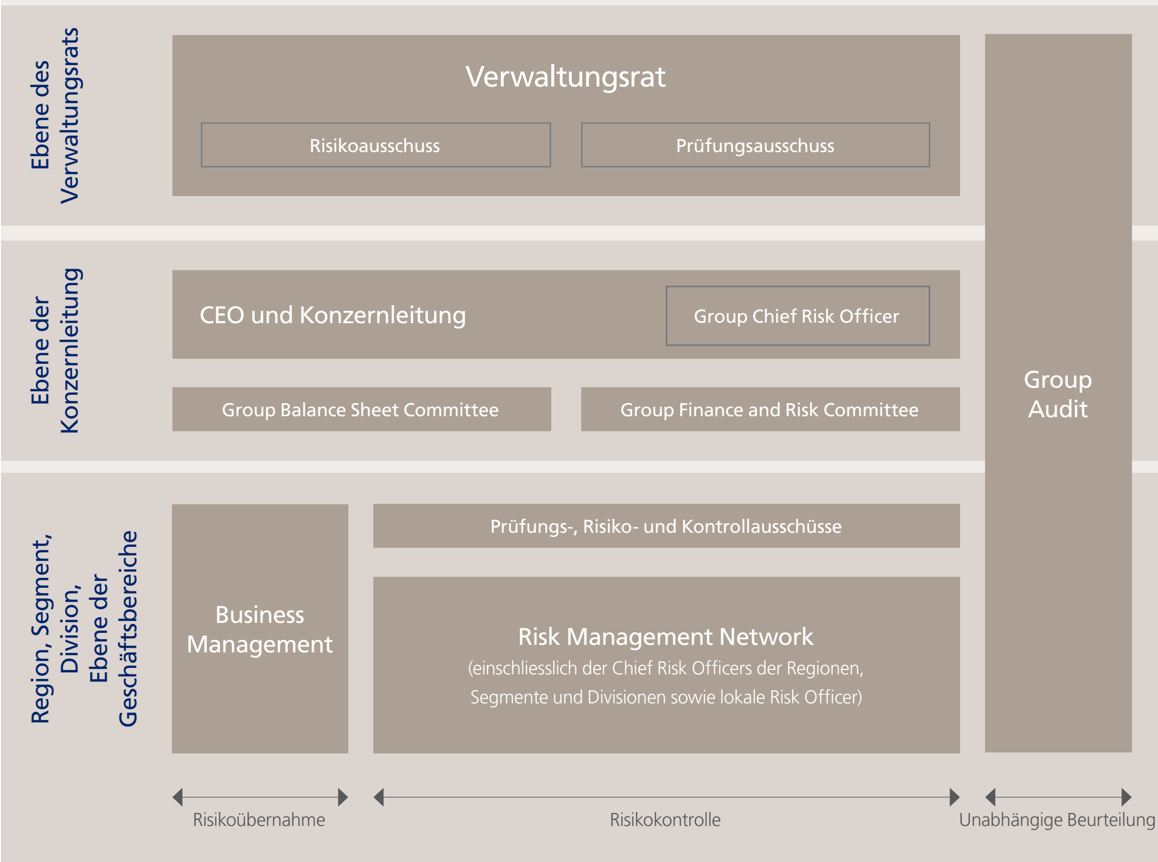
Risikomanagement im Überblick

Risikomanagement ist unser Geschäft. Wir helfen unseren Kunden bei der Absicherung ihrer Risiken und sind für das Management unserer eigenen Risiken verantwortlich. Durch unsere bewährten und gut etablierten Risikomanagement-Praktiken konnten wir 2009 trotz eines weiterhin turbulenten wirtschaftlichen und operativen Umfeldes ein starkes und solides Fundament für die Gruppe erhalten.

Risikomanagement bei Zurich

Alle Teile der Organisation sind aktiv daran beteiligt, Risiken, die unsere Ziele gefährden könnten, zu identifizieren, zu messen, zu steuern, transparent zu machen und zu überwachen. Auf Basis der Regeln und Prozesse, die in der Zurich Risk Policy festgelegt sind, betrachten wir als übergeordnetes Ziel des Risikomanagements eine gut fundierte Entscheidungsfindung, die auf einem ganzheitlichen Verständnis der Beziehung zwischen Risiko und Performance im gesamten Unternehmen beruht.

Risk Governance im Überblick



Die Zusammenarbeit mit externen Parteien ist ein weiteres Schlüsselelement des Risikomanagements und hilft uns, unsere Risikoperspektive laufend zu verbessern. Zu diesen Parteien gehören Rating-Agenturen, Industriegruppen, gemischte öffentlich-private Foren und unsere speziellen Beratungsgremien, in denen Spezialisten aus der ganzen Welt zusammenarbeiten.

Risikomanagement im Rückblick

Folgendes ist eine ungeprüfte Zusammenfassung der wichtigsten Entwicklungen der Risikomanagementprozesse von Zurich im Laufe des Jahres 2009. Den vollständigen und geprüften Risk Review finden Sie auf Seite 97.

Die Zurich Risk Policy wurde in den Bereichen Asset-Liability-Management, Lebensversicherung, Rückversicherung und operationelles Risiko gestärkt, wobei weitere wichtige Veränderungen bei der Art und Weise vorgenommen wurden, wie wir auf Bedrohungen der Informationssicherheit reagieren und mögliche Risiken im Zusammenhang mit der Integration von übernommenen Unternehmen absichern. 2009 legten wir wieder grossen Wert darauf, Quellen des operationellen Risikos zu erkennen, indem wir die Standards für das Business Continuity Management verbesserten und eine globale Initiative zur Betrugsbekämpfung in die Wege geleitet haben. Diese Massnahmen sind geeignet um einerseits auf die wachsende Bedrohung durch Pandemien und andererseits auf den allgemein zu beobachtenden Anstieg von schadens- und nicht schadensbezogenen Betrugsfällen in Zeiten der Rezession zu reagieren.

Wir kontrollieren das Versicherungsrisiko grundsätzlich durch eine hohe Disziplin im Underwriting, die durch The Zurich Way in der gesamten Gruppe verankert ist. Ergänzt werden diese Praktiken durch eine Verbesserung der Modelle und Prozesse, mit denen wir das Risiko von Naturkatastrophen absichern. Als globaler Versicherer haben wir den Vorteil, dass sich unsere Risiken geografisch diversifizieren lassen, und wir verwenden spezifische Rückversicherungsverträge zur Reduzierung der Risiken bezüglich Eintrittswahrscheinlichkeit und Ausmass von Naturkatastrophen.

Im Rahmen unserer strategischen Asset Allocation haben wir den Anteil an Aktien zugunsten festverzinslicher Wertpapiere reduziert. Wir folgen weiterhin gewissenhaft definierten Prozessen um unser Marktrisiko zu begrenzen, wir beurteilen Extremszenarien und analysieren Gefahrenherde im Markt. Zudem haben wir Massnahmen ergriffen, um die Auswirkungen von Fluktuationen, die sowohl unsere Asset-Liability-Position als auch unser Risikokapital beinflussen könnten, zu begrenzen. Allgemein bleiben wir unserer Verpflichtung treu, nur in Risiken zu investieren, die wir verstehen – ein Vorgehen, das uns langfristig gute Dienste geleistet hat.

Wir sind gut gegen allgemeine Kreditrisiken abgesichert und erwarten, diese Position auch in Zukunft beibehalten zu können. Wir achten genau auf die Kreditwürdigkeit unserer Geschäftspartner, einschliesslich Banken und Rückversicherer, und analysieren fortlaufend eine mögliche Konzentration des Kreditrisikos. Darüber hinaus beobachten wir die Marktentwicklungen sehr genau, damit wir uns auf mögliche Probleme vorbereiten können, bevor sie auftreten.

Was das Kapital betrifft, verwalten wir unsere Kapitalposition, indem wir den Geschäftseinheiten Kapital zuweisen, die die höchsten risikobereinigten Renditen erzielen, und indem wir Risiken und Kapital möglichst stark zentral bündeln, um unsere globale Risikodiversifikation umzusetzen; dies erfolgt vorbehaltlich der regulatorischen Anforderungen an die Solvabilität auf lokaler und Gruppenebene sowie der Anforderungen durch Rating-Agenturen im Hinblick auf die Kapitalausstattung. Per 31. Dezember verfügten wir über anrechenbare Eigenmittel von mehr als USD 12,7 Mrd. oder eine Solvabilitätsmarge I (Solvency I ratio) von 198%. Zudem verwenden wir ein internes Risk-Based Capital (RBC) Modell, nach dem die verfügbaren finanziellen Ressourcen um USD 11 Mrd. über dem RBC lagen.

Durch diese und viele andere Massnahmen versuchen wir stets, mögliche Probleme vorwegzunehmen und dadurch die Grundlage der Stabilität und Stärke zu sichern, damit wir auch in Zukunft für unsere Kunden da sein können.

Unsere Strategie

Aufbauen auf soliden Grundlagen

Mit dem richtigen Ansatz bei der Mitarbeiterführung, einer kundenorientierten Einstellung und fortlaufenden operativen Verbesserungen werden wir profitables Wachstum fördern.

Unser Ziel ist es, in den von uns ausgewählten Märkten zum führenden Versicherer zu werden. Um dieses Ziel zu erreichen, verlassen wir uns auf die vier Eckpfeiler der Zurich-Strategie: Profitables Wachstum, operative Verbesserungen, Kundenorientierung und Mitarbeiterführung. Jeder dieser Eckpfeiler wurde wiederholt als wesentlicher Schwerpunkt bewertet und vor dem Hintergrund des übergeordneten Ziels überprüft, ein verantwortungsvolles und auf Nachhaltigkeit ausgerichtetes Unternehmen zu sein. Jeder dieser vier Eckpfeiler hat massgeblich zu den soliden Ergebnissen des Jahres 2009 beigetragen.

Profitables Wachstum

Zurich bleibt ihrem Kurs treu, neue Möglichkeiten für profitables Wachstum zu suchen und zu nutzen. Diese Möglichkeiten entstehen, wenn wir Spitzenleistungen bei der Produktentwicklung, im Kundenservice sowie im Vertrieb in unseren Zielmärkten erbringen, und zwar sowohl durch unsere bestehenden als auch durch den Erwerb neuer Geschäftsbereiche. Mit der vereinten Stärke aller unserer Geschäftsbereiche können wir mehr Wachstum erzielen als die Teilbereiche auf sich selbst gestellt.

2009 zeigte sich die Stärke und das Ausmass unserer Ambitionen durch den Erwerb des Motorfahrzeug-Direktversicherers 21st Century in den Vereinigten

Staaten. Durch dessen Integration in die Farmers Organisation sind die Farmers Exchanges jetzt positioniert, ihre Stellung als einer der führenden Mehrsparten-Versicherer für Privatkunden mit verschiedenen Vertriebskanälen in den Vereinigten Staaten auszubauen. Eine der Möglichkeiten, die uns dieser Erwerb bietet, ist die Nutzung der Cross-Selling-Chancen, die sich daraus ergeben, wenn wir die Kundenbasis von Farmers um die ca. 1,2 Mio. Kunden von 21st Century erweitern.

Profitables Wachstum wird darüber hinaus auch organisch erzielt, z.B. durch die erfolgreiche Umsetzung unserer bewährten Strategien. Bei Global Life erzielten wir sehr gute Resultate, weil wir strikt bei unserer auf sechs Pfeilern beruhenden Strategie blieben, und die Bedürfnisse der drei globalen Kundensegmente – Private Banking Solutions, International/Expatriate und Corporate Life & Pensions – über die drei globalen Vertriebskanäle – Agenten, unabhängige Finanzberater/Makler und Banken – erfüllten. Dieser Ansatz funktioniert: Trotz turbulenter Märkte konnte Global Life 2009 eine Steigerung des APE um USD 406 Mio. auf USD 3,7 Mrd. oder 19% in Lokalwährungen erzielen.

Eine weitere Möglichkeit profitables Wachstum organisch zu erzielen, besteht darin, die globale Reichweite und die diversifizierte Palette der Lösungen von Zurich zu nutzen. General Insurance und Global Life arbeiten zusammen, um Privatkundenbanken ein breites Produktangebot für ihre Kunden zu bieten. Auch das Zurich Risk Engineering Network erfüllte seine Aufgabe und übertraf sein Cross-Selling-Ziel im dritten Jahr in Folge und verbuchte Geschäfte von mehr als USD 40 Mio.

Über unsere gesamte Organisation hinweg verwenden wir die gleichen Best Practices und Lösungen, sodass unsere besten Angebote möglichst vielen Kunden zur Verfügung stehen, unabhängig davon, in welchem unserer Märkte sie leben. So wird unsere globale Stärke bestmöglich genutzt.

Operative Verbesserungen

Durch operative Verbesserungen stärken wir weiterhin Kernbereiche wie das Risiko- und Anlagemanagement, das Underwriting und die Schadenbearbeitung, während wir in den von uns ausgewählten Märkten gleichzeitig flexibel, dynamisch und innovativ bleiben.

Die unter dem Oberbegriff The Zurich Way zusammengefassten Initiativen bilden den Grundpfeiler der operativen Verbesserungen, und sie liefern weiterhin hervorragende Ergebnisse indem die Zielvorgabe von USD 900 Mio. nach Steuern klar übertroffen wurde. Doch operative Verbesserungen beinhalten noch viel mehr als The Zurich Way. Operative Verbesserungen steigern die Effizienz und schaffen globale Standards quer durch alle Bereiche unseres Geschäfts.

2009 wurden von Global Life, North America Commercial (NAC) und durch die Zusammenarbeit von Europe General Insurance (EGI) und Global Corporate in Europa bemerkenswerte Erfolge erzielt.

Bei Global Life konzentriert sich die Entwicklung von Lösungen sowie deren laufende Betreuung auf acht regionale Hubs. Diese werden dann auf die lokalen Gegebenheiten zugeschnitten, sodass sie genau den Bedürfnissen der Kunden entsprechen. In unserer gesamten Gruppe wird eine Palette vergleichbarer Massnahmen umgesetzt, um Effizienzen auf globaler, regionaler und sogar lokaler Ebene bestmöglich zu nutzen.

Unser Geschäftsbereich North America Commercial war bei der Einführung von Zurich Lean führend, insbesondere im Underwriting. Die Lean-Philosophie ist der Schlüssel zur Vermeidung unnötiger Arbeiten durch eine Vereinfachung der Geschäftsprozesse sowie eine beschleunigte Lieferung von Produkten und Erbringung von Dienstleistungen. Sie bestimmt das Streben des Geschäftsbereichs nach stetigen Verbesserungen und operativen Spitzenleistungen.

Bei einer der grössten einzelnen Leistungen im Bereich operative Verbesserungen im Jahr 2009 schloss sich EGI mit Global Corporate in Europa zusammen, um eine einzelne europäische Schadenorganisation zu bilden. Dieses neue Schadenzentrum wird nicht nur sicherstellen, dass die Erfahrung der Kunden bei der Schadenmeldung dem hohen Standard von Zurich entspricht, sondern die Schadenbearbeitung auch so verbessern, dass sie die Kundentreue stärkt, statt sie zu schwächen.

In unserer gesamten Organisation werden in den nächsten fünf Jahren fortlaufende Verbesserungen vorgenommen, die The Zurich Way auf die nächste Ebene der operativen Spitzenleistungen heben. Alle diese Verbesserungsbemühungen zusammen sind der Schlüssel für den Aufbau einer globalen «One Zurich» Organisation, die bestrebt ist, für ihre Kunden da zu sein, wenn es darauf ankommt.

Unsere Strategie

Kundenorientierung

Unsere Kunden stehen bei uns im Mittelpunkt. Das heisst, dass wir die Bedürfnisse unserer Privat-, Firmen- und Unternehmenskunden verstehen und uns voll und ganz auf deren Erfüllung konzentrieren. Zu diesem Zweck beurteilen wir unsere Performance unter Verwendung eines konsistenten, gruppenweit gültigen Massstabs für Kundenzufriedenheit und -treue, um zu gewährleisten, dass sich aus der Kundenorientierung weiterhin Wettbewerbsvorteile ergeben.

Im September nahm sich unsere gesamte Organisation eine kleine Auszeit von der üblichen Routine, um – über das Intranet, Videos, Blogs und interne Veranstaltungen – miteinander zu kommunizieren und auch direkt mit unseren Kunden Kontakt aufzunehmen. Mit diesen Aktivitäten wollten wir unseren Respekt gegenüber den Kunden ausdrücken, die auf uns vertrauen, und Erfahrungen sammeln, wie wir in Zukunft noch erfolgreicher für sie arbeiten können. Gleichzeitig behielten wir unsere gewohnte Dynamik bei allen sonstigen Aktivitäten bei, die dazu dienen, unser Engagement für die Kunden aufrechtzuerhalten und die Marke Zurich HelpPoint zu leben; seither haben wir mehr als 100 neue Zurich-HelpPoint-Lösungen entwickelt.

Die Kundenorientierung eines Versicherers zeigt sich dadurch, dass er die Risiken, denen die Kunden ausgesetzt sind, vorhersieht und hilft sie zu vermeiden. 2009 war ein erfolgreiches Jahr hinsichtlich unserer Ausrichtung auf den Kunden.

Farmers bot seinen Kunden umfassende Hilfe an, sich gegen das Risiko von Waldbränden zu wappnen, eine allzu bekannte Bedrohung im Westen der Vereinigten Staaten, wo viele der Kunden von Farmers leben. In Zusammenarbeit mit Freiwilligen, Feuerwehrleuten und anderen öffentlichen Stellen stellte Farmers 400’000 Informationspakete zum Thema Verhinderung von Waldbränden (mit DVDs in Englisch und Spanisch) zusammen und verteilte sie im südlichen Kalifornien. Darüber hinaus wurde das erfolgreiche Firesafe-Programm von 2008 wiederholt, bei dem die Häuser der durch Waldbrände bedrohten Kunden kostenlos mit einem für Gesundheit und Umwelt unschädlichen und sicheren feuerhemmenden Mittel besprüht wurden.

Da die tragischen Erfahrungen aus den Überschwemmungen 2007 noch sehr präsent waren, richtete unser Team in Grossbritannien eine Website ein, die Menschen dabei unterstützte, sich auf die Möglichkeit erneuter Überschwemmungen im Jahr 2009 vorzubereiten (www.fightingfloods.co.uk), sowie einen Twitter-Kanal, über den die Fragen der Kunden beantwortet wurden.

Als die Überschwemmungen in Cumbria auftraten, richteten wir ein temporäres Büro im Zentrum der überfluteten Region ein. Wir stellten einen speziellen Flood Claims Manager ab und hielten Industrietrockner vorrätig, um schnell reagieren zu können. Ähnliche Massnahmen wurden zur Unterstützung von Kunden ergriffen, die von den verheerenden Überschwemmungen im September in der Türkei betroffen waren. Dort gingen wir ähnlich aktiv auf unsere Kunden zu und nutzten hierbei unsere Website, Textnachrichten, Callcenter und mobile Zurich HelpPoint Fahrzeuge. Wir sammeln wichtige Erfahrungen bei solchen Ereignissen, die wir wiederum dazu verwenden können, unseren Kunden besser zu helfen.

Zudem konnten wir die Risiken bei Themen wie Grippepandemie, Organhaftpflichtversicherung, Lieferkettenrisiko und bei vielem anderen besser vorhersehen und den Firmenkunden unsere Schadenminderungsstrategien kommunizieren. Unser Kunde steht bei uns im Mittelpunkt.

Mitarbeiterführung

Die Grundlage unseres Geschäfts sind Menschen, und die soliden Beziehungen zu unseren Kunden bilden die Basis für dieses Geschäft. Wir brauchen das Vertrauen, das die Kunden in uns zur Wahrung ihrer Interessen setzen, und wir respektieren dieses Vertrauen, indem wir die Kundenbeziehungen ins Zentrum all unserer Tätigkeiten stellen.

Wir streben danach, die individuellen Bedürfnisse unserer Kunden genau zu verstehen, sie als Persönlichkeit zu behandeln und sicherzustellen, dass sie sich im Kontakt mit uns wohl fühlen und wissen, dass wir ihnen genau zuhören.

Ferner sind wir auch von soliden Beziehungen zu denjenigen abhängig, die mit uns am Markt tätig sind. Makler, Agenten, Finanzberater und andere Vertriebspartner sind für unser Geschäft von besonderer Bedeutung. Nur wenn wir gute Beziehungen zu ihnen pflegen und wir sie mit unserer Ausrichtung auf die Kunden inspirieren, können wir sicher sein, dass die Verbindung zum Kunden offen ist, sodass wir auch weiterhin angemessene Lösungen bieten können, wenn es darauf ankommt. Da unser Unternehmen sowohl organisch als auch anorganisch wächst, möchten wir als Versicherer wahrgenommen werden, der bestrebt ist, von der Vielfalt zu profitieren, die sich aus dem Spektrum an Perspektiven und Kulturen in unserem Unternehmen ergibt. Indem wird diese Vielfalt positiv nutzen, werden wir weiter wachsen und uns verbessern können.

Investitionen in unsere Mitarbeitenden sind eine Investition in unsere Zukunft. Wir sind stets bestrebt, sicherzustellen, dass die Prozesse und Strukturen, mit denen die rund 60'000 Mitarbeitenden von Zurich die Bedürfnisse unserer Kunden erfüllen, einen globalen, für das gesamte Unternehmen geltenden Standard erfüllen. Heute verfügen wir über globale Strukturen zur Nachfolgeplanung, einen globalen Ansatz zur Führungsentwicklung, ein globales Performancemanagement und über globale Systeme für die berufliche Entwicklung durch unser globales Learning Management System. Wir investieren, um die Motivation und das Engagement unserer Mitarbeitenden in der gesamten Gruppe zu messen, und überwachen unsere Fähigkeit talentierte Teams und insbesondere leistungsstarke Mitarbeitende zu binden. Für unsere Kunden sind diese Systeme die Grundlage für unsere Fähigkeit, Verfahren zur Verfügung zu stellen, die den hohen Standard von Zurich erfüllen – unabhängig davon, wie die Kunden mit uns Kontakt aufnehmen. Diese Systeme wirken auch verbindend und erlauben eine Zusammenarbeit, über die wir unsere globale Reichweite möglichst effizient nutzen können.

Der wohl beste Beweis für die Wirksamkeit dieser Systeme findet sich in unserer obersten Führungsriege, aus der wir Martin Senn als neuen CEO rekrutieren konnten. Wie viele andere, die sich für eine Karriere bei Zurich entschieden haben, wurde auch Martin Senn gefördert und konnte immer mehr Verantwortung übernehmen, um nun das Vermächtnis von Zurich zu wahren und dieses weiter auszubauen. Im Hinblick auf Zurichs langjährige Verpflichtung auf eine gezielte Mitarbeiterförderung wissen wir, dass dies alles andere als ein Einzelfall ist.

Corporate Responsibility

Wir sind stets bestrebt, unsere Strategie vor dem Hintergrund des übergeordneten Ziels, ein verantwortungsvolles und auf Nachhaltigkeit ausgerichtetes Unternehmen zu sein, zu überprüfen. Eine verantwortungsbewusste und nachhaltige Unternehmsführung ist bei Zurich Bestandteil guten Managements und ein wesentliches Element unserer Geschäftspraxis. Mit unseren Kerngeschäftspraktiken, unseren Lösungen und Dienstleistungen und mit unserem Engagement für die Gemeinschaften, in denen wir leben und arbeiten, gehen wir gesellschaftliche, Umwelt- und Governance-Herausforderungen, an denen unsere Anspruchsgruppen ein berechtigtes Interesse haben, proaktiv an. Uns ist bewusst, dass unsere Bedürfnisse untrennbar mit ihnen verbunden sind, und arbeiten kontinuierlich daran, zu nachhaltiger Entwicklung beizutragen und eine bessere Zukunft für unsere Gruppe, unsere Mitarbeitenden und die Gesellschaft zu gestalten.

All diese Massnahmen sind Teil von Zurich Basics, unseres Verhaltenskodexes. Er bildet das Fundament unseres Handelns und legt den Rahmen dafür fest, wie wir unsere Geschäftsziele umsetzen. Unsere Grundwerte Integrität, Nachhaltigkeit, Kundenorientierung, Exzellenz und Teamgeist bilden die Leitlinie für unser Handeln, und wir erwarten von allen Mitarbeitenden, dass sie dem sowohl im übertragenen als auch im tatsächlichen Sinne gerecht werden. Wenn es darum geht, ein verantwortungsvolles Unternehmen zu sein, hängt alles vom Verhalten und der Einstellung jedes einzelnen Mitarbeitenden von Zurich ab. Jeder Einzelne von uns spielt eine Rolle, wenn es um die wichtigen wirtschaftlichen, umweltpolitischen und sozialen Themen in unserem tagtäglichen Geschäft geht.

Unsere Corporate Responsibility Strategy Group, die sich aus funktionellen und geschäftlichen Führungspersönlichkeiten zusammensetzt, überwacht die Leistungen und Aktivitäten im Bereich Corporate Responsibility auf Gruppenebene; die Verantwortung für die Umsetzung und die Massnahmen liegt im Kerngeschäftsbereich. Darüber hinaus haben einige der Geschäftseinheiten von Zurich selbst umfassende Corporate-Responsibility-Programme ins Leben gerufen. Eine enge Zusammenarbeit mit unseren Geschäftseinheiten ist wesentlich für die Umsetzung der gesamten Corporate-Responsibility-Strategie der Gruppe und für die Nutzung der Best Practices, die in der gesamten Gruppe neu eingeführt werden.

Um den Fortschritt zu messen und unsere Leistung im Bereich Corporate Responsibility fortlaufend zu verbessern, nehmen wir an den Dow-Jones-Nachhaltigkeitsindizes (Dow Jones Sustainability Indexes, DJSI) und FTSE4Good Index Series teil und holen das Feedback der Anspruchsgruppen aus Kunden- und Mitarbeiterbefragungen ein.

Auf verantwortungsvolle und nachhaltige Weise für alle unsere Anspruchsgruppen da zu sein, wenn es darauf ankommt, ist der Kern dessen, wie wir unser Geschäft führen und wofür Zurich steht. Konkrete Beispiele, was wir erreicht haben bei der Förderung unseres Ziels, auch in diesem Jahr ein noch verantwortungsvolleres und ein noch verstärkter auf Nachhaltigkeit ausgerichtetes Unternehmen zu werden, von der Unterstützung lokaler, kultureller Aktivitäten bis hin zu Anpassungen bei unseren Kerngeschäftsprozessen finden Sie im Bericht zur Geschäftsentwicklung 2009 oder auf unserer Website: www.zurich.com/corporateresponsibility.

Verwaltungsrat

Bestrebt, unsere Versprechen einzulösen

Das Verhältnis zwischen Verwaltungsrat und Management ist so strukturiert, dass es beiden Parteien möglich ist, ihre Leistungsversprechen einzulösen. Hierbei ist die Unabhängigkeit des Verwaltungsrats gegenüber dem Chief Executive Officer (CEO) und der Konzernleitung gewährleistet.

1 Manfred Gentz
Präsident des Verwaltungsrats,
Präsident des Governance- und Nominationsausschusses,
Mitglied des Entschädigungsausschusses

2 Philippe O. Pidoux
Vizepräsident des Verwaltungsrats,
Mitglied des Governance- und Nominationsausschusses,
Mitglied des Entschädigungsausschusses

3 Susan Bies
Mitglied des Verwaltungsrats,
Mitglied des Risikoausschusses

4 Victor L.L. Chu
Mitglied des Verwaltungsrats,
Mitglied des Governance- und Nominationsausschusses

5 Thomas K. Escher
Mitglied des Verwaltungsrats,
Mitglied des Entschädigungsausschusses

6 Fred Kindle
Mitglied des Verwaltungsrats,
Mitglied des Prüfungsausschusses

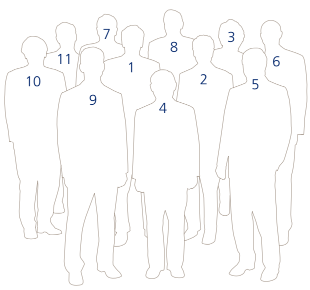
7 Armin Meyer
Mitglied des Verwaltungsrats,
Mitglied des Risikoausschusses,
Mitglied des Governance- und Nominationsausschusses

8 Don Nicolaisen
Mitglied des Verwaltungsrats,
Präsident des Prüfungsausschusses,
Mitglied des Risikoausschusses

9 Vernon L. Sankey
Mitglied des Verwaltungsrats,
Präsident des Entschädigungsausschusses

10 Tom de Swaan
Mitglied des Verwaltungsrats,
Mitglied des Prüfungsausschusses,
Präsident des Risikoausschusses

11 Rolf Watter
Mitglied des Verwaltungsrats,
Mitglied des Prüfungsausschusses



Konzernleitung

Bestrebt, unsere Versprechen einzulösen

Unser Management setzt das Engagement von Zurich, für die Kunden da zu sein, wenn es darauf ankommt, jeden Tag aufs Neue in die Tat um. Die Konzernleitung spricht dem scheidenden CEO James J. Schiro ihren tief empfundenen Dank für seine jahrelangen ausgezeichneten Dienste aus und begrüsst die Ernennung von Martin Senn in dieser Funktion.

1 James J. Schiro[1]
Chief Executive Officer

2 John Amore
Chief Executive Officer
General Insurance

3 Annette Court
Chief Executive Officer
Europe General Insurance

4 Mario Greco
Chief Executive Officer
Global Life

5 Mike Foley
Chief Executive Officer
North America Commercial

6 Paul N. Hopkins
Präsident des Verwaltungsrats von Farmers Group, Inc. und Chief Executive Officer Americas

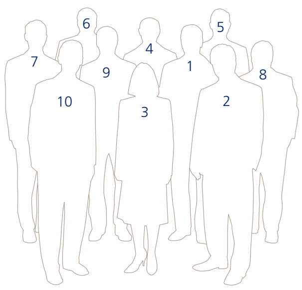
7 Axel P. Lehmann
Group Chief Risk Officer

8 Geoff Riddell
Vorsitzender von Global Corporate und Chief Executive Officer Asia-Pacific and Middle East

9 Martin Senn[2]
Chief Investment Officer

10 Dieter Wemmer
Chief Financial Officer

[1] Trat am 31. Dezember 2009 von seiner Position als Chief Executive Officer zurück.
[2] Chief Executive Officer ab dem 1. Januar 2010.



Governance

Bericht über die Corporate Governance

Zurich Financial Services AG ist bestrebt, zum Wohl ihrer Aktionäre, Kunden, Mitarbeitenden und weiterer Stakeholder-Gruppen eine effiziente Governance zu gewährleisten, die auf den Prinzipien der Fairness, Transparenz und Verantwortlichkeit basiert. Die Strukturen, Regeln und Betriebsabläufe bei Zurich Financial Services Group («Gruppe» oder «Zurich») sind im Hinblick auf eine geeignete Unternehmensorganisation und ein entsprechendes Geschäftsverhalten sowie auf eine klare Festlegung der Befugnisse und Verantwortlichkeiten der Organe und Mitarbeitenden ausgestaltet.

Der vorliegende Bericht beschreibt die Praxis der Gruppe im Bereich Corporate Governance und veranschaulicht die für Zurich wichtigsten Elemente der Corporate Governance. Er enthält die Informationen, die nach der Richtlinie für Informationen zur Corporate Governance der SIX Swiss Exchange (in der Fassung vom 1. Juli 2009) erforderlich sind. Zudem wird erklärt, wie die Gruppe im Jahr 2009 den Swiss Code of Best Practice für Corporate Governance (economiesuisse, 2002 – zuletzt aktualisiert im Oktober 2007) befolgt hat. Darüber hinaus veröffentlicht die Gruppe weiterhin eine «Erklärung zum Risikomanagement und zur internen Kontrolle» (siehe Seiten 48 bis 49) entsprechend den Vorgaben der britischen Turnbull-Richtlinie.

Die oben beschriebenen Standards und Prinzipien der Corporate Governance finden sich in zahlreichen Dokumenten wieder, insbesondere in den Statuten, dem Organisationsreglement und den Regularien der Verwaltungsratsausschüsse. Der Governance- und Nominationsausschuss des Verwaltungsrats, der die Governance der Gruppe überwacht, vergleicht diese regelmässig mit Best-Practice-Standards und stellt die Einhaltung der Corporate Governance-Bestimmungen sicher.

Es besteht eine gut funktionierende Unternehmensstruktur, die die Zusammenarbeit zwischen dem Verwaltungsrat, der Geschäftsleitung und internen Kontrollorganen unterstützt. Diese Struktur gewährleistet Kontrollmechanismen und zugleich die institutionelle Unabhängigkeit des Verwaltungsrats vom Group Chief Executive Officer (CEO) und vom Group Executive Committee (GEC), die für die Führung der Gruppe im täglichen Geschäft verantwortlich sind. Im Verwaltungsrat von Zurich Financial Services AG sind nur Mitglieder vertreten, die unabhängig und nicht mit der Geschäftsführung betraut sind. Die Positionen von Verwaltungsratspräsident und CEO sind voneinander getrennt, wodurch eine Gewaltentrennung zwischen diesen Funktionen gewährleistet und die Unabhängigkeit des Verwaltungsrats sichergestellt wird.

Dieser Bericht folgt weitestgehend der in der Richtlinie für Informationen zur Corporate Governance der SIX Swiss Exchange empfohlenen Struktur. Das Kapitel über die Entschädigungen, Beteiligungen und Darlehen der Verwaltungsratsmitglieder sowie der Mitglieder des GEC wird separat als «Bericht über Honorare und Entschädigungen» (siehe Seiten 50 bis 67) als Ergänzung zu diesem Bericht publiziert.

Konzernstruktur und Aktionäre

Operative Konzernstruktur

Zurich Financial Services AG ist die Holdinggesellschaft der Gruppe und eine Aktiengesellschaft nach schweizerischem Recht[1].

Die Gruppe verfolgt eine kundenorientierte Strategie und wird als eine auf Geschäftssegmenten und Regionen basierende Matrixorganisation geführt. Die Verantwortungsbereiche der Mitglieder des GEC reflektieren diese Matrixstruktur. An der Spitze des GEC steht der CEO. Zu den weiteren Mitgliedern gehören der Chief Financial Officer, der Chief Investment Officer und der Group Chief Risk Officer. Ferner sind die Geschäftssegmente General Insurance, Global Life und Farmers sowie die Geschäftsbereiche North America Commercial, Global Corporate und Europe General Insurance im GEC vertreten. Weitere Informationen zum GEC finden Sie auf den Seiten 37 bis 41.

Ausgehend von dieser Managementstruktur basiert die primäre Berichterstattung der Gruppe auf den folgenden Geschäftssegmenten:

[1] Infolge einer Änderung des Schweizerischen Obligationenrechts wurde Zurich Financial Services mit Wirkung vom 2. April 2009 in «Zurich Financial Services AG» umbenannt. Im vorliegenden Dokument wird durchgängig der neue Name Zurich Financial Services AG verwendet, auch wenn auf Sachverhalte Bezug genommen wird, die vor der Umbenennung des Unternehmens auftraten.

- General Insurance deckt die Sach- und Unfallversicherungsbedürfnisse zahlreicher Kunden ab, darunter Privatkunden, Kleinbetriebe, mittelständische und grosse Unternehmen sowie multinationale Gesellschaften.

- Global Life verfolgt eine Strategie mit marktführenden Lösungen im Bereich der Unit-linked- und Vorsorgeprodukte durch globalen Vertrieb und durch das Propositions-Modell, um eine führende Position in den ausgewählten Segmenten zu erreichen.

- Farmers erbringt über Farmers Group, Inc. und ihre Tochtergesellschaften (FGI) nicht schadenbezogene Managementdienstleistungen für die Farmers Exchanges. FGI erzielt Einnahmen für die Bereitstellung von Dienstleistungen für die Farmers Exchanges, für die wir Management-Dienstleistungen erbringen, aber nicht besitzen, sowie für deren Kunden. Seit dem 1. Januar 2009 umfasst dieses Segment auch das Farmers Re-Geschäft, das alle Rückversicherungen enthält, die die Gruppe den Farmers Exchanges stellt. Die Farmers Exchanges zeichnen vor allem Versicherungsverträge für Privatkunden und kleine Firmenkunden in den Vereinigten Staaten.

- Other Operating Businesses besteht primär aus dem Hauptsitz der Gruppe und ihren Holding- und Finance-Aktivitäten. Ausserdem werden bestimmte alternative Anlagepositionen, die nicht dem operativen Kernbereich zugeordnet sind, in diesem Segment geführt.

- Non-Core Businesses umfasst Versicherungsgeschäfte, die die Gruppe als nicht zum Kerngeschäft gehörend betrachtet und die vor allem im Hinblick auf eine rentable Abwicklung verwaltet werden. Zudem enthält Non-Core Businesses seit dem 30. September 2009 auch die Bankgeschäftsaktivitäten der Gruppe, die nach einer strategischen Prüfung nicht mehr als das Kernversicherungsgeschäft unterstützend, sondern als nützliche Ergänzung hierzu betrachtet werden.

Das sekundäre Format der Berichterstattung der Gruppe folgte auch 2009 einer geografischen Struktur und umfasste die folgenden Bereiche: Americas (Nord-, Mittel- und Südamerika), Europe & Africa, Asia-Pacific & Middle East und Central Region. Infolge der Neuausrichtung der früheren Region International Businesses auf eine neue regionale Struktur gilt seit dem 1. Januar 2009 folgende Zuordnung: Das südliche Afrika gehört zur erweiterten Region Europe & Africa, Lateinamerika wird einer erweiterten Region Americas zugeordnet und Asia-Pacific & Middle East bilden eine neue eigenständige Region.

Detailliertere Informationen zu den Segmenten der Gruppe und ihrer geografischen Struktur finden Sie in Note 30 zu den Consolidated Financial Statements ab Seite 138. Ein detaillierter Bericht zu den Ergebnissen und Aktivitäten der jeweiligen Segmente und Geschäftsbereiche im Jahr 2009 findet sich im Financial Review der Gruppe ab Seite 70. Ein Überblick über die Stärken und Tätigkeiten der Gruppe ist zudem im Bericht zur Geschäftsentwicklung auf der Website von Zurich unter www.zurich.com (http://zdownload.zurich.com/main/reports/business_review_2009_de.pdf) abrufbar.

Zurich Financial Services AG ist an der Schweizer Börse SIX Swiss Exchange kotiert. Schuldverschreibungen im Rahmen des Euro-Medium-Term-Note-Programms und andere Finanzinstrumente verschiedener Gruppengesellschaften sind ebenfalls kotiert.

Eine Aufstellung der wichtigen Tochterunternehmen der Gruppe sowie weitere Informationen über kotierte Aktien von wichtigen Tochterunternehmen finden sich in diesem Jahresbericht auf den Seiten 266 bis 268. Weitere Informationen über die Kotierungen der Aktien von Zurich Financial Services AG sind den Aktionärsinformationen auf den Seiten 326 bis 330 zu entnehmen.

Bedeutende Aktionäre

Gemäss den Richtlinien zur Offenlegung bedeutender Beteiligungen an Schweizer Unternehmen mit Börsenkotierung in der Schweiz hat eine Offenlegung zu erfolgen, wenn gewisse Prozentwerte – beginnend mit der 3%-Schwelle – über- oder unterschritten werden. Call-Optionen und andere Finanzinstrumente sind den Beteiligungen in Aktien zuzurechnen, selbst wenn sie nur eine Barabgeltung ermöglichen. Nach dieser Regelung hat die Offenlegung für Kaufpositionen (inkl. Aktien, Long-Call-Optionen und Short-Put-Optionen) und Verkaufspositionen (inkl. Long-Put-Optionen und Short-Call-Optionen) separat zu erfolgen. Die Prozentschwellen berechnen sich auf Basis der Stimmrechte gemäss Eintrag im Handelsregister.

Zurich Financial Services AG ist verpflichtet, Aktienbeteiligungen Dritter zu melden, sobald die entsprechende Drittpartei mitteilt, dass ein bestimmter Schwellenwert überschritten wurde. 2009 wurde der Gruppe mehrmals von Drittparteien gemeldet, dass diese die Schwelle von 3% mit Kauf- oder Verkaufspositionen über- oder unterschritten hatten. Die entsprechenden Veröffentlichungen sind auf der Website der Zurich unter www.zurich.com (http://www.zurich.com/main/investors/ourshares/disclosureofshareholdings/introduction.htm) abrufbar.

Zurich Financial Services AG ist ausser Barclays Plc und BlackRock, Inc. niemand bekannt, der als wirtschaftlich Berechtigter per 31. Dezember 2009 direkt oder indirekt mit Aktien, Optionsrechten und/oder Umwandlungsrechten mehr als 3% der Aktien von Zurich Financial Services AG hielt. Barclays Plc, 1 Churchill Place, London E14 5HP, Grossbritannien, meldete zusammen mit seinen Tochtergesellschaften per 28. April 2009 eine Kaufposition von 3,02%. BlackRock, Inc., 40 East 52nd Street, New York, 10022, USA, meldete zusammen mit seinen Tochtergesellschaften per 1. Dezember 2009 eine Kaufposition von 3,39%.

Ferner ist Zurich Financial Services AG nicht bekannt, dass per 31. Dezember 2009 irgendwelche Personen oder Institute direkt oder indirekt, gemeinsam oder allein, Kontrolle über Zurich Financial Services AG ausübten oder aufgrund einer Vereinbarung ausüben konnten.

Kreuzbeteiligungen

Zurich Financial Services AG verfügt über keinerlei Kreuzbeteiligungen, die 5% des Aktienkapitals oder der Stimmrechte auf beiden Seiten übersteigen.

Kapitalstruktur

Aktienkapital

Per 31. Dezember 2009 betrug das ordentliche Aktienkapital der Zurich Financial Services AG CHF 14'747'306.80, aufgeteilt in 147'473'068 voll liberierte Namenaktien mit einem Nennwert von je CHF 0.10. Der Verwaltungsrat wird den Aktionären bei der ordentlichen Generalversammlung am 30. März 2010 eine Bruttodividende von CHF 16.00 je Aktie vorschlagen.

Genehmigtes und bedingtes Aktienkapital

Per 31. Dezember 2009 war der Verwaltungsrat von Zurich Financial Services AG ermächtigt, das Aktienkapital bis spätestens 3. April 2011 um CHF 520'000.00 zu erhöhen, was 5'200'000 Namenaktien zu nominal CHF 0.10 entspricht. Zurich Financial Services AG kann überdies das bedingte Aktienkapital um höchstens CHF 1'000'000.00 durch Ausgabe von bis zu 10'000'000 voll zu liberierenden Namenaktien zu nominal CHF 0.10 erhöhen, und zwar durch Ausübung von (1.) Wandel- und/oder Optionsrechten, die in Verbindung mit auf nationalen oder internationalen Kapitalmärkten begebenen Anleihen oder ähnlichen Obligationen der Gesellschaft oder einer ihrer Konzerngesellschaften eingeräumt werden, und/oder durch (2.) Ausübung von Optionsrechten, die den Aktionären eingeräumt werden. Das Unternehmen verfügt über ein weiteres bedingtes Kapital in Höhe von CHF 264'383.10 bzw. 2'643'831 voll zu liberierende Namenaktien mit einem Nennwert von je CHF 0.10, die an Mitarbeitende der Gruppe ausgegeben werden können. Weitere Informationen über die Kapitalstruktur sowie über das genehmigte und bedingte Aktienkapital finden Sie in Note 23 auf den Seiten 219 bis 222 der Consolidated Financial Statements.

Änderungen des Aktienkapitals im Verlauf des Jahres 2008

An der ordentlichen Generalversammlung vom 3. April 2008 stimmten die Aktionäre einer Reduktion des Aktienkapitals um CHF 343'250.00 von CHF 14'554'682.00 auf CHF 14'211'432.00 zu. Diese erfolgte durch die Vernichtung von 3'432'500 Namenaktien, die von Zurich Financial Services AG im Rahmen des am 15. Februar 2007 angekündigten Aktienrückkaufprogramms zurückgekauft wurden. Die Kapitalreduktion erfolgte per 27. Juni 2008.

Per 31. Dezember 2008 belief sich das Aktienkapital auf CHF 600'000.00, was 6'000'000 Namenaktien zu nominal CHF 0.10 entspricht. 2008 wurden 8'300 Aktien des bedingten Aktienkapitals an Mitarbeitende ausgegeben. Somit belief sich das Aktienkapital am 31. Dezember 2008 auf CHF 14'212'262.00 (142'122'620 Aktien) und das bedingte Aktienkapital gemäss Art. 5ter(1a) der Statuten auf CHF 548'182.80 (5'481'828 Aktien) sowie das andere bedingte Kapital gemäss Art. 5ter(2a) der Statuten auf CHF 319'427.90 (3'194'279 Aktien).

Änderungen des Aktienkapitals im Verlauf des Jahres 2009

Per 31. Dezember 2008 hatte Zurich Financial Services AG im Rahmen des am 13. Februar 2008 vom Verwaltungsrat genehmigten Rückkaufprogramms 3’750’500 ihrer Namenaktien über eine zweite Handelslinie zurückgekauft. Im März 2009 beschloss der Verwaltungsrat, der ordentlichen Generalversammlung der Aktionäre nicht die Vernichtung dieser Aktien vorzuschlagen, sondern diese als eigene Aktien zur Finanzierung möglicher künftiger Akquisitionen oder für die Aktien-basierte Vergütung von Mitarbeitenden zu verwenden. Diese Umwidmung der Aktien wurde von der schweizerischen Übernahmekommission (Swiss Takeover Board) genehmigt.

An der ordentlichen Generalversammlung vom 2. April 2009 stimmten die Aktionäre einer Erhöhung des genehmigten und des bedingten Aktienkapitals auf ein neues Maximum von je CHF 1’000’000.00 zu, um dem Unternehmen eine grössere finanzielle Flexibilität im Rahmen des zukünftigen Kapitalmanagements zu ermöglichen. Am 17. April 2009 platzierte Zurich Financial Services AG 4’800’000 neue Aktien, die aus dem genehmigten Aktienkapital ausgegeben wurden, sowie 1’914’096 umgewidmete eigene Aktien, die im Rahmen des 2008 genehmigten Aktienrückkaufprogramms zurückgekauft wurden, mittels eines Accelerated Bookbuild bei institutionellen Anlegern. Diese Kapitalerhöhung verringerte das genehmigte Kapital auf CHF 520’000.00. Der Erlös aus der am 17. April 2009 durchgeführten Kapitalerhöhung und den umgewidmeten eigenen Aktien wurde im Zusammenhang mit der Finanzierung des Erwerbs von 21st Century verwendet, der am 1. Juli 2009 abgeschlossen wurde.

2009 wurden 550’448 Aktien aus dem bedingten Aktienkapital an Mitarbeitende ausgegeben. Somit belief sich das Aktienkapital am 31. Dezember 2009 auf CHF 14’747’306.80 (147’473’068 Aktien) und das bedingte Aktienkapital gemäss Artikel 5(ter)(1a) der Statuten auf CHF 1’000’000.00 (10’000’000 Aktien), das übrige bedingte Aktienkapital gemäss Artikel 5(ter)(2a) der Statuten belief sich auf CHF 264’383.10 (2’643’831 Aktien).

Veränderung des ordentlichen Aktienkapitals während der letzten zwei Jahre

	Aktienkapital in CHF	Anzahl Aktien	Nennwert in CHF
Per 31. Dezember 2007	14’554’682.00	145’546’820	0.10
Kapitalreduktion durch Vernichtung von Aktien, die im Rahmen des am 15. Februar 2007 angekündigten Aktienrückkaufprogramms zurückgekauft wurden	343’250.00	3’432’500	0.10
Neu ausgegebene Aktien aus bedingtem Kapital	830.00	8’300	0.10
Per 31. Dezember 2008	14’212’262.00	142’122’620	0.10
Neu ausgegebene Aktien aus genehmigtem Kapital	480’000.00	4’800’000	0.10
Neu ausgegebene Aktien aus bedingtem Kapital	55’044.80	550’448	0.10
Per 31. Dezember 2009	14’747’306.80	147’473’068	0.10

Informationen zu Kapitalveränderungen im Jahr 2007 sind im Geschäftsbericht 2008, Jahresbericht, von Zurich Financial Services AG auf den Seiten 22 bis 23, 136 bis 137 sowie 274 bis 277 enthalten.

Aktien und Partizipationsscheine

Bei den Aktien von Zurich Financial Services AG handelt es sich um Namenaktien mit einem Nennwert von je CHF 0.10. Die Aktien sind voll liberiert. Gemäss Artikel 14 der Statuten gewährt jede Aktie das Recht auf eine Stimme an den Generalversammlungen und ermöglicht es dem eingetragenen Eigentümer, alle übrigen mit einer solchen Aktie verbundenen Gesellschaftsrechte auszuüben, sofern die Registrierung im Aktienbuch erfolgt ist.

Einige Anteile werden von den Anlegern in Form von CREST Depository Interests (CDIs)[1] oder American Depositary Receipts (ADRs)[2] gehalten. Per 31. Dezember 2009 hielten Anleger 215'267 CDIs (dies entspricht 215'267 Aktien von Zurich Financial Services AG) und 26'468'060 ADRs (dies entspricht 2'646'806 Aktien von Zurich Financial Services AG).

Genussscheine

Zurich Financial Services AG hat keine Genussscheine emittiert.

Übertragungsbeschränkungen und Nominee-Registrierungen

Mit Ausnahme der Formalitäten zur Übertragung von nicht verurkundeten Aktien sehen die Statuten keine Übertragungsbeschränkungen vor.

Die Registrierung als Aktionär erfordert eine Erklärung, dass der Aktionär die Aktien im eigenen Namen und für eigene Rechnung erworben hat. Nominees, die Aktien von Zurich Financial Services AG halten, können zugunsten von oder als Nominee für eine andere Person für bis zu 200'000 Aktien mit Stimmrecht registriert werden, auch wenn sie die Identität des Eigentümers nicht offenlegen. Halten sie mehr als 200'000 Aktien, können sie nur als Aktionär mit Stimmrecht registriert werden, wenn sie die Identität jedes Eigentümers offenlegen und den Eigentümer über die Tätigkeiten des Unternehmens informieren, Instruktionen zur Ausübung der Stimmrechte und der Bezugsrechte einholen, Dividenden übertragen und im Interesse sowie in Übereinstimmung mit den Anweisungen des Eigentümers handeln.

Spezielle Vorschriften gibt es für die Registrierung und Ausübung von Rechten an Aktien durch die Bank of New York Mellon in Zusammenhang mit dem ADR-Programm von Zurich Financial Services AG.

Wandelanleihen und Optionen

Zurich Financial Services AG hatte per 31. Dezember 2009 keine öffentlich gehandelten Wandelanleihen oder Optionen ausstehen. Informationen über die Aktienoptionspläne für Mitarbeitende finden Sie in Note 25 der Consolidated Financial Statements auf den Seiten 228 bis 231.

[1] CREST ist das System für die papierlose Abwicklung von Wertpapiergeschäften und den Besitz von Wertpapieren in unverbriefter Form in Grossbritannien. CREST hält die Aktien treuhänderisch und hat dematerialisierte Depository Interests – bekannt als CDIs - ausgegeben, die Ansprüche an den Aktien von Zurich Financial Services AG darstellen. Da CDI-Inhaber nicht die rechtmässigen Eigentümer der durch die CDIs vertretenen Aktien sind, sind sie nicht in der Lage, die gleichen Rechte wie ein Aktionär direkt durchzusetzen oder auszuüben. CDI-Inhaber sind jedoch bezüglich der durch die CDIs vertretenen Aktien wirtschaftlich berechtigt und es ist ihnen somit gestattet, dem CREST Depository bei Ausübung bestimmter nicht wirtschaftlicher Rechte, die mit den Aktien verbunden sind, Weisungen zu erteilen. Jedes CDI steht für eine Aktie von Zurich Financial Services AG.

[2] Zurich Financial Services AG hat ein American Depositary Share (ADS)-Level-1-Programm in den Vereinigten Staaten eingeführt. Im Rahmen des Programms gibt die Bank of New York Mellon die ADSs aus. Jede ADS repräsentiert das Recht auf Erhalt eines Zehntels einer Aktie von Zurich Financial Services AG. Jede ADS steht darüber hinaus auch für Wertpapiere, flüssige Mittel oder sonstige Vermögenswerte, die bei der Bank of New York Mellon hinterlegt sind, jedoch nicht an ADS-Inhaber ausgeschüttet werden. ADSs werden ausserbörslich (OTC) gehandelt und durch American Depositary Receipts (ADRs) nachgewiesen. ADS-Inhaber werden nicht als Aktionäre von Zurich Financial Services AG behandelt und sind nicht in der Lage, Aktionärsrechte direkt durchzusetzen oder auszuüben. Nur die Bank of New York Mellon als Depositary kann Stimmrechte hinsichtlich Weisungen ausüben, die sie von den wirtschaftlich Berechtigten der ADRs erhält.

Verwaltungsrat

Mitglieder des Verwaltungsrats, per 31. Dezember 2009

Name	Staatsangehörigkeit	Alter	Position	Jahr der ersten Ernennung	Ablauf der derzeitigen Amtszeit
Manfred Gentz	Deutschland	67	Präsident des Verwaltungsrats Präsident des Governance- und Nominationsausschusses Mitglied des Entschädigungsausschusses	2005	2011
Philippe Pidoux	Schweiz	66	Vizepräsident des Verwaltungsrats Mitglied des Governance- und Nominationsausschusses Mitglied des Entschädigungsausschusses	1997[1]	2010
Susan Bies	USA	62	Mitglied des Verwaltungsrats Mitglied des Risikoausschusses	2008	2010
Victor Chu	Grossbritannien	52	Mitglied des Verwaltungsrats Mitglied des Governance- und Nominationsausschusses	2008	2010
Thomas Escher	Schweiz	60	Mitglied des Verwaltungsrats Mitglied des Entschädigungsausschusses	2004	2012
Fred Kindle	Schweiz	50	Mitglied des Verwaltungsrats Mitglied des Prüfungsausschusses	2006	2011
Armin Meyer	Schweiz	60	Mitglied des Verwaltungsrats Mitglied des Governance- und Nominationsausschusses Mitglied des Risikoausschusses	2001	2010
Don Nicolaisen	USA	65	Mitglied des Verwaltungsrats Vorsitzender des Prüfungsausschusses Mitglied des Risikoausschusses	2006	2012
Vernon Sankey	Grossbritannien	60	Mitglied des Verwaltungsrats Vorsitzender des Entschädigungsausschusses	1998[1]	2012
Tom de Swaan	Niederlande	63	Mitglied des Verwaltungsrats Vorsitzender des Risikoausschusses Mitglied des Prüfungsausschusses	2006	2011
Rolf Watter	Schweiz	51	Mitglied des Verwaltungsrats Mitglied des Prüfungsausschusses	2002	2010

[1] Herr Pidoux war seit 1997 Mitglied des Verwaltungsrats von Zürich Versicherungs-Gesellschaft AG. Im Jahr 1998, nach der Fusion von B.A.T. Financial Services und Zürich Versicherungs-Gesellschaft (die «Fusion»), war er Mitglied in einem oder mehreren Verwaltungsräten der Holdingstruktur der Gruppe, die aus der Zurich Group Holding (damals Zurich Financial Services), Allied Zurich p.l.c. und Zurich Allied AG bestand. Die Gruppenstruktur wurde im Oktober 2000 reorganisiert (die «Vereinheitlichung»). Herr Sankey war ebenfalls Mitglied mehrerer Verwaltungsräte der nach der Fusion entstandenen Holdingstruktur der Gruppe. Seit der Vereinheitlichung sind beide Mitglieder des Verwaltungsrats von Zurich Financial Services AG.

Alle derzeitigen Verwaltungsratsmitglieder waren während des gesamten Jahres 2009 im Verwaltungsrat tätig. Alle Verwaltungsräte von Zurich Financial Services AG sind auch Mitglieder des Verwaltungsrats von Zürich Versicherungs-Gesellschaft AG. Herr Gentz ist ebenfalls Präsident des Verwaltungsrats dieser Gesellschaft. Weiter ist Herr de Swaan Mitglied im Verwaltungsrat von Zurich Insurance plc; er ist ferner Präsident des Prüfungsausschusses dieses Verwaltungsrats. Herr Nicolaisen und Frau Bies wurden am 19. Oktober 2009 in den Verwaltungsrat von Zurich Holding Company of America (ZHCA) gewählt und sind zudem Mitglieder des betreffenden Prüfungsausschusses. Abgesehen von Frau Bies, Herrn Nicolaisen und Herrn de Swaan haben die Mitglieder des Verwaltungsrats keine weiteren Verwaltungsratsmandate innerhalb der Gruppe.

Fritz Gerber ist Ehrenpräsident von Zurich Financial Services AG. Er war Präsident des Verwaltungsrats von Zürich Versicherungs-Gesellschaft von 1977 bis 1995 und CEO von 1977 bis 1991. In Anerkennung seiner Leistungen und Verdienste für das Unternehmen wurde er zum Ehrenpräsidenten ernannt. Dieses Amt verleiht weder das Recht auf eine Mitgliedschaft im Verwaltungsrat oder Rechte und Pflichten eines Verwaltungsratsmitglieds noch den Anspruch auf ein Verwaltungsratshonorar.

Biografien

Manfred Gentz studierte Rechtswissenschaften an den Universitäten von Berlin und Lausanne und schloss sein Studium an der Freien Universität Berlin mit einer Promotion ab. 1970 stiess er zur Daimler-Benz AG, wo er in verschiedenen Positionen tätig war. 1983 wurde er zum Vorstandsmitglied der Daimler-Benz AG gewählt, wo er zunächst für den Bereich Human Resources zuständig war. Von 1990 bis 1995 hatte er die Position des CEO von Daimler-Benz Interservices (debis) in Berlin inne, 1995 wurde er Chief Financial Officer der Daimler-Benz AG. Im Dezember 1998 wurde Manfred Gentz in den Vorstand der DaimlerChrysler AG gewählt, wo er bis Dezember 2004 den Bereich Finanzen und Controlling leitete. Er war Aufsichtsratsmitglied der Agrippina Versicherung AG von 1987 bis 1995 und von Zürich Beteiligungs-Aktiengesellschaft (Deutschland) von 1996 bis 2005. Von 1985 bis 2005 war Herr Gentz im Aufsichtsrat der Hannoverschen Lebensversicherung AG tätig (ab 1990 als stellvertretender Aufsichtsratspräsident). Von Mai 2005 bis März 2006 war er Präsident des Aufsichtsrats der Eurohypo AG. Für die adidas AG war er von 2004 bis Mai 2009 und in der DWS Investment GmbH von Dezember 1995 bis April 2009 im Aufsichtsrat tätig. Ferner wurde Herr Gentz im Mai 2003 in den Aufsichtsrat der Deutsche Börse AG gewählt, dessen Vorsitz er im Dezember 2008 übernahm. Herr Gentz ist ferner Mitglied der Geschäftsleitung und Präsident der Internationalen Handelskammer (IHK) Deutschland. Darüber hinaus ist er Mitglied zahlreicher wissenschaftlicher und kultureller Institutionen und unter anderem Vorsitzender des Kuratoriums der Technischen Universität Berlin.

Philippe Olivier Pidoux schloss sein Jurastudium an der Universität Lausanne, Schweiz, mit Promotion ab und verfügt über einen Master of Comparative Jurisprudence der University of Texas. Er ist Partner der Anwaltskanzlei BMP Associés in Lausanne. Herr Pidoux war von 1986 bis 1994 Regierungsrat des Kantons Waadt und von 1983 bis 1999 Mitglied des Schweizerischen Nationalrats. Von 1991 bis 2003 war er Mitglied des Verwaltungsrats und ab 1999 Vizepräsident des Verwaltungsrats der Schweizerischen Nationalbank. Von 1994 bis April 2009 war er zudem Präsident des Verwaltungsrats der Publigroupe AG.

Susan Bies hält einen BS des State University College at Buffalo, New York, sowie einen MA der Northwestern University in Evanston, Illinois, wo sie später auch den Doktortitel erlangte. Sie begann ihre Karriere 1970 als Ökonomin bei der Federal Reserve Bank von St. Louis, Missouri, und wurde zwei Jahre später Assistenzprofessorin für Wirtschaftswissenschaften an der Wayne State University in Detroit, Michigan. 1977 ging sie in einer ähnlichen Position an das Rhodes College in Memphis, Tennessee, und stiess 1979 zur First Tennessee National Corporation in Memphis, wo sie bis 2001 tätig war. Während der ersten Jahre war sie dort unter anderem für taktische Planung und Unternehmensentwicklung verantwortlich. 1984 wurde sie Chief Financial Officer und Präsidentin des Asset/Liability-Ausschusses. 1995 wurde sie Executive Vice President des Risikomanagements sowie Revisorin und Präsidentin des Exekutivausschusses für Risikomanagement, setzte jedoch ihre Aufgaben im Rahmen des Asset/Liability-Ausschusses fort. Von 2001 bis 2007 war sie Mitglied des Direktoriums des US-Zentralbankensystems (Federal Reserve System). Zwischen 1996 und 2001 war Frau Bies Mitglied der Emerging Issues Task Force des Financial Accounting Standards Board (FASB). Von 2007 bis 2008 war sie Mitglied des Beratungsausschusses der US-Börsenaufsicht (SEC), der sich mit Fragen zur Verbesserung der Jahresberichterstattung beschäftigt, und Präsidentin des Unterausschusses für substanzielle Komplexität. Im Juni 2009 wurde Frau Bies zum Aufsichtsratsmitglied der Bank of America Corporation ernannt.

Victor L.L. Chu schloss das Studium am University College London im Jahr 1979 mit einem LL.B. ab. Er ist als Anwalt in England und Hongkong zugelassen. Seit 1982 ist er auf dem Gebiet des Unternehmens-, Handels- und Wertpapierrechts tätig, mit besonderem Schwerpunkt auf China und regionalen Anlagegeschäften. Von 1995 bis 2000 war Herr Chu Deputy Secretary-General der International Bar Association. Seit 1988 ist er als Vorsitzender der First Eastern Investment Group tätig, einem führenden Direktanlageunternehmen, das sich auf China konzentriert. Er ist zudem Vorsitzender der First Eastern Investment Bank Limited und der FE Securities Limited. Während der letzten 20 Jahre war er zu verschiedenen Zeiten Direktor und Ratsmitglied der Hongkonger Börse, Mitglied des Hong Kong Takeovers and Mergers Panel, Mitglied des Beratungsausschusses der Hong Kong Securities and Futures Commission und zeitweise Mitglied der Central Policy Unit der Regierung von Hongkong. Derzeit ist er Mitglied des Stiftungsrats des Weltwirtschaftsforums (WEF) und Vizepräsident von desen International Business Council. Zudem ist er bei der Internationalen Handelskammer Vorsitzender der Kommission für Finanzdienstleistungen und Versicherungen und Vizepräsident des Asia House in London. Herr Chu ist Treuhänder des in London ansässigen International Business Leaders Forum und des WWF in Hongkong. Ferner ist er Berater des Vorsitzenden der Kennedy School in Harvard und Mitglied des Mayor of London's International Business Advisory Council. Zu seinen weiteren Aktivitäten in gemeinnützigen Verbänden zählt sein Einsatz im Rahmen der Beratungsgremien der International Crisis Group, Chatham House, der Beijing Music Festival Foundation und des Atlantic Council der USA.

Thomas Konrad Escher schloss sein Studium an der Eidgenössischen Technischen Hochschule (ETH) als Elektroingenieur und Betriebsingenieur ab und kam daraufhin 1974 zu IBM. In den folgenden Jahren hatte er verschiedene Führungspositionen inne – mit Verantwortung für Märkte und Kundenbeziehungen in Übersee, mehreren Ländern Europas und der Schweiz. Von 1996 an war er als Mitglied der Geschäftsleitung des Schweizerischen Bankvereins CEO für die bedeutenden Marktbereiche in der Schweiz und für den Geschäftsbereich Information Technology. 1998, nach der Fusion des Schweizerischen Bankvereins mit der Schweizerischen Bankgesellschaft, leitete er als Mitglied des Group Managing Board bis Mitte 2005 den IT-Bereich der Sparte Privat- und Firmenkunden der UBS AG. Per 1. Juli 2005 übernahm er die Funktion des Vice Chairman in der Business Group Global Wealth Management & Business Banking der UBS AG. Ferner ist Herr Escher Mitglied des Stiftungsrats der Stiftung Greater Zurich Area, die sich mit dem aktiven Marketing der Stadt Zürich und ihrer Umgebung zwecks Ansiedlung ausländischer Unternehmen befasst.

Fred Kindle schloss sein Maschinenbaustudium an der Eidgenössischen Technischen Hochschule (ETH) in Zürich mit einem Master ab. Von 1984 bis 1986 arbeitete er als Marketing-Projektmanager bei der Hilti AG in Liechtenstein. Dann schrieb er sich an der Northwestern University in Evanston, Illinois, USA, ein, wo er einen MBA erlangte. Von 1988 bis 1992 war er Berater bei McKinsey & Company in New York und Zürich. Danach trat er in die Sulzer Chemtech AG in der Schweiz ein, wo er zunächst als Leiter des Profit Center Stoffaustausch und ab 1996 als Leiter der Product Division fungierte. 1999 wurde Herr Kindle zum CEO von Sulzer Industries ernannt, einer der beiden operativen Einheiten der Sulzer AG. Zwei Jahre später wurde er CEO der Sulzer AG, wo er auch als Mitglied des Verwaltungsrats fungierte. Nach seinem Wechsel zu ABB Ltd. im Jahr 2004 wurde Herr Kindle im Januar 2005 zum CEO der ABB Group ernannt; diese Funktion hatte er bis Februar 2008 inne. Danach wurde er Partner der Private-Equity-Unternehmens Clayton, Dubilier & Rice mit Sitz in New York und London. In seiner Funktion als Partner dieser Firma arbeitet er auch als Verwaltungsratspräsident der Exova Ltd., Schottland, und als Mitglied des Verwaltungsrats der Rexel SA, Frankreich. Darüber hinaus ist er Mitglied im Verwaltungsrat der VZ Holding Ltd., Zürich, und der Stadler Rail AG in Bussnang.

Armin Meyer erwarb einen Doktortitel in Elektrotechnik an der Eidgenössischen Technischen Hochschule (ETH) in Zürich, bevor er 1976 als Entwicklungsingenieur zur damaligen BBC Brown Boveri AG kam. 1980 wurde er Leiter des Bereiches Forschung und Entwicklung von Elektromotoren und 1984 Leiter der internationalen Geschäftseinheit für elektrische Generatoren. 1988 wurde er Präsident der ABB Drives AG und 1992 Präsident der ABB Kraftwerke AG. Von 1995 bis 2000 war er Executive Vice President der ABB AG und Mitglied der Konzernleitung. Herr Meyer wurde in den Verwaltungsrat der Ciba Spezialitätenchemie gewählt, als sich dieses Unternehmen 1997 von Novartis abspaltete. Im Herbst 2000 wurde er zum Verwaltungsratspräsidenten von Ciba Spezialitätenchemie ernannt und war bis April 2009 in dieser Funktion tätig. Vom 1. Januar 2001 bis zum 31. Dezember 2007 war er zudem als Chief Executive Officer des Unternehmens tätig. Herr Meyer ist Mitglied der Konzernleitung und des Stiftungsrats des International Institute for Management Development (IMD) in Lausanne, Schweiz. Von 2001 bis 2008 war er Mitglied des Verwaltungsrats des European Chemical Industry Council (Cefic) in Brüssel, Belgien.

Don Nicolaisen schloss sein Studium an der University of Wisconsin-Whitewater mit einem BBA ab und kam daraufhin zu Price Waterhouse (in der Folge PricewaterhouseCoopers), wo er 1978 Partner wurde. Er war in verschiedenen Funktionen tätig, unter anderem als Wirtschaftsprüfer und Präsident der Financial Services Practices von PricewaterhouseCoopers. Von 1988 bis 1994 leitete er bei PwC die US-amerikanische Abteilung für Rechnungslegung und SEC-Dienstleistungen und war von 1994 bis 2001 Mitglied des US-amerikanischen und des internationalen Verwaltungsrats. Von September 2003 bis November 2005 fungierte Herr Nicolaisen als Chefbuchhalter der US-Börsenaufsicht (SEC); zudem war er leitender Berater der Kommission für Rechnungslegungs- und Revisionsangelegenheiten. Er ist Verwaltungsratsmitglied von Verizon Communications Inc., Morgan Stanley und MGIC Investment Corporation. Ferner ist er Mitglied des Beirats der University of Southern California Leventhal School of Accounting.

Vernon Louis Sankey erwarb einen MA am Oriel College in Oxford und trat 1971 in die Firma Reckitt & Colman in Grossbritannien ein, für die er in Frankreich, Dänemark, Grossbritannien und in den USA arbeitete. 1989 wurde er zum Verwaltungsratsmitglied ernannt und hatte von 1991 bis 1999 die Position des CEO im Unternehmen inne. Von 2000 bis September 2007 war er Verwaltungsratspräsident von Photo-Me International plc. Herr Sankey war Verwaltungsratsmitglied bei der Cofra AG in der Schweiz von 2001 bis Juni 2007 und bei Taylor Woodrow plc. von 2004 bis Juli 2007. Von 2005 bis 2008 war er im Aufsichtsrat der Vividas Group plc. Seit 1. Januar 2006 ist er Mitglied des Aufsichtsrats von Atos Origin SA, Paris, und seit Oktober 2006 Mitglied des Verwaltungsrats von Firmenich SA, Genf, wo er im Oktober 2008 zum Verwaltungsratspräsidenten ernannt wurde. Er war Präsident des Verwaltungsrats von

Thompson Travel Group plc bis August 2000, von Gala Group Holdings plc bis Februar 2003 und von The Really Effective Development Company Ltd bis März 2006. Ferner war er bis April 2006 Mitglied des Verwaltungsrats von Pearson plc und ist ehemaliger Verwaltungsrat des britischen Instituts für Lebensmittelstandards (UK's Food Standards Agency). Zusätzlich zu seinen Verwaltungsratsmandaten ist er auch für verschiedene Unternehmen als Berater tätig.

Tom de Swaan schloss sein Studium der Wirtschaftswissenschaften an der Universität von Amsterdam mit einem Master's Degree ab. 1972 kam er zur De Nederlandsche Bank N.V., wo er von 1986 bis 1998 Mitglied des Direktoriums war. Im Januar 1999 wurde er Mitglied der erweiterten Geschäftsleitung und Chief Financial Officer der ABN AMRO Bank. Er verliess ABN AMRO am 1. Mai 2006, stand aber der erweiterten Geschäftsleitung in beratender Funktion bis Juni 2007 weiterhin zur Verfügung. Herr de Swaan ist nicht geschäftsführendes Mitglied des Verwaltungsrats von GlaxoSmithKline sowie Vorsitzender des Prüfungsausschusses dieses Unternehmens. Er ist Mitglied des Aufsichtsrats des niederländischen Chemiekonzerns Royal DSM. Seit dem 3. Mai 2007 ist er ferner Vizepräsident des Aufsichtsrats von Royal Ahold, einem weltweit tätigen Einzelhandelsunternehmen, und seit dem 10. Mai 2008 auch Präsident des Aufsichtsrats von Van Lanschot NV, der Holdinggesellschaft von F. van Lanschot Bankiers, einer unabhängigen niederländischen Bank. Von 1987 bis 1988 war er Chairman des Amsterdam Financial Center und von 1995 bis 1997 Vorsitzender des Unterausschusses der Bankenaufsicht des Europäischen Währungsinstituts. Überdies war er Mitglied (1991–1996) und Vorsitzender (1997–1998) des Basler Ausschusses für Bankenaufsicht. Herr de Swaan war zudem von Januar 2001 bis Ende 2006 nicht geschäftsführendes Mitglied des Board der Financial Services Authority in Grossbritannien. Er ist ausserdem Direktor mehrerer Non-Profit-Organisationen. Unter anderem ist Tom de Swaan Treasurer des Verwaltungsrats des Royal Concertgebouw Orchestra, des Netherlands Cancer Institute sowie der International Franz Liszt Piano Competition. Darüber hinaus ist er Vorsitzender des Advisory Board der Rotterdam School of Management.

Rolf Urs Watter schloss sein Jurastudium mit Promotion an der Universität Zürich ab und verfügt über einen Master of Laws der Georgetown University in den USA. Er ist im Kanton Zürich als Rechtsanwalt zugelassen. Seit 1994 ist er Partner der Anwaltskanzlei Bär & Karrer in Zürich und war ab dem Jahr 2000 Mitglied der Geschäftsleitung. Seit der Gründung der Bär & Karrer AG im Jahr 2007 war er bis September 2009 geschäftsführendes Mitglied des Verwaltungsrats. Weiter ist er ein nicht geschäftsführendes Verwaltungsratsmitglied der Nobel Biocare Holding AG (seit 2007), der Syngenta AG (seit 2000), der UBS Alternative Portfolio AG (seit 2000) und der A.W. Faber-Castell (Holding) AG (seit 1997). Zuvor war er nicht geschäftsführender Präsident des Verwaltungsrats der Cablecom Holding AG (2004–2008) sowie nicht geschäftsführendes Verwaltungsratsmitglied der Centerpulse AG (2002–2003), der Forbo Holding AG (1999–2005) und der Feldschlösschen Getränke AG (2001–2004). Zudem unterrichtet er nebenamtlich als Professor für Rechtswissenschaften an der Universität Zürich. Darüber hinaus ist er Mitglied der Zulassungsstelle und der Fachkommission der Offenlegungsstelle der SIX Swiss Exchange. Ferner ist er Verwaltungsratspräsident von zwei Wohltätigkeitsorganisationen.

Die Geschäftsadresse aller Verwaltungsratsmitglieder lautet: Mythenquai 2, 8002 Zürich, Schweiz.

Wahlen und Amtszeiten

Gemäss den Statuten besteht der Verwaltungsrat aus mindestens sieben und maximal dreizehn Mitgliedern. Die ordentliche Amtsdauer beträgt drei Jahre. Nach Ablauf ihrer Amtszeit können sich die Verwaltungsräte zur Wiederwahl stellen. Die Statuten verlangen, dass die Wahlen so organisiert werden, dass bei einer ordentlichen Generalversammlung nie mehr als vier Verwaltungsratsmandate gleichzeitig enden. Die Verwaltungsratsmitglieder werden einzeln und durch Mehrheitsbeschluss gewählt. Das Organisationsreglement von Zurich Financial Services AG bestimmt, dass keine Person, die älter als 70 Jahre ist, in den Verwaltungsrat gewählt wird oder als Verwaltungsrat tätig sein kann. Unter speziellen Umständen sind jedoch Ausnahmen zulässig.

An der ordentlichen Generalversammlung vom 30. März 2010 enden die Verwaltungsratsmandate von Frau Bies und der Herren Pidoux, Chu, Meyer und Watter. Frau Bies und die Herren Meyer, Chu und Watter wurden vom Verwaltungsrat zur Wiederwahl für eine Amtsdauer von drei Jahren vorgeschlagen. Herr Pidoux steht für die Wiederwahl in den Verwaltungsrat nicht mehr zur Verfügung.

Herr Josef Ackermann wurde als weiteres Mitglied des Verwaltungsrates für eine Amtszeit von zwei Jahren vorgeschlagen.

Josef Ackermann, 62, Schweizer, studierte Volkswirtschaft und Sozialwissenschaften an der Universität St. Gallen und trat nach Abschluss seiner Promotion im Jahr 1977 in die Schweizerische Kreditanstalt (SKA) ein. 1990 wurde Herr Ackermann in das Executive Board der SKA berufen und 1993 zu dessen Präsidenten ernannt. 1996 trat er in den Vorstand der Deutschen Bank ein, wo er für den Bereich Investment Banking zuständig war. 2002 wurde er Sprecher des Vorstands und Vorsitzender des Group Executive Committee. Am 1. Februar 2006 wurde Herr Ackermann zum Vorstandvorsitzenden ernannt. Herr Ackermann ist Mitglied im Aufsichtsrat der Siemens AG, Deutschland, der Royal Dutch Shell plc, Niederlande, und der Belenos Clean Power Holding Ltd., Biel. Er ist Mitglied des International Advisory Council der Zurich Financial Services Group und engagiert sich zudem u.a. massgeblich bei der Initiative Finanzstandort Deutschland (Mitglied des Initiatorenkreises), dem Institute of International Finance (Vorsitzender), dem Weltwirtschafts-forum (Stellv. Vorsitzender des Stiftungsrates), der St. Galler Stiftung für Internationale Studien (Präsident) und der Metropolitan Opera New York (Advisory Director). Seit 2007 lehrt Herr Ackermann als Gastprofessor im Fachbereich Finance an der London School of Economics. 2008 wurde er zum Honorarprofessor der Johann Wolfgang Goethe-Universität in Frankfurt ernannt und in den Ehrensenat der Stiftung Lindauer Nobelpreisträgertreffen berufen. Daneben ist er Honorary Fellow der London Business School und trägt den Ehrendoktortitel der griechischen Demokrit-Universität Thrakien.

Interne Organisationsstruktur

Der Verwaltungsratspräsident ist Vorsitzender des **Verwaltungsrats**. Falls er diese Funktion nicht ausüben kann, übernimmt der Vizepräsident den Vorsitz. Der Verwaltungsrat erstellt eine Liste von Traktanden, die im Laufe des Jahres behandelt werden. Damit er die in Artikel 717 des Schweizerischen Obligationenrechts erwähnte Sorgfaltspflicht erfüllen kann, wird er regelmässig, rechtzeitig und in angemessener Art und Weise über die Entwicklungen im Zusammenhang mit der Gruppe informiert.

Die Verwaltungsratsmitglieder gehören nicht dem Management an, sind vom Management unabhängig und hatten nie eine Managementfunktion in der Gruppe inne. Der Governance- und Nominationsausschuss überprüft jährlich die Unabhängigkeit der Verwaltungsratsmitglieder und teilt seine Erkenntnisse dem Verwaltungsrat mit, der für die definitiven Entscheidungen zuständig ist. Für die Verwaltungsratsmitglieder gelten zudem die Vorschriften und Regeln zur Vermeidung von Interessenkonflikten und zur Verwendung von Insider-Informationen. Einmal jährlich erfolgt eine Selbstbeurteilung des gesamten Verwaltungsrats. Im Jahre 2009 wurde die Selbstbeurteilung des Verwaltungsrats mit Unterstützung eines externen Beraters vorgenommen, der persönliche Gespräche mit jedem Mitglied des Verwaltungsrats und des GEC geführt hat. Ein detaillierter Bericht wurde für den Verwaltungsrat verfasst und von diesem erörtert.

Da die Funktionen des Verwaltungsratspräsidenten und des Chief Executive Officer (CEO) getrennt sind und keiner der Verwaltungsräte mit der Geschäftsleitung betraut ist, bedarf es keines «Lead Director» gemäss dem Swiss Code of Best Practice.

Der CEO nimmt ex officio an den Verwaltungsratssitzungen teil. Auch die Mitglieder der Konzernleitung nehmen regelmässig auf Einladung an den Verwaltungsratssitzungen teil. Andere Führungskräfte sind hin und wieder bei diesen Sitzungen anwesend. Die Mehrzahl der Verwaltungsratssitzungen besteht jedoch aus separaten Sitzungen des Verwaltungsrats, an denen die Geschäftsleitung nicht teilnimmt.

Der Verwaltungsrat bestimmt unter seinen Mitgliedern den Präsidenten, den Vizepräsidenten und ernennt den Sekretär oder die Sekretärin des Verwaltungsrates.

Der Verwaltungsrat ist verpflichtet, sich mindestens sechsmal pro Jahr zu treffen; im Jahr 2009 wurden elf Sitzungen abgehalten; bei zweien dieser Sitzungen waren einzelne Teilnehmende via Telefon zugeschaltet, und zwei Sitzungen erstreckten sich über einen Zeitraum von zwei Tagen. Anlässlich einer der Sitzungen besuchte der Verwaltungsrat separat die Farmers University, das Entwicklungszentrum für Agenten und Mitarbeitende in den USA. Eine Sitzung war ausschliesslich strategischen Themen gewidmet. Sechs Sitzungen dauerten zwischen vier und acht Stunden pro Tag, die übrigen fünf Sitzungen nahmen je rund zwei Stunden in Anspruch. Darüber hinaus hat der Verwaltungsrat einstimmig zwei Zirkulationsbeschlüsse getroffen.

2009 nahmen durchschnittlich 94% der Mitglieder an den Sitzungen teil. Um ihre Pflichten zu erfüllen, wenden die Verwaltungsratsmitglieder zusätzlich Zeit auf für die Teilnahme an Sitzungen der Verwaltungsratsausschüsse und für die Vorbereitung der Sitzungen.

Der Verwaltungsrat kann für spezifische Bereiche aus Verwaltungsratsmitgliedern bestehende Ausschüsse ernennen und Regeln für die Kompetenzen und die Berichterstattung der entsprechenden Ausschüsse festlegen. Die Ausschüsse unterstützen den Verwaltungsrat bei der Erfüllung seiner Aufgaben und Pflichten. Soweit die Ausschüsse nicht zur Beschlussfassung ermächtigt sind, diskutieren sie die betreffenden Angelegenheiten, bevor diese dem Verwaltungsrat unterbreitet werden, und machen dem Verwaltungsrat Vorschläge bezüglich der anstehenden Massnahmen und Beschlüsse. Der Verwaltungsrat verfügt über die nachfolgend erwähnten ständigen Ausschüsse, die regelmässig Bericht erstatten und dem Verwaltungsrat Anträge zur Entscheidung unterbreiten. Im Durchschnitt dauerten die Sitzungen der Ausschüsse zwischen einer und drei Stunden.

Der **Governance- und Nominationsausschuss** besteht aus vier Verwaltungsratsmitgliedern. Der Ausschuss überwacht die Governance der Gruppe und bewertet sie anhand von Best-Practice-Ansätzen, wobei sichergestellt wird, dass die Rechte der Aktionäre in vollem Umfang geschützt werden. Weiter entwickelt er Richtlinien zur Corporate Governance, schlägt sie dem Verwaltungsrat vor und überprüft sie von Zeit zu Zeit. Der Governance- und Nominationsausschuss ist ferner mit der Nachfolgeplanung des Verwaltungsrats und des CEO sowie der Mitglieder des GEC und des Group Management Board (GMB) betraut. Er schlägt die Grundsätze für die Ernennung und die kontinuierliche Qualifikation der Verwaltungsratsmitglieder vor und unterbreitet dem Verwaltungsrat Vorschläge zu dessen Zusammensetzung und zur Ernennung des Präsidenten und des Vizepräsidenten des Verwaltungsrats sowie des CEO und der übrigen Mitglieder des GEC und des GMB. Der Ausschuss überwacht des Weiteren die Ausbildung des Führungsnachwuchses und überprüft die erzielten Fortschritte bei der Nachfolgeplanung. Abschliessende Entscheidungen über Nominationen und Ernennungen werden vom Verwaltungsrat getroffen, vorbehaltlich der Zustimmung der Aktionäre, sofern diese erforderlich ist. Der Governance- und Nominationsausschuss tagte 2009 fünfmal (einmal zusammen mit dem Entschädigungsausschuss). Insbesondere wurden dabei die Ernennung und die laufende Überprüfung der Qualifikationen der Verwaltungsratsmitglieder sowie die Nachfolgeplanung in Hinblick auf die Mitglieder der Unternehmensführung behandelt. Durchschnittlich nahmen 85% der Mitglieder des Governance- und Nominationsausschusses an den Sitzungen teil.

Der **Entschädigungsausschuss** besteht aus vier Mitgliedern des Verwaltungsrats. Er beurteilt und schlägt dem Verwaltungsrat die Grundsätze zur Vergütung der Gruppe und der Mitglieder des Verwaltungsrats vor. Ferner schlägt er dem Verwaltungsrat das Honorar der Mitglieder zur Genehmigung vor. Gestützt auf die Vergütungsgrundsätze, verhandelt der Ausschuss die Anstellungsbedingungen des CEO und prüft die der Mitglieder der Geschäftsleitung – die durch den CEO ausgehandelt werden –, bevor er sie dem Verwaltungsrat zur Genehmigung unterbreitet. Der Entschädigungsausschuss genehmigt die durch den CEO ausgehandelten Anstellungsvereinbarungen für die zusätzlichen Mitglieder des GMB und arbeitet mit ihm bei wichtigen Fragen zu Anstellung, Entlohnung und Zusatzleistungen zusammen. Im Übrigen überprüft der Ausschuss die Performance im Zusammenhang mit den kurz- und langfristigen Incentive-Programmen für die Führungskräfte. Zur Unterstützung bei der Überprüfung der Kompensationssysteme und Vorgehensweisen hat der Entschädigungsausschuss mit Hewitt Associates einen eigenen unabhängigen Berater. Der Entschädigungsausschuss tagte 2009 fünfmal (einmal zusammen mit dem Governance- und Nominationsausschuss), wobei im Durchschnitt 100% der Mitglieder anwesend waren. Einzelheiten zu den Vergütungsgrundsätzen der Gruppe finden Sie im Bericht über Honorare und Entschädigungen auf den Seiten 50 bis 67.

Der **Prüfungsausschuss** setzt sich aus vier Mitgliedern zusammen, die bestimmte Voraussetzungen hinsichtlich Unabhängigkeit und Qualifikation erfüllen müssen. Gemäss den internen Richtlinien des Prüfungsausschusses muss der Prüfungsausschuss als Gremium: (i) Verständnis der International Financial Reporting Standards (IFRS) und der Jahresrechnung besitzen, (ii) über die Fähigkeit verfügen, die allgemeine Anwendung dieser Standards im Hinblick auf Schätzungen, Abgrenzungen und Rückstellungen zu beurteilen, (iii) Erfahrung in der Vorbereitung, Prüfung, Analyse und Bewertung von Jahresrechnungen aufweisen, die bezüglich Umfang und Komplexität der Rechnungslegungsfragen mit denjenigen von Zurich Financial Services AG und der Gruppe vergleichbar sind, oder Erfahrung besitzen in der aktiven Überwachung einer oder mehrerer Personen, die in diesen Bereichen tätig sind, (iv) die internen Kontrollmechanismen und Verfahren im Rahmen der finanziellen Berichterstattung sowie (v) die Funktionen des Prüfungsausschusses verstehen. Der Prüfungsausschuss tagte 2009 siebenmal. Durchschnittlich nahmen 93% der Mitglieder an den Sitzungen teil.

Der Prüfungsausschuss ist die zentrale Anlaufstelle für die Kommunikation und Beaufsichtigung in Bezug auf Rechnungslegung und Berichterstattung, interne Kontrolle, Versicherungsmathematik und Compliance innerhalb des Managements. Der Ausschuss ist verantwortlich für die Kontrolle des Prüfungsprozesses der Gruppe (einschliesslich Festlegung der Grundsätze und Unterbreitung von Vorschlägen für die Rechnungsprüfung von Zurich Financial Services AG und der Gruppe). Der Ausschuss überprüft ferner die internen Kontrollsysteme. An Sitzungen zur Besprechung der Revisionsberichte, zur Überprüfung und Auswertung des Prüfungskonzepts und des Prüfungsablaufs sowie zur Beurteilung der Tätigkeiten von externen und internen Revisoren nehmen die externen Revisoren, die Vertreter der internen Revision und die zuständigen Mitglieder des GEC und des GMB sowie weitere Führungskräfte teil. Weitere Informationen zur Überwachung und Kontrolle des externen Prüfungsprozesses finden sich auf Seiten 45 und 46. Der Prüfungsausschuss überprüft die Standards der internen Kontrolle, einschliesslich der Tätigkeit, Planung, Organisation und Qualität der internen Revision und von Group Compliance mindestens einmal jährlich.

Der Prüfungsausschuss kontrolliert ebenfalls die Jahres-, Halbjahres- und Quartalsabschlüsse, bevor sie dem Verwaltungsrat vorgelegt werden. Für die meisten Sitzungen des Prüfungsausschusses sind separate Treffen mit externen und internen Revisoren vorgesehen, um Diskussionen ohne Anwesenheit der Konzernleitung zu ermöglichen.

Erläuterungen zum Risikomanagement und den bestehenden internen Kontrollmechanismen gemäss der britischen Turnbull-Richtlinie finden sich auf Seiten 48 und 49 .

Der **Risikoausschuss** setzt sich aus vier Mitgliedern zusammen. 2009 tagte er sechsmal, im Durchschnitt nahmen 92% der Mitglieder an den Sitzungen teil. Der Risikoausschuss überwacht das Risikomanagement von Zurich, insbesondere die Risikotoleranz der Gruppe. Dazu gehören festgelegte Obergrenzen, die vom Verwaltungsrat als für die Gruppe tragbar erachtet werden, ebenso wie die Aggregation festgelegter Obergrenzen auf Gruppenebene, die Überwachung der Einhaltung festgesetzter Risikogrenzen sowie die Risikotoleranz der Gruppe in Bezug auf die erwartete Höhe des Risikokapitals. Darüber hinaus prüft er die gruppenweite Governance in diesem Bereich, einschliesslich Risikomanagement und Risikokontrolle, Risikopolitik und deren Umsetzung sowie Risikostrategie und Überwachung der operativen Risiken. Ferner kontrolliert der Risikoausschuss die bei der Risikobemessung angewendeten Methoden und die Einhaltung der Risikoobergrenzen der Gruppe; ebenso überprüft er die Performance der Risikomanagement-Funktion von Zurich. Darüber hinaus prüft er zusammen mit der Geschäftsleitung und dem Group Risk Management die allgemeinen Richtlinien und Vorgehensweisen der Gruppe und überzeugt sich davon, dass ein funktionierendes Risikomanagementsystem besteht und aufrechterhalten wird. Der Risikoausschuss wird regelmässig vom Group Risk Management informiert und überwacht, ob wichtige Risikomanagement- und Kontrollfragen angemessen und rechtzeitig vom Management behandelt werden. Weitere Informationen zur Risk Governance finden Sie im Risk Review auf den Seiten 101 bis 103.

Um einen lückenlosen Informationsaustausch zwischen Risiko- und Prüfungsausschuss zu ermöglichen, ist der Vorsitzende des Prüfungsausschusses gleichzeitig Mitglied des Risikoausschusses und der Vorsitzende des Risikoausschusses Mitglied des Prüfungsausschusses. Der Verwaltungsratspräsident nimmt regelmässig als Gast an den Sitzungen des Risiko- und Prüfungsausschusses teil.

Verantwortungsbereiche von Verwaltungsrat und Management

Zusätzlich zur Bestimmung der Gesamtstrategie der Gruppe und zur Überwachung des Managements ist der Verwaltungsrat für bedeutende Fragestellungen im Zusammenhang mit Strategie, Finanzen, Struktur, Organisation und Geschäftsentwicklung zuständig. Der Verwaltungsrat genehmigt den strategischen Plan der Gruppe sowie die von der Geschäftsleitung erarbeiteten jährlichen Finanzpläne und überprüft und genehmigt die Jahres-, Halbjahres- und Quartalsabschlüsse von Zurich Financial Services AG und der Gruppe. Er erstellt Richtlinien für die gesamte Geschäftspolitik und die Kapitalzuweisung und genehmigt grössere Änderungen in der Geschäftstätigkeit der Gruppe, einschliesslich grösserer Lending- und Borrowing-Transaktionen. Der Verwaltungsrat befasst sich auch mit Fragen im Zusammenhang mit wichtigen Geschäftsentwicklungen wie Akquisitionen oder Veräusserungen von Geschäften oder Vermögenswerten, Kapitalanlagen, der Errichtung von Neugeschäft, Fusionen, Joint Ventures und Kooperationen. Darüber hinaus ist er für Belange zuständig, die für die Gruppe von strategischer Bedeutung sind.

Abgesehen von den oben erwähnten Kompetenzen hat der Verwaltungsrat die Leitung der Gruppe dem CEO übertragen. Der CEO und – unter seiner Aufsicht – das GEC sind verantwortlich für die Entwicklung und Umsetzung der vom Verwaltungsrat genehmigten Strategie- und Finanzpläne. Dem CEO obliegen spezifische Aufgaben und Pflichten hinsichtlich strategischer, finanzieller und weiterer Angelegenheiten sowie bezüglich der Struktur und Organisation des Unternehmens. Er leitet, überwacht und koordiniert die Aktivitäten der Mitglieder des GEC. Er stellt sicher, dass für die Gruppe angemessene Management-Tools entwickelt und implementiert werden, und vertritt die Gesamtinteressen der Gruppe gegenüber Dritten. Der CEO verfügt über die delegierte Kompetenz, gewisse Akquisitionen und Devestitionen von Geschäften oder Vermögenswerten, Kapitalanlagen, die Errichtung von Neugeschäft, Fusionen, Joint Ventures und Beteiligungen zu genehmigen.

Informations- und Kontrollinstrumente gegenüber der Konzernleitung und des Group Management Board

Der Verwaltungsrat beaufsichtigt die Konzernleitung und überwacht ihre Leistungen mittels eines entsprechenden Berichtswesens und entsprechender Controlling-Prozesse. Eine regelmässige Berichterstattung durch den CEO und andere Führungskräfte an den Verwaltungsrat enthält angemessene Informationen und Statusberichte. Dazu gehören wichtige Daten über die Kerngeschäfte, Finanzinformationen, Informationen über bestehende und drohende Risiken, Entwicklungen in wichtigen Märkten und bei wichtigen Konkurrenten sowie Informationen über andere bedeutende Ereignisse. Der Verwaltungsratspräsident trifft sich regelmässig mit dem CEO. Er trifft sich ausserhalb der regulären Sitzungen gelegentlich auch mit allen anderen Mitgliedern des GEC sowie mit Führungskräften. Desgleichen verfahren auch die anderen Mitglieder des Verwaltungsrats; sie treffen sich vor allem mit dem Chief Financial Officer und dem Group Chief Risk Officer.

Die Gruppe verfügt über ein Informations- und Jahresberichterstattungssystem. Der Jahresplan der Gruppe, der gewisse finanzielle und operative Messgrössen umfasst, wird vom GEC im Detail geprüft und vom Verwaltungsrat verabschiedet. Monatlich werden Updates erstellt, um die tatsächliche mit der geplanten Performance zu vergleichen. Die Gesamtjahresprognosen werden bei Bedarf revidiert, um Veränderungen in sensitiven und risikoreichen Bereichen, die das Gruppenergebnis beeinflussen könnten, Rechnung zu tragen. Kommt es zu Abweichungen vom Plan, werden – wenn nötig – entsprechende Vorkehrungen getroffen. All diese Informationen werden vom GEC monatlich und vom Verwaltungsrat quartalsweise geprüft.

Ferner besitzt die Gruppe ein koordiniertes und formalisiertes Konzept für das Risikomanagement und die Risikokontrolle. Informationen zum Risikomanagementprozess der Gruppe sind im Risk Review ab Seite 97 zu finden.

Das Verfahren und die Ergebnisse dieses Vorgehens werden nachstehend auf den Seiten 48 bis 49 unter dem Abschnitt «Erklärung zum Risikomanagement und zur internen Kontrolle» beschrieben.

Die interne Revision und die externen Revisoren sowie die Compliance-Funktion unterstützen den Verwaltungsrat bei der Wahrnehmung seiner Kontroll- und Überwachungsaufgaben. Informationen zu den wichtigsten Tätigkeiten dieser Funktionen finden sich auf den Seiten 45 bis 48.

Konzernleitung

Group Executive Committee

Jene Bereiche der Konzernleitung, die nicht in den Zuständigkeitsbereich des Verwaltungsrats fallen, werden dem CEO übertragen. Der CEO und – unter seiner Aufsicht – das GEC sind für die wichtigen strategischen, finanziellen und unternehmenspolitischen Aspekte der Gruppe verantwortlich, einschliesslich Performance, Eigenkapitalzuteilung sowie Fusionen und Akquisitionen.

An der Spitze des GEC steht der CEO. Zu den weiteren Mitgliedern des GEC gehörten per 31. Dezember 2009 der Chief Financial Officer, der Chief Investment Officer und der Group Chief Risk Officer. Um sowohl die Geschäftsbereiche als auch die Regionen zu reflektieren, sind leitende Positionen von General Insurance, Global Life, Farmers, North America Commercial, Global Corporate, Europe General Insurance, Asia-Pacific & Middle East und Americas ebenfalls im GEC vertreten.

Um die Koordination und Abstimmung der dem CEO zur Genehmigung vorzulegenden Empfehlungen zu spezifischen Themen zu vereinfachen, wurden für Schlüsselbereiche spezielle funktionsübergreifende Ausschüsse ins Leben gerufen.

Das Group Balance Sheet Committee (GBSC) ist ein vom CEO geleiteter ständiger Ausschuss des GEC. Dieser Ausschuss überprüft als funktionsübergreifendes Gremium primär die Aktivitäten, die einen starken Einfluss auf die Bilanz der Gruppe und der Tochtergesellschaften haben. Dem Ausschuss obliegt es, basierend auf den Strategie- und Finanzplänen des Unternehmens, die jährlichen Kapital- und Bilanzpläne der Gruppe zu erstellen. Zudem gibt das GBSC Empfehlungen ab zu spezifischen Transaktionen und unvorhergesehenen Änderungen in der Geschäftstätigkeit, die einen Einfluss auf die Bilanz der Gruppe haben. Dem GBSC obliegt die Überwachung der Faktoren, die die Bilanz der Gruppe primär beinflussen. Der Ausschuss prüft Kapitalausstattung, Rückversicherung, Ertragsstärke, Risikotoleranz sowie angestrebtes Wachstum der Gruppe. Des Weiteren prüft er die Gesamtrisikotoleranz der Gruppe und spricht in diesem Zusammenhang Empfehlungen aus. Ein weiterer Ausschuss des GEC ist das Group Finance and Risk Committee (GFRC) mit dem Chief Financial Officer als Vorsitzendem. Das GFRC ist als funktionsübergreifendes Organ für Finanz- und Risikomanagementangelegenheiten unter Berücksichtigung der Strategie und der gesamten Geschäftstätigkeit der Gruppe zuständig. Der Ausschuss überwacht die finanziellen Implikationen von Geschäftsentscheidungen und die effiziente Steuerung des Gesamtrisikoprofils der Gruppe. Dieses umfasst Versicherungs- und Finanzmarktrisiken, Risiken im Bereich Asset/Liability, Kredit- und operationelle Risiken sowie deren Zusammenwirken. Darüber hinaus gibt das GFRC Empfehlungen für das künftige Vorgehen im Zusammenhang mit möglichen M&A-Transaktionen sowie bezüglich Finanz- und Risikomanagementfragen.

Zu den im Schwerpunkt mit technischen Fragen befassten Ausschüssen gehören das Asset/Liability Management Investment Committee unter der Leitung des Chief Investment Officer, das Group Reinsurance Committee unter Führung des Head of Group Reinsurance, das Global Underwriting Committee unter Leitung des Global Chief Underwriting Officer sowie das Group Pension Committee unter dem Vorsitz des CEO von Global Life.

Darüber hinaus legt die Gruppe verstärkt Wert auf die Meinung externer Experten, um mögliche Herausforderungen und Risiken besser verstehen und beurteilen zu können. Ende 2009 verfügte die Gruppe über vier Gremien mit führenden Akademikern sowie Unternehmens- und Branchenexperten, die Feedback und Erkenntnisse lieferten. Dabei handelt es sich nicht um Organe von Zurich. Ebenso verfügen die Gremien auch über keinerlei Entscheidungsbefugnisse. Sie stehen der Geschäftsleitung oder gewissen Funktionen der Gruppe lediglich mit Know-how oder als Berater zur Seite. Der International Advisory Council hat die Aufgabe, dem CEO und den Mitgliedern des GEC und des GMB seine Sicht und Expertenmeinung zu Wachstum und Public-Policy-Strategien der Gruppe darzulegen. Der Investment Management Advisory Council gibt Feedback zu den Anlageergebnissen und -strategien der Gruppe und äussert sich zu der Frage, wie in Relation zu den Risiken der Verbindlichkeiten hochwertige risikobereinigte Anlagerenditen erzielt werden können. Der Natural Catastrophe Adivsory Council liefert Erkenntnisse zu Häufigkeit, Vorhersehbarkeit und Zerstörungskraft von Katastrophen und liefert Feedback zu den von Zurich in diesem Bereich getroffenen Massnahmen zur Verbesserung der Effizienz des Underwriting und des Erwerbs von Rückversicherungsdeckung. Der Climate Change Advisory Council der Gruppe informiert und berät bei Problemstellungen im Zusammenhang mit der Klimaveränderung.

Mitglieder des GEC, per 31. Dezember 2009

Name	Staatsangehörigkeit	Alter	Position
James J. Schiro	USA	63	Chief Executive Officer
John Amore	USA	61	CEO General Insurance
Annette Court	Grossbritannien	47	CEO Europe General Insurance
Mike Foley	USA	47	CEO North America Commercial
Mario Greco	Italien	50	CEO Global Life
Paul Hopkins	USA	53	Verwaltungsratspräsident von Farmers Group, Inc. und CEO Americas
Axel Lehmann	Schweiz	50	Group Chief Risk Officer
Geoff Riddell	Grossbritannien	53	Vorsitzender von Global Corporate und CEO Asia-Pacific & Middle East
Martin Senn	Schweiz	52	Chief Investment Officer
Dieter Wemmer	Deutschland	52	Chief Financial Officer

Alle Mitglieder waren während des gesamten Jahres 2009 im GEC tätig.

Paul van de Geijn trat am 31. Dezember 2008 von seiner Funktion beim GEC zurück. Am 1. Januar 2009 wurde Paul Hopkins zum Verwaltungsratspräsidenten von Farmers Group, Inc. sowie zum CEO Americas ernannt, und Geoff Riddell übernahm die neuen Ämter des Vorsitzenden von Global Corporate und des CEO Asia-Pacific & Middle East.

Patrick O'Sullivan verliess das GEC und trat am 30. April 2009 von seiner Position als Chief Growth Officer zurück. Nach dem Ausscheiden von Herrn O'Sullivan wurde die Verantwortung für die Förderung profitablen Wachstums wieder den Geschäftsbereichen übertragen. Seit 1. Mai 2009 wird die Funktion Koordination und Prioritätenfestlegung des Growth Council vom Group Management Board übernommen, und unsere Kerngeschäftssegmente haben eine formelle Wachstumsinfrastruktur mit klar definierten Wachstumsverantwortlichen etabliert.

Informationen zu vertraglichen Abfindungen sind der Seite 45 zu entnehmen.

Biografien

James J. Schiro schloss das Studium an der St. John's University, New York, mit einem Bachelor of Business Administration ab. Von derselben Universität erhielt er auch den Ehrendoktortitel in Commercial Science. Nach seiner erfolgreichen Qualifizierung zum Wirtschaftsprüfer, ging er 1967 zu Price Waterhouse und hatte dort verschiedene Managementfunktionen inne, bevor er 1994 Präsident des Verwaltungsrats und Senior Partner von Price Waterhouse USA wurde. Nach der Fusion von Price Waterhouse mit Coopers & Lybrand wurde er 1998 CEO von PricewaterhouseCoopers. Im März 2002 wechselte er zur Zurich Financial Services Group, wo er zunächst die Funktion des Chief Operating Officer – Group Finance übernahm. Zwei Monate später wurde er zum CEO ernannt. Er ist Mitglied des Verwaltungsrats von PepsiCo. und des Aufsichtsrats von Royal Philips Electronics. Er ist im Vorstand zahlreicher non-profit Organisationen, Mitglied des Beirats der St. John's University, New York, und des Institute of Advanced Study, Princeton, New Jersey, sowie Vizepräsident der amerikanischen Freunde des Lucerne Festival. Weiterhin ist Herr Schiro Mitglied im Advisory Board der Tsinghua School of Economics and Management in Peking, China.

John J. Amore hat einen Hochschulabschluss in Management der Embry-Riddle Aeronautical University, Daytona Beach, USA, und einen MBA in Finanzwissenschaft der New York University. Bevor er 1992 zu Zurich kam, war er Vizepräsident des Verwaltungsrats der Commerce and Industry Insurance Company, einer Tochtergesellschaft der American International Group (AIG). Später nahm er den Posten des CEO der US-Geschäftseinheit Specialities von Zurich ein und wurde im Dezember 2000 zum CEO von Zurich US ernannt. Im Juli 2001 wurde er zum Mitglied der Konzernleitung (GEC) ernannt und übernahm gleichzeitig die Funktion des CEO des Geschäftsbereichs North America Corporate. Er hatte diese Position bis Ende August 2004 inne. Im April 2004 wurde er CEO des Geschäftsbereichs General Insurance, und seit September 2004 liegt auch sein Hauptfokus auf dieser globalen Führungsaufgabe. Herr Amore war von 2001 bis März 2008 Mitglied im Verwaltungsrat der American Insurance Association, unter anderem als Verwaltungsratspräsident. Er ist als Direktor des Inspektorenvorstands der School of Risk Management, Insurance and Actuarial Science an der St. John's University, New York, tätig. Er ist gewählter Partner innerhalb der Partnership for New York City, einer Organisation, die sich dem Erhalt der Stellung von New York als globalem Handels- und Innovationsstandort widmet, und ist Mitglied des Verwaltungsrats der US-Handelskammer.

Annette Court schloss ihre Studien an der Universität Oxford mit einem «Honors Degree» in Engineering ab. 1983 stiess sie zu IBM UK Ltd. und hatte dort verschiedene Positionen im Bereich Systemtechnik und Kundenmanagement im Banken- und Versicherungssegment inne. 1994 kam sie als Central Planning Manager zur Direct Line Group und wurde drei Jahre später zur Leiterin des Bereichs Motorfahrzeugversicherung ernannt. 2000 wurde sie Managing Director von Direct Line Insurance und im darauffolgenden Jahr berief man sie ins Amt des CEO der Direct Line Group, wo sie für die Gesamtheit des Retailgeschäfts, der Partnerschaften und der internationalen Geschäftstätigkeit verantwortlich war. Im Jahr 2003 wurde Frau Court nach der Übernahme der Churchill Group und deren erfolgreicher Integration in die Direct-Line-Gruppe CEO der Royal Bank of Scotland Insurance. Seit 15. Januar 2007 ist sie bei Zurich tätig und übernahm per 1. März 2007 die Funktion des CEO von Europe General Insurance. Ebenfalls per 1. März 2007 wurde sie Mitglied des GEC. Frau Court ist Verwaltungsratsmitglied der Association of British Insurers.

Mike Foley verfügt über einen Hochschulabschluss in Mathematik und Wirtschaftswissenschaften der Fairfield University, Connecticut. 1984 nahm er am Financial Management Training Program der Armtek Corporation, Connecticut, teil und erwarb später einen MBA-Abschluss in Marketing und Finance der JL Kellogg Graduate School of Management der Northwestern University in Evanston, Illinois. 1989 kam Herr Foley zum Investmentbank-Unternehmen Deepath Group in Lake Forest, Illinois, und war dort als Vizepräsident zuständig für die Verwaltung des Aktienanlageportfolios verschiedener übernommener Unternehmen. 1993 ging er als Präsident zu Electrocal, Inc, Connecticut, und wechselte drei Jahre später zu McKinsey & Company in Chicago, wo er später die nordamerikanische Schadenversicherungssparte führte. Herr Foley kam 2006 als Chief Operating Officer North America Commercial zu Zurich und wurde im Januar 2008 zum CEO dieses Geschäftsbereichs und zum Mitglied der Konzernleitung (GEC) ernannt.

Mario Greco besitzt einen Wirtschaftsabschluss der Universität Rom sowie ein Master-Diplom in International Economics and Monetary Theory der Universität Rochester, New York (USA). Herr Greco begann seine berufliche Laufbahn im Bereich Management Consulting. Von 1986 bis 1994 arbeitete er für McKinsey & Company in Mailand, wo er 1992 Partner und Partner Leader im Bereich Versicherung wurde. 1995 kam er zur RAS (Allianz-Gruppe) in Mailand als Chef des Schadenversicherungsgeschäfts. Im darauffolgenden Jahr wurde er General Manager für das gesamte Versicherungsgeschäft und im Jahr 1998 zum Managing Director ernannt. 2000 wurde er CEO des Unternehmens – eine

Position, die er vier Jahre lang innehatte. 2004 wurde er zum Leiter des Life-Sustainability-Geschäfts der Allianz in München ernannt; später in diesem Jahr berief man ihn des Weiteren in die Geschäftsleitung der Allianz AG, wo ihm die Verantwortung für Frankreich, Italien, Spanien, Portugal, Griechenland und die Türkei übertragen wurde. Im April 2005 wechselte er zu Sanpaolo IMI Group in Mailand und arbeitete als CEO von EurizonVita, ehemals Aip, an einem Projekt zum Aufbau des Versicherungs- und Vermögensverwaltungsgeschäfts der Gruppe. Im Oktober 2005 wurde er zum CEO von EFG ernannt, der Gesellschaft, die die Anlagen der Sanpaolo IMI Group an EurizonVita, Banca Fideuram und Eurizon Capital hielt. Am 1. Oktober 2007 kam Herr Greco als designierter CEO von Global Life zu Zurich und wurde Mitglied des GEC. Er ist ebenfalls Mitglied des Verwaltungsrats von Gruppo Editoriale l'Espresso, Indesit, Saras und der Bocconi-Universität, Mailand.

Paul N. Hopkins verfügt über einen Bachelor of Science in Business der Eastern Illinois University und hat das Advanced Executive Education Program der Wharton Business School absolviert. Er kam 1978 als Agent zu Farmers, wurde darauf zum festen Mitarbeiter und hatte Positionen mit zunehmender Verantwortung im Sales- und Marketing-Bereich inne. 1992 wechselte er zur Niederlassung in Los Angeles, wo er als Assistant Vice President Regional Operations tätig war. 1995 wurde er zum Vice President Agencies und zwei Jahre später zum Senior Vice President Agencies ernannt. Im Jahr 1998 wurde er Senior Vice President und Chief Marketing Officer – eine Position, die er bis zum 1. Januar 2000 bekleidete, als er zum Senior Vice President of State Operations ernannt wurde. Im April 2001 wurde er zum Senior Vice President of Strategic Alliances und im August 2002 zum Executive Vice President Market Management befördert; zwei Jahre später wurde er schliesslich Präsident von Farmers Group, Inc. Im Dezember 2004 wurde Herr Hopkins zum Mitglied des Group Management Board von Zurich ernannt. April 2005 bis Dezember 2008 war er Chief Executive Officer von Farmers Group, Inc. und Mitglied des GEC von Zurich. 2006 wurde er zum Verwaltungsratspräsidenten von ZFUS Services, LLC, dem gemeinsamen Servicecenter von Zurich in den USA, ernannt. Per 1. Januar 2009 wurde er zum CEO Americas sowie zum Präsidenten des Verwaltungsrats von Farmers Group, Inc. ernannt. Herr Hopkins ist ferner Mitglied des Beirats des American Institute for Chartered Property Casualty Underwriters sowie Mitglied des Verwaltungsrats des Insurance Information Institute.

Axel P. Lehmann besitzt einen MBA sowie einen Doktortitel der Wirtschaftswissenschaften der Universität St. Gallen in der Schweiz. Nach verschiedenen Studien- und Forschungsaufenthalten in den Vereinigten Staaten habilitierte er sich an der Universität St. Gallen und schloss zudem das Wharton Advanced Management Program ab. Er war Dozent an diversen Universitäten und Instituten und wurde zum Vizedirektor des Instituts für Versicherungswirtschaft an der Universität St. Gallen sowie des Europäischen Zentrums ernannt, wo er für die Bereiche Consulting und Management Development zuständig war. Bevor er 1996 als Mitglied der Geschäftsleitung zu Zurich Schweiz stiess und dort verschiedene Funktionen in den Bereichen Unternehmensentwicklung und Firmenkundengeschäft bekleidete, war er für Corporate Planning und Corporate Controlling bei Swiss Life zuständig. Im November 2000 wurde er Mitglied des Group Management Board und war für konzernweite Geschäftsentwicklungsbereiche der Gruppe verantwortlich. Im September 2001 erfolgte seine Ernennung zum CEO der früheren Region Nordeuropa und danach zum CEO der Zurich-Gruppe Deutschland. Im März 2002 wurde er zum CEO des Geschäftsbereichs Kontinentaleuropa und Mitglied des GEC ernannt. 2004 war Herr Lehmann für die Integration der Geschäftsbereiche Grossbritannien und Irland in den Geschäftsbereich Kontinentaleuropa sowie für die Leitung des neu integrierten Geschäftsbereichs Europe General Insurance verantwortlich. Im September 2004 wurde er CEO von Zurich North America Commercial in Schaumburg, Chicago. Im Januar 2008 trat er seine derzeitige Funktion als Group Chief Risk Officer an, in der er zusätzlich für Group IT verantwortlich ist. Herr Lehmann ist Titularprofessor für Betriebswirtschaftslehre und Dienstleistungsmanagement sowie Verwaltungsratspräsident des Instituts für Versicherungswirtschaft an der Universität St. Gallen in der Schweiz. Zudem ist er Verwaltungsratsmitglied der UBS AG und Vizepräsident des Chief Risk Officer Forum (CRO Forum).

Geoffrey (Geoff) Riddell schloss sein Studium der Naturwissenschaften (Chemie) mit einem Master vom Queen's College in Oxford ab und qualifizierte sich später als Wirtschaftsprüfer. Er begann seine Laufbahn 1978 bei Price Waterhouse und wechselte vier Jahre später zu AIG, wo er in verschiedenen Positionen tätig war, einschliesslich als verantwortlicher Manager in Hongkong, Belgien und Frankreich. Im Mai 2000 kam Herr Riddell zu Zurich, anfangs als Managing Director von Zurich Commercial in Grossbritannien; danach wurde er Managing Director der Geschäftsbereiche Corporate and Government in Grossbritannien. Im November 2002 wurde er CEO des Geschäftsbereichs General Insurance in Grossbritannien, Irland und Südafrika. 2004 wurde er zum CEO des Geschäftsbereichs Global Corporate und zum Mitglied des GEC ernannt. Seit dem 1. Januar 2009 ist er neu als CEO Asia-Pacific & Middle East (APME) tätig und dabei sowohl für Life als auch für General Insurance in dieser Region zuständig. Weiter ist er auch

Vorsitzender von Global Corporate. Herr Riddell war Mitglied des General Insurance Council der Association of British Insurers und über drei Jahre Leiter dessen Liability Committee. Von 1990 bis 1995 war er Mitglied des Hong Kong Federation of Insurers Council. Im Februar 2005 wurde er Verwaltungsratsmitglied von Pool Re, 2007 ernannte man ihn zum Verwaltungsrat des Forums für Global Health Protection. Ferner ist er Mitglied der Confederation of British Industry's Chairmen's Committee und Vorsitzender des CBI Financial Services Council. Bis weit ins 2009 war er zudem Mitglied des Stiftungsrats des IMD, Lausanne, des City EU Advisory Committee und des Lord Mayor of London's Advisory Committee.

Martin Senn schloss eine Bankausbildung an der Handelsschule Basel, Schweiz, ab und absolvierte ein International Executive Program am INSEAD in Fontainebleau sowie ein Advanced Management Program an der Harvard Business School. Als Bankfachmann arbeitete er von 1976 bis 1994 beim damaligen Bankverein, unter anderem als Treasurer in Hongkong und Regional Treasurer für Asien und den pazifischen Raum in Singapur, bevor er schliesslich die Führung der Bankverein-Niederlassung in Tokio übernahm. 1994 wechselte er zur Credit Suisse, wo er Führungsaufgaben als Treasurer für den Hauptsitz und für Europa sowie als Chairman und Turnaround Manager der Credit-Suisse-Gruppe in Japan übernahm. Im Rahmen seines Mandats in Japan nahm er die Umstrukturierung und Neupositionierung der japanischen Tochtergesellschaften der Credit Suisse vor. Im Jahr 2001 wurde er Mitglied der Geschäftsleitung der Credit Suisse und zum Leiter des Bereichs Trading and Investment Services ernannt. Von 2003 bis 2006 war er Chief Investment Officer und Mitglied der Geschäftsleitung der Swiss-Life-Gruppe. Herr Senn kam am 1. April 2006 als Chief Investment Officer zu Zurich und wurde gleichzeitig Mitglied des GEC. Er ist Mitglied des Leitungsausschusses von Avenir Suisse und Treasurer von Zurich Association of Economics. Darüber hinaus ist er Honorarkonsul der Republik Korea in Zürich. Zuvor war er Verwaltungsrat bei verschiedenen Banken und Finanzdienstleistungsinstituten. Herr Senn wurde im August 2009 zum CEO der Gruppe ernannt und trat diese Position zum 1. Januar 2010 an.

Dieter Wemmer besitzt einen Diplomabschluss und einen Doktortitel in Mathematik der Universität Köln. Von 1983 bis 1986 war er auf dem Gebiet Reine Mathematik an den Universitäten von Köln und Oxford tätig. 1986 kam er als Versicherungsmathematiker im Bereich Rückversicherung Leben zu Zurich Re (Köln), der damaligen Rückversicherungstochter der Agrippina-Gruppe von Zurich in Deutschland. Er wurde Leiter des Bereichs Rückversicherung Leben und fünf Jahre später Chefmathematiker. Von 1992 bis 1996 hatte Herr Wemmer verschiedene Positionen bei der Agrippina inne. 1995 trat er in die Geschäftsleitung ein und war für die Bereiche Controlling/Planung, Kommunikation und Liegenschaftenverwaltung verantwortlich. 1996 wurde er als Projektleiter für die Einführung der International Accounting Standards (IAS) und der US Generally Accepted Accounting Principles (US GAAP) an das Corporate Center von Zurich entsandt. Ein Jahr später wurde er zum Leiter Finanzcontrolling ernannt. Von 1999 bis Mai 2003 leitete er die Abteilung Mergers & Acquisitions mit zusätzlicher Verantwortung für das Kapitalmanagement und ab 2002 auch für das Aktuariat im Bereich Schaden und Leben. Im Mai 2003 wurde er zum Chief Operating Officer des Geschäftsbereichs Europe General Insurance befördert. Im November 2004 wurde er CEO des Geschäftsbereichs Europe General Insurance und Mitglied der Konzernleitung (GEC). Seit März 2007 ist er als Chief Financial Officer von Zurich Financial Services Group tätig. Herr Wemmer ist Mitglied des Verwaltungsrats von «economiesuisse». Im Oktober 2009 wurde er zum Vorsitzenden des European Insurance CFO Forum gewählt.

Änderungen beim GEC nach dem 1. Januar 2010

Am 5. August 2009 ernannte der Verwaltungsrat Martin Senn mit Wirkung zum 1. Januar 2010 zum CEO. Er wurde damit Nachfolger des am 31. Dezember 2009 zurückgetretenen James J. Schiro. Herr Senn bleibt auch in Zukunft für die Investment Management-Funktion auf Ebene des GEC verantwortlich, bis ein neuer Chief Investment Officer ernannt wird.

Group Management Board

Die Mitglieder des GEC sind auch Mitglieder des GMB, dem zusätzlich noch die Leiter bestimmter Geschäftseinheiten und Gruppen-Funktionen angehören. Das GMB konzentriert sich hauptsächlich auf die Kommunikation, Talentförderung und Entwicklung der Gruppe, es vertritt die verschiedenen Geschäftsbereiche und Funktionen und fördert so die horizontale Vernetzung innerhalb der Gruppe.

Zusätzliche Mitglieder des GMB, per 31. Dezember 2009

Name	Staatsangehörigkeit	Alter	Position
Inga Beale	Grossbritannien	46	Global Chief Underwriting Officer, Head of Organizational Transformation und Internal Consulting (iCon)
Peter Goerke	Schweiz	47	Group Head of Human Resources
Markus Hongler	Schweiz	52	CEO Zurich Insurance plc. und CEO Western Europe
Richard Kearns	USA	59	Chief Administrative Officer
Michael Paravicini	Schweiz	48	Chief Information Technology Officer
Yannick Hausmann	Schweiz	42	Group General Counsel
Mario Vitale	USA	54	CEO Global Corporate
Robert Woudstra	USA	64	CEO Farmers Group, Inc.

Per 1. Januar 2009 übernahm Markus Hongler die Funktion des CEO von Zurich Insurance plc, Mario Vitale wurde CEO Global Corporate und Robert Woudstra wurde zum CEO von Farmers Group, Inc. und Mitglied des GMB ernannt. Inga Beale übernahm per 1. Juni 2009 neu die Position des Global Chief Underwriting Officer. Neben ihrer neuen Aufgabe bleibt sie Head of Organizational Transformation und überwacht die Funktion Internal Consulting. Reto Schiltknecht verliess das Unternehmen im Laufe des Jahres 2009, und Yannick Hausmann wurde als sein Nachfolger für die Position des Group General Counsel ernannt.

Managementverträge

Zurich Financial Services AG hat keine wichtigen Teile der Konzernleitung vertraglich an andere Unternehmen (oder Einzelpersonen) übertragen, die nicht zur Gruppe gehören (oder von ihr beschäftigt werden).

Mitwirkungsrechte der Aktionäre

Stimmrechtsbeschränkungen und -vertretungen

Jede in das Aktienbuch eingetragene Aktie berechtigt zur Abgabe einer Stimme. Es gibt keine Stimmrechtsbeschränkungen.

Stimmberechtigte Aktionäre sind zur persönlichen Teilnahme an der Generalversammlung von Zurich Financial Services AG berechtigt. Ebenfalls dürfen sie durch schriftliche Vollmachtserteilung ihr Stimmrecht auf einen anderen stimmberechtigten Aktionär oder eine andere gemäss den Statuten und einer ausführlicheren Richtlinie des Verwaltungsrats zulässige Person übertragen, damit diese sie bei der Generalversammlung vertritt. Nach Massgabe der Statuten können unmündige und bevormundete Personen durch ihre gesetzlichen Vertreter, verheiratete Aktionäre durch den Ehegatten und juristische Personen durch vertretungsberechtigte Personen vertreten werden, auch wenn diese Personen selbst keine Aktionäre sind. Darüber hinaus können Aktionäre den unabhängigen Stimmrechtsvertreter, einen statutarischen Bevollmächtigten oder einen Vertreter eines Kreditinstituts bevollmächtigen, auch wenn diese selbst keine Aktionäre sind. Unter bestimmten Umständen kann Zurich Financial Services AG die wirtschaftlichen Eigentümer der Namenaktien, die von professionellen Dienstleistern als Nominees verwahrt werden (z.B. Treuhandgesellschaften, Banken, professionelle Vermögensverwalter, Clearingstellen, Investmentfonds und andere von Zurich Financial Services AG anerkannte Organisationen), zur Teilnahme an Generalversammlungen und zur Ausübung des Stimmrechts als Vertreter des jeweiligen Nominee bevollmächtigen. Weitere Einzelheiten finden Sie auf Seite 28.

Zurich Financial Services AG hat bei der letztjährigen ordentlichen Generalversammlung sämtliche Beschlüsse mittels eines elektronischen Abstimmungsverfahrens erfasst. In Übereinstimmung mit der schweizerischen Praxis informiert Zurich Financial Services AG zu Beginn der ordentlichen Generalversammlung alle Aktionäre über die Gesamtzahl der in Vertretung abgegebenen Stimmen.

Statutarische Quoren

Gemäss den Statuten ist die Generalversammlung unabhängig von der Anzahl der anwesenden Aktionäre und der vertretenen Aktien beschlussfähig. Beschlüsse und Wahlen erfordern die Zustimmung einer einfachen Mehrheit der abgegebenen Stimmen, unter Ausschluss der Stimmenthaltungen, leeren und ungültigen Stimmen, es sei denn, die Statuten (was jedoch nicht der Fall ist) oder zwingende gesetzliche Bestimmungen sehen eine andere Regelung vor. Gemäss Artikel 704 des Schweizerischen Obligationenrechts sind zwei Drittel der abgegebenen Stimmen und die absolute Mehrheit der vertretenen Aktiennennwerte für bestimmte wichtige Beschlüsse erforderlich, wie beispielsweise die Änderung des Gesellschaftszwecks und des Gesellschaftssitzes, die Auflösung der Gesellschaft sowie Anträge im Zusammenhang mit einer Kapitalerhöhung. Bei Stimmengleichheit entscheidet der Präsident des Verwaltungsrats.

Einberufung der Generalversammlung

Die Generalversammlungen werden vom Verwaltungsrat einberufen oder, falls erforderlich, von Revisoren und anderen Organen nach Massgabe der Artikel 699 und 700 des Schweizerischen Obligationenrechts. Aktionäre mit Stimmrecht, die zusammen mindestens 10% des Aktienkapitals halten, können, unter Angabe der Verhandlungsgegenstände und der damit zusammenhängenden Anträge, eine Generalversammlung einberufen. Die Einladung an die Aktionäre erfolgt mindestens 20 Kalendertage vor der Generalversammlung per Post und wird zusätzlich im Schweizerischen Handelsamtsblatt und in verschiedenen Zeitungen veröffentlicht.

Tagesordnung

Der Verwaltungsrat ist für die Ausarbeitung der Tagesordnung und für den Versand der Traktandenliste an die Aktionäre verantwortlich. Aktionäre mit Stimmrecht, die zusammen Aktien im Nennwert von mindestens CHF 10’000 vertreten, können schriftlich bis spätestens 45 Tage vor der Generalversammlung die Traktandierung von Anträgen verlangen.

Eintragungen in das Aktienbuch

Im Hinblick auf ein ordnungsgemässes Verfahren legt der Verwaltungsrat kurz vor dem Termin der Generalversammlung einen Stichtag fest, an dem die Aktionäre im Aktienbuch eingetragen sein müssen, um ihre Mitwirkungsrechte bei der Teilnahme an der Generalversammlung ausüben zu können. Der Stichtag wird zusammen mit der Einladung zur Generalversammlung im Schweizerischen Handelsamtsblatt und in verschiedenen Zeitungen veröffentlicht.

Informationspolitik

Zurich Financial Services AG hat rund 116'000 im Aktienbuch eingetragene Aktionäre – von privaten Aktionären bis hin zu grossen institutionellen Anlegern. Jeder eingetragene Aktionär erhält eine Einladung zur ordentlichen Generalversammlung zusammen mit dem Brief an die Aktionäre, der einen Überblick über die Geschäftstätigkeit der Gruppe in der Berichtsperiode gibt und die finanzielle Performance darlegt. Der umfassendere Bericht zur Geschäftsentwicklung und der Jahresbericht sind auf der Website von Zurich – www.zurich.com (http://www.zurich.com/main/investors/resultsandreports/financialreports/introduction.htm) – abrufbar. Zu ähnlichen Dokumenten über die Halbjahres- und Quartalsergebnisse haben die Aktionäre ebenfalls über die Website von Zurich Zugang. Die Aktionäre haben auch die Möglichkeit, eines oder sämtliche der oben genannten Dokumente in gedruckter Form zu erhalten.

Zurich Financial Services AG pflegt über die Abteilung Investor Relations einen regelmässigen Dialog mit den Investoren und steht institutionellen und privaten Aktionären bei Fragen und Anliegen zur Verfügung. Darüber hinaus organisiert Zurich Financial Services AG Investorentage für institutionelle Investoren, an denen ausführlich über die Geschäfte und die strategische Ausrichtung informiert wird. Solche Präsentationen können live via Webcast oder Konferenz-Telefonschaltungen mitverfolgt werden. Die Investorentage 2009 konzentrierten sich auf die drei Hauptgeschäftssegmente von Zurich: Farmers (Strategie-Update), abgehalten am 20. Mai 2009 in London; General Insurance (Strategie-Update) und Global Life (Strategieumsetzungs-Update); abgehalten jeweils am 27. Mai 2009 in Zürich. Weitere Investorentage mit anlegerrelevanten Themen sind für 2010 geplant. Zahlreiche Informationen zur Gruppe und zu ihren Geschäftsbereichen – einschliesslich der oben genannten Dokumente zur Ergebnisberichterstattung und der gesamten im Rahmen der Investorentage zur Verfügung gestellten Unterlagen – sind auch im Bereich Investor Relations der Website von Zurich – www.zurich.com (http://www.zurich.com/main/investors/introduction.htm) – zu finden.

Die nächste ordentliche Generalversammlung von Zurich Financial Services AG findet am 30. März 2010 statt. Auf der Tagesordnung steht die zusammenfassende Präsentation des Präsidenten des Verwaltungsrats und des CEO sowie des Chief Financial Officer über den Geschäftsgang im Jahr 2009. Die Generalversammlung findet im Hallenstadion in Zürich-Oerlikon statt. Die entsprechende Einladung mit der Traktandenliste und den Erläuterungen zu den Anträgen wird den Aktionären von Zurich Financial Services AG mindestens 20 Tage vor der Generalversammlung zugestellt.

Adressen und weitere wichtige Informationen finden Sie ab Seite 326 (siehe insbesondere «Wichtige Daten»).

Mitarbeitende

Die Rekrutierungs- und Förderungspolitik der Gruppe ist darauf ausgerichtet, Mitarbeitenden Chancengleichheit zu bieten, wobei Fähigkeiten, Erfahrung, Know-how und Vielfalt im Mittelpunkt stehen. Die Gruppe fördert die Einbeziehung der Mitarbeitenden in die Unternehmensprozesse, unter anderem mittels Print- und Online-Publikationen, Teamsitzungen und regelmässigen Treffen mit den Mitarbeitervertretern. Weitere Informationen zu Aktivitäten der Gruppe im Bereich Mitarbeiterführung finden Sie im Bericht zur Geschäftsentwicklung auf Seite 34. Dieser ist auch auf der Website von Zurich – www.zurich.com (http://zdownload.zurich.com/main/reports/business_review_2009_de.pdf) – abrufbar.

Die Gruppe ist Vertragspartnerin einer freiwilligen Vereinbarung, die im Einklang mit der EU-Richtlinie über die Einsetzung eines Europäischen Betriebsrats steht. In einigen Ländern besitzt die Gruppe breit abgestützte Aktienbeteiligungs- und Incentive-Programme, in deren Rahmen die Mitarbeiterbeteiligung im Unternehmen gefördert werden soll.

Kontrollwechsel und Abwehrmassnahmen

Pflicht zur Unterbreitung eines Angebots

Die Statuten von Zurich Financial Services AG sehen keine Opting-out- oder Opting-up-Bestimmung im Sinne von Artikel 22 und 32 des Bundesgesetzes über die Börsen und den Effektenhandel vor. Daher sind Aktionäre bzw. in gemeinsamer Absprache handelnde Gruppen von Aktionären dazu verpflichtet, ein Angebot zu unterbreiten, wenn sie mehr als 33 $^{1/3}$% des ausgegebenen Aktienkapitals halten.

Change-of-Control-Klauseln

Mit den Mitgliedern des GEC wurden Arbeitsverträge abgeschlossen, die die Anstellungsbedingungen regeln. Was die Beendigung des Arbeitsverhältnisses betrifft, so können diese Verträge Klauseln enthalten, die Abfindungen für maximal zwei Jahre (inklusive Kündigungsfristen) vorsehen. Im Fall eines Kontrollwechsels sind keine zusätzlichen Abfindungen vorgesehen.

In den Aktienbeteiligungsplänen der Gruppe sind Vorschriften zu den Auswirkungen veränderter Eigentumsverhältnisse enthalten. Diese sehen vor, dass der Plan-Administrator (entweder der Entschädigungsausschuss oder der CEO) im Falle veränderter Eigentumsverhältnisse das Recht hat, bestehende Ansprüche auf Aktien in neue Rechte auf Aktien umzuwandeln oder eine Gegenleistung für nicht übertragene Ansprüche zu erbringen. Mitarbeitende, die an diesem Plan partizipieren und infolge veränderter Eigentumsverhältnisse ihre Arbeitsstelle verlieren, haben das Recht auf eine automatische Umwandlung ihrer Ansprüche in Aktien. Im Fall eines Kontrollwechsels sind für die Mitglieder der Geschäftsleitung der Gruppe keine zusätzlichen Abfindungen vorgesehen.

Für die Mitglieder des Verwaltungsrats sind im Falle eines Kontrollwechsels keine Abfindungen vorgesehen.

Externe Revision

Dauer des Mandats und Amtsdauer des leitenden Revisors

PricewaterhouseCoopers AG, Birchstrasse 160, 8050 Zürich, (PwC) ist die externe Revisionsstelle von Zurich Financial Services AG.

PwC übernimmt sämtliche Prüfungen, die vom Gesetz und von den Statuten von Zurich Financial Services AG vorgeschrieben sind. Die Revisionsstelle wird von den Aktionären von Zurich Financial Services AG jährlich neu gewählt. Bei der ordentlichen Generalversammlung vom 2. April 2009 wurde PwC von den Aktionären von Zurich Financial Services AG wiedergewählt. Der Verwaltungsrat beantragt an der nächsten Generalversammlung, PwC als externe Revisionsstelle und Konzernprüferin für das Geschäftsjahr 2010 wiederzuwählen. PwC erfüllt alle Anforderungen des neuen Bundesgesetzes für die Zulassung und Beaufsichtigung der Revisorinnen und Revisoren (Revisionsaufsichtsgesetz, RAG) und wurde nach diesem Gesetz von der Schweizerischen Revisionsaufsichtsbehörde als eingetragenes Revisionsunternehmen zugelassen.

PwC bzw. die Vorgängerunternehmen Coopers & Lybrand und Schweizerische Treuhandgesellschaft AG sind seit dem 11. Mai 1983 als externe Revisionsstelle für Zurich Financial Services AG und deren Vorgängerunternehmen tätig. Wie bereits 2000 fand auch 2007 eine Ausschreibung statt, bei der die grössten Wirtschaftsprüfungsunternehmen aufgefordert wurden, ihre Arbeitsprogramme und Angebote für 2008 und darüber hinaus zu unterbreiten. Nach genauer Prüfung befand die Gruppe das Arbeitsprogramm sowie das Angebot von PwC als am besten.

Patrick Shouvlin von PricewaterhouseCoopers AG ist seit dem 1. Januar 2008 der verantwortliche leitende Revisor. Gruppeninterne Richtlinien verlangen, dass der leitende Revisor alle fünf Jahre wechselt.

Die OBT AG ist der besonders befähigte Revisor, der nach Massgabe der Artikel 652 f., 653 f. und 653 i. des Schweizerischen Obligationenrechts im Zusammenhang mit der Durchführung einer Kapitalerhöhung erforderlich ist. Bei der ordentlichen Generalversammlung vom 3. April 2008 wurde die OBT AG von den Aktionären für eine weitere Dreijahresperiode gewählt. Die OBT AG übt das Mandat ursprünglich seit Oktober 2000 aus.

Revisionshonorar

Insgesamt beliefen sich die vom Konzernprüfer im Jahr 2009 in Rechnung gestellten Revisionshonorare (einschliesslich Auslagen und Mehrwertsteuer) auf USD 32,9 Mio. (USD 34,4 Mio. im Jahr 2008).

Zusätzliche Honorare

Insgesamt beliefen sich die Honorare (einschliesslich Auslagen und Mehrwertsteuer) für zusätzliche Dienstleistungen (z. B. Steuerdienstleistungen oder notwendige Sonderprüfungen aufgrund von Erfordernissen lokaler Gesetze oder behördlicher Organe), die im Jahr 2009 vom Konzernprüfer und den mit ihm verbundenen Unternehmen für Zurich Financial Services AG bzw. für Unternehmen der Gruppe erbracht wurden, auf USD 4,2 Mio. (USD 2,8 Mio. im Jahr 2008).

Überwachung und Kontrolle des externen Prüfungsprozesses

Der Prüfungsausschuss des Verwaltungsrats trifft sich regelmässig, mindestens viermal jährlich, mit den externen Revisoren. 2009 fanden sieben solcher Treffen statt. Die externen Revisoren treffen sich regelmässig mit dem Prüfungsausschuss ohne das Beisein der Konzernleitung. Basierend auf schriftlichen Berichten bespricht der Prüfungsausschuss die Qualität des Finanz- und Rechnungswesens der Gruppe mit den externen Revisoren und nimmt Vorschläge der externen Revisoren entgegen. Diskutiert werden dabei unter anderem eine Verstärkung der internen Finanzkontrollen, die massgeblichen Rechnungslegungsgrundsätze und die Management-Reporting-Systeme. Im Zusammenhang mit der Rechnungsprüfung erhält der Prüfungsausschuss von den externen Revisoren rechtzeitig einen Bericht zur geprüften Jahresrechnung von Zurich Financial Services AG und der Gruppe.

Der Prüfungsausschuss überwacht die Arbeit der externen Revisoren. Mindestens einmal jährlich überprüft er Qualifikation, Leistung und Unabhängigkeit der externen Revisoren sowie alle Gegebenheiten, die ihre Objektivität und Unabhängigkeit belasten könnten, und zwar basierend auf einem von den externen Revisoren erstellten schriftlichen Bericht, in dem ihre internen Qualitätskontrollprozesse, wichtige auftretende Fragen und Anliegen sowie sämtliche Beziehungen zwischen den externen Revisoren und der Gruppe und/oder ihren Mitarbeitenden erläutert werden, die die Unabhängigkeit der externen Revisoren beeinträchtigen könnten. Der Prüfungsausschuss bewertet die Zusammenarbeit mit den externen Revisoren im Zuge der Revision. Er hält die Einschätzungen des Managements bezüglich der Leistung der externen Revisoren fest und beurteilt, inwieweit diese den Bedürfnissen von Zurich Financial Services AG und der Konzerngruppe Rechnung getragen haben. Vor Beginn der jährlichen Revision kontrolliert der Prüfungsausschuss den Umfang und das Ausmass der externen Prüfung und weist auf Bereiche hin, die besonderer Aufmerksamkeit bedürfen.

Der Prüfungsausschuss schlägt dem Verwaltungsrat die von den Aktionären zu wählenden externen Revisoren vor und ist für die Bewilligung ihrer Entschädigung verantwortlich. PricewaterhouseCoopers unterbreitet der Konzernleitung einen Kostenvoranschlag, der von dieser geprüft und dann dem Prüfungsausschuss zur Genehmigung vorgelegt wird. Der Voranschlag berücksichtigt die Anzahl der Berichtseinheiten innerhalb der Gruppe und die erwarteten Veränderungen der rechtlichen und operativen Struktur im Lauf des Jahres.

Der Prüfungsausschuss hat für den Einsatz der externen Revisoren für nicht mit ihrer Prüfungstätigkeit in Zusammenhang stehende Dienstleistungen sowie für ähnliche Belange eine Richtlinie erlassen. Nicht mit der Revision in Zusammenhang stehende zulässige Dienstleistungen können Steuerberatung und -dienstleistungen, Unterstützungs- und Einwilligungserklärungen, Beglaubigungen und Bestätigungen sowie Due-Diligence- und Audit-Support im Rahmen von geplanten Transaktionen umfassen, sofern solche Tätigkeiten im Einklang mit den geltenden gesetzlichen und regulatorischen Bestimmungen stehen und ihre Unabhängigkeit und Objektivität als externe Revisoren nicht beeinträchtigen. Alle nicht mit der Revision in Zusammenhang stehenden zulässigen Dienstleistungen müssen je nach Umfang der zu erwartenden Entschädigung zuvor vom Prüfungsausschuss (Vorsitzenden), dem Group Chief Financial Officer oder dem lokalen CFO genehmigt werden. Ferner erfordern diese Dienstleistungen unter anderem einen schriftlichen Antrag, in dem die zu erbringenden Dienstleistungen und der Hinweis an die externe Revision, die erwähnte Weisung einzuhalten, festgehalten werden müssen.

Interne Revision

Aufgabe der internen Revision der Gruppe («Group Audit») ist es, für den Verwaltungsrat, den Prüfungsausschuss, den CEO und die Konzernleitung eine unabhängige und objektive Beurteilung der internen Kontroll- und Governance-systeme sowie des Risikomanagements der Gruppe vorzunehmen. Dies erfolgt – unter Verwendung einer risikobasierten Methode – mittels Erstellung eines jährlichen Revisionsplans, der quartalsweise aktualisiert wird, um Veränderungen der Risiken und Prioritäten Rechnung zu tragen. Dieser Plan basiert auf dem Gesamtspektrum der Geschäftsrisiken der Gruppe. Group Audit setzt den Plan mithilfe eines systematischen und disziplinierten Ansatzes zur Evaluierung, Kommentierung und Verbesserung des Risikomanagements sowie der Kontroll- und Governance-Prozesse um. Group Audit prüft die Eignung, Verlässlichkeit und das Funktionieren der Geschäftsorganisation hinsichtlich technischer und personeller Angelegenheiten und bewertet die Effizienz und Effektivität der Kontrollsysteme der Gruppe. Zudem überprüft die interne Revision die Prozesse der Finanzberichterstattung und die Einhaltung der damit in Zusammenhang stehenden geschäftlichen und gesetzlichen Vorschriften und Regeln. Wichtige von Group Audit aufgeworfene Fragen werden mithilfe von verschiedenen Reportingmassnahmen dem verantwortlichen Management, dem CEO und dem Prüfungsausschuss zur Kenntnis gebracht.

Prüfungsausschuss und CEO werden regelmässig über wesentliche Revisionsergebnisse informiert, einschliesslich der von Group Audit erkannten Unzulänglichkeiten und Kontrollprobleme sowie der entsprechenden Korrekturmassnahmen und deren Umsetzung durch das verantwortliche Management. Group Audit hat uneingeschränkten Zugang zu allen Zahlen, Aufzeichnungen und Dokumenten und muss mit allen benötigten Daten und Informationen beliefert werden, damit es seine Pflichten erfüllen kann. Group Audit arbeitet eng mit den externen Revisoren zusammen und tauscht mit diesen Risikobeurteilungen, Arbeitspläne, Revisionsberichte und Informationen zu Fortschritten bei der Umsetzung von Korrekturmassnahmen aus. Group Audit und die externe Revision treffen sich regelmässig auf allen Organisations-ebenen, um den Revisionsprozess und dessen Effizienz zu optimieren.

Der Prüfungsausschuss kontrolliert die Unabhängigkeit von Group Audit und überprüft dessen Aktivitäten, Pläne, Organisation und Qualität sowie die Zusammenarbeit mit den externen Revisoren. Im Jahr 2007 beauftragte die Gruppe eine unabhängige Drittpartei, um die Effektivität von Group Audit zu überprüfen. Der Bericht ergab, dass Prozesse und Abläufe von Group Audit die Anforderungen des Institutes für Internal Audit (Institute of Internal Audit, IIA) erfüllen oder sogar übertreffen und dass sie in der Mehrzahl der Fälle den Prozessen und Abläufen entsprechen, die weltweit anerkannt sind. Ungeachtet dieses erfreulichen Resultats überprüft Group Audit weiterhin kontinuierlich seine Prozesse und Abläufe, um einen effektiven, effizienten und wertsteigernden Beitrag zu gewährleisten. So wird Group Audit ab 2010 seine Organisationsstruktur weiter so ausrichten, dass sie die funktionale Geschäftsstruktur reflektiert.

Der Prüfungsausschuss genehmigt jährlich den Group Audit Plan und prüft vierteljährlich Berichte von Group Audit zu dessen Tätigkeiten sowie zu signifikanten Risiko-, Kontroll- und Governance-Themen. Der Leiter von Group Audit berichtet sowohl dem Vorsitzenden des Prüfungsausschusses als auch dem CEO und trifft sich regelmässig mit dem Verwaltungsratspräsidenten. Group Audit trägt keine operative Verantwortung in den von ihm geprüften Bereichen, und alle Mitarbeitenden innerhalb von Group Audit berichten global an den Leiter von Group Audit.

Die Gruppe hat einen integrierten Ansatz für Assurance in ihre Gesamtbewertung des Risiko-und Kontrollumfeldes eingeführt. Durch einen verstärkten Fokus auf Informationsaustausch und Koordination sind die Effektivität und Effizienz des Assurance-Prozesses – hauptsächlich zwischen Group Risk, Group Compliance, Group Audit und der externen Revision – verbessert worden.

Compliance

Die Kernwerte der Gruppe gründen auf der Einhaltung der Gesetze und auf korrektem Geschäftsgebaren. Mit einer funktionierenden Compliance, die jeglicher Tätigkeit zugrunde liegt, schützt Zurich ihren Ruf und sichert das Erreichen ihrer ehrgeizigen Ziele.

Die Compliance-Funktion erlässt Richtlinien und Vorgaben, bietet unternehmerische Ratschläge und Schulungen und arbeitet mit Group Audit und den für die Geschäftsqualität zuständigen Stellen zusammen, um eine angemessene interne Kontrolle der Geschäfts- und Governance-Funktionen zu gewährleisten. Dies beinhaltet eine kontinuierliche Überprüfung der Gesetze, Richtlinien und anderer Anforderungen auf allen Unternehmensebenen. Das Compliance-Team unterstützt die Geschäftsleitung von Zurich dabei, eine auf Compliance und Ethik bauende Unternehmenskultur aufrechtzuerhalten und zu fördern, die im Einklang mit unserem Verhaltenskodex Zurich Basics steht. Dieser solide Compliance-Rahmen stützt sich sowohl auf eine stetige weltweit erfolgende Prüfung der Compliance-Risiken als auch auf ein seriöses Überwachungsregime. Die Ergebnisse aus dieser Prüfung unterstützen die strategische Planung der Compliance-Funktion, die in Absprache mit den Geschäftspartnern erfolgt. Schliesslich wird der Compliance-Plan vom Management ratifiziert.

Interne Richtlinien und Vorgaben werden von der Compliance-Funktion im Rahmen eines umfassenden Programms eingeführt, eingebunden und durchgesetzt. Unsere Compliance-Officer werden dabei mit der Einführung neuer Mitarbeitender und der Integration neu akquirierter Unternehmen betraut. Damit sich die Mitarbeitenden ihrer Verantwortung im Zusammenhang mit Zurich Basics und den internen Richtlinien bewusst sind, werden für alle regelmässig Ethik- und Compliance-Schulungen durchgeführt. Ferner führt die Compliance-Funktion interne Sensibilisierungskampagnen zu ethischem und regelkonformem Verhalten durch. Die Führungskräfte von Zurich bestätigen jährlich ihr Verständnis und die Einhaltung von Zurich Basics sowie der internen Richtlinien. Zurich ermutigt seine Mitarbeitenden, sich gegen regelwidriges Verhalten zu wehren und dieses zu melden. Zurich duldet keinerlei Vergeltungsmassnahmen gegenüber Mitarbeitenden, die ihre Bedenken in gutem Glauben äussern.

Der Compliance-Funktion der Gruppe, der Compliance-Spezialisten auf der ganzen Welt angehören, steht der Group Compliance Officer vor, der dem Group General Councel und auch regelmässig dem Prüfungsausschuss des Verwaltungsrats berichtet.

Erklärung zum Risikomanagement und zur internen Kontrolle

Der Verwaltungsrat trägt die Verantwortung für die Überwachung des Risikomanagements der Gruppe und das interne Kontrollsystem, für deren Umsetzung das Management verantwortlich ist. Das Verfahren soll das Risiko eines mangelnden Geschäftserfolgs kontrollieren; es gänzlich auszuschliessen vermag es nicht. Es bietet einen angemessenen, jedoch keinen absoluten Schutz vor wesentlichen finanziellen Fehlerfassungen und materiellen Verlusten. Auf der Ebene des Verwaltungsrats befassen sich zwei Ausschüsse mit Themen aus den Bereichen Risikomanagement und interne Kontrolle:

- der Risikoausschuss, der für die Überwachung des Risikomanagements zuständig ist, und

- der Prüfungsausschuss, der für interne Kontrollfragen verantwortlich zeichnet.

Auf Ebene der Unternehmensleitung wurden Management-Ausschüsse gegründet, um eine ständige Überwachung von Risiko- und internen Kontrollfragen zu gewährleisten. In diesen Management-Ausschüssen sind Mitglieder aus Unternehmens- und Funktionsbereichen vertreten, durch die bei der Überprüfung eines bestimmten Geschäfts die Unabhängigkeit gewahrt werden kann. Die Ergebnisse aus solchen, durch diese Management-Ausschüsse durchgeführten Überprüfungen werden entsprechend an die Verwaltungsratsausschüsse weitergeleitet.

Die Gruppe besitzt ein koordiniertes und formalisiertes Konzept für das Risikomanagement und die interne Kontrolle. Die wichtigen Risikomanagement- und internen Kontrollsysteme und Grundsätze der Gruppe werden üblicherweise auf Gruppenebene erarbeitet und danach unternehmensweit umgesetzt. Mit diesem Ansatz wird der Fokus vor allem auf erhebliche Risiken gerichtet, die das Erreichen der Unternehmensziele der Gruppe beeinträchtigen könnten, sowie auf die Aktivitäten zur Kontrolle und Überwachung dieser Risiken und zur Erhöhung der Effektivität der Kontrollen. Auf der operativen Ebene der Geschäftseinheiten liegt die Verantwortung für die Umsetzung und Überwachung der Effektivität der Risiko- und internen Kontrollsysteme beim CEO der jeweiligen Geschäftseinheit und beim oberen Management. Die Gruppe fördert ein geschärftes Risikobewusstsein und führt Kommunikations- und Trainingsseminare zur Sensibilisierung der Mitarbeitenden durch.

Ein effektives Risikomanagement ist eine von Zurichs Hauptstärken. Dem Management obliegt die Identifizierung, Abschätzung und Kontrolle der für den jeweiligen Geschäftsbereich massgeblichen Risiken. Das Risikomanagement findet gruppenweit unter der Leitung des oberen Managements statt. Zurich verfügt über für die gesamte Gruppe geltende Risikorichtlinien sowie über gemeinsame Methoden und Instrumente zur Risikobewertung und -modellierung. Die Risikobewertungsprozesse sind auf die Planungsprozesse der Gruppe abgestimmt und werden vom GEC und dem Board Risk Committee überprüft. Dem Risikoausschuss des Verwaltungsrats wird regelmässig über hohe Risiken, die Ergebnisse der Risikobewertung und -modellierung sowie die daraus resultierenden jeweiligen Massnahmen Bericht erstattet. Mithilfe der Total Risk Profiling™-Methode von Zurich werden regelmässig lokale Risikobewertungen durchgeführt und die Geschäftseinheiten müssen mindestens einmal pro Quartal wichtige Risiken melden und Massnahmenpläne zu deren Minimierung umsetzen. Weitere Details finden sich im Risk Review (Seiten 97 ff.).

Das interne Kontrollsystem ist auf wichtige Kontrollen im finanziellen, operativen und Compliance-Bereich ausgerichtet. Das System umfasst die Grundsätze, Prozesse und Aktivitäten, die zu erhöhter Zuverlässigkeit der Finanzberichterstattung sowie zur Effektivität und Effizienz der Geschäftstätigkeit und zur Einhaltung der gesetzlichen Vorschriften und Richtlinien beitragen. Im Jahr 2009 wurden zusätzliche Fortschritte bei der Weiterentwicklung und Verbesserung des internen Kontrollsystems der Gruppe erzielt, während gleichzeitig die Effektivität des gesamten internen Kontrollwesens im Fokus blieb.

Der jährliche Businessplan der Gruppe enthält Überlegungen zum Risikomanagement sowie die strategische und unternehmerische Ausrichtung, Finanzinformationen und Schlüsselindikatoren. Im Laufe des Jahres erhalten Verwaltungsrat und erweiterte Konzernleitung regelmässig zusammenfassende Berichte zur finanziellen Situation, der finanziellen und operativen Performance – jeweils verglichen mit dem Plan – und den wichtigsten Risiken.

Management, interne Revision (Group Audit) und Group Risk Management nehmen risikobasierte Überprüfungen der Prozesse und Kontrollen innerhalb der Organisation vor. Die Kontrollen des Managements umfassen die effektive Umsetzung von versicherungsmathematischen, Schadenbearbeitungs-, Anlage-, Underwriting-, Treasury-, Rechnungslegungs- und Berichterstattungsgrundsätzen sowie Kontrolltätigkeiten in Bezug auf wichtige Standorte und die IT-Systeme der Gruppe. Verwaltungsrat, Prüfungs- und Risikoausschuss erhalten regelmässig Berichte und – falls erforderlich – zusätzlich Sonderberichte über die Angemessenheit der bestehenden Kontrollstruktur vom Group Chief Risk Officer, vom Group General Counsel, vom Leiter von Group Compliance, vom Chief Financial Officer und Group Controller, vom Leiter von Group Audit sowie vom oberen Management. Weiter teilen die externen Revisoren regelmässig die aus ihrem unabhängigen Prüfungsprozess resultierenden Schlussfolgerungen, Beobachtungen und Empfehlungen mit. Diese Berichte enthalten Erläuterungen zu Themen wie a) signifikante Veränderungen in Bezug auf Risiken sowie das unternehmerische und das externe Umfeld; b) die Überwachungs- und Kontrollsysteme der Unternehmensleitung; c) gegebenenfalls vorhandene bedeutende Kontrollprobleme; d) die Effektivität des Prozesses der externen Berichterstattung der Gruppe.

Für den Zeitraum vom 1. Januar 2009 bis zum Datum der Erstellung dieses Geschäftsberichts hat der Risikoausschuss die Risikotoleranz der Gruppe und die gruppenweite Governance in diesem Bereich geprüft, und der Prüfungsausschuss hat die internen Kontrollsysteme der Gruppe auf ihre Effektivität hin untersucht. Beide haben dem Verwaltungsrat entsprechend darüber berichtet. Der Verwaltungsrat hat mit Befriedigung zur Kenntnis genommen, dass die Prüfungen in Übereinstimmung mit der britischen Turnbull-Richtlinie in der Fassung vom Oktober 2005 durchgeführt wurden. Die Beurteilung umfasste Überlegungen zur Effektivität des fortlaufenden Prozesses zu Identifikation, Evaluation, Kontrolle und Management der Risiken, die mit der Geschäftstätigkeit verbunden sind; des Weiteren enthielt sie Überlegungen zu Umfang und Häufigkeit der Risiko- und Kontrollberichte, die der Risiko- und der Kontrollausschuss sowie der Verwaltungsrat im Laufe des Jahres erhalten und diskutiert hat, sowie zu den wichtigen diskutierten Punkten der internen Prüfung und zu den Massnahmen, die von der Geschäftsleitung in diesem Zusammenhang ergriffen wurden. Die im Rahmen dieses Prozesses identifizierten Fragen und Probleme wurden dem Verwaltungsrat gemeldet und werden von der Gruppe angegangen.

Unternehmensfortführung

Aufgrund der Prüfung des Geschäftsergebnisses für das Berichtsjahr sowie der Prognosen für das kommende Jahr ist der Verwaltungsrat davon überzeugt, dass die Gruppe über die notwendigen Mittel verfügt, um ihre Tätigkeit in absehbarer Zeit fortzuführen. Der Verwaltungsrat ist daher bei der Aufstellung der Jahresrechnung von der Annahme der Unternehmensfortführung für den absehbaren Zeitraum ausgegangen.

Bericht über Honorare und Entschädigungen

Dieser Bericht über Honorare und Entschädigungen enthält alle Informationen gemäss Kapitel 5 der Richtlinie über die Informationen zur Corporate Governance der SIX Swiss Exchange (Stand 1. Juli 2009) und zum Swiss Code of Best Practice (Stand 15. Oktober 2007). Des Weiteren enthalten sind alle Informationen gemäss den Art. 663b^{bis} und 663c Absatz 3 des Schweizerischen Obligationenrechts. Die Struktur des Berichts über Honorare und Entschädigungen entspricht den Anforderungen des Schweizerischen Obligationenrechts und den erfolgten Änderungen der oben erwähnten SIX-Richtlinie und des Swiss Code of Best Practice. Der erste Teil des Berichts beschreibt die allgemeinen Vergütungsgrundsätze und das Governance-System. Der zweite Teil enthält Einzelheiten zu den einzelnen Vergütungselementen.

Da die Verwaltungsratsmitglieder unabhängig sind und nicht der Konzernleitung der Zurich Financial Services AG angehören, werden die Einzelheiten zur Entschädigung des Verwaltungsrats und der Konzernleitung je in einem gesonderten Abschnitt erläutert.

Alle gemäss den Artikeln 663b^{bis} und 663c Absatz 3 des Schweizerischen Obligationenrechts erforderlichen Informationen finden sich auch im Anhang zur Jahresrechnung der Zurich Financial Services AG Holdinggesellschaft.

Alle anderen, gemäss der Richtlinie der SIX Swiss Exchange offen zu legenden Informationen sind im vorstehenden Bericht über die Corporate Governance enthalten.

Vergütungsgrundsätze

Mitglieder des Verwaltungsrats

Die Höhe der Verwaltungsratshonorare ist darauf ausgerichtet, dass die Gruppe hochkarätige Persönlichkeiten gewinnen und halten kann, und berücksichtigt, dass es sich bei Zurich um ein weltweit tätiges, im Versicherungsgeschäft verankertes Finanzdienstleistungsunternehmen handelt.

Die an die Verwaltungsratsmitglieder der Zurich Financial Services AG ausbezahlten Honorare umfassen eine fixe Barvergütung und einen Anteil in Form von Aktien der Zurich Financial Services AG. Die gewährten Aktien unterliegen einer Veräusserungsbeschränkung von drei Jahren.

Die an die Mitglieder des Verwaltungsrats zu entrichtenden Honorare (einschliesslich des in Aktien ausgerichteten Anteils) sind nicht an das Erreichen spezifischer Leistungsziele gebunden.

Konzernleitung und alle anderen Mitarbeitenden

Für die Mitglieder der Konzernleitung (Group Executive Committee, GEC) und alle anderen Mitarbeitenden wurden mehrere Schlüsselelemente für eine ausgewogene und effektiv gestaltete Vergütungsstruktur eingeführt. Diese beinhaltet eine konzernweite Vergütungsphilosophie, solide kurz- und langfristige leistungsorientierte Vergütungspläne, eine effektive Governance und eine enge Anbindung an die Geschäftsplanung und Risikopolitik der Gruppe.

Die Schweizer Banken- und Versicherungsaufsicht FINMA veröffentlichte ihr Rundschreiben zu Vergütungssystemen im November 2009. Zurich analysiert gegenwärtig, ob aufgrund des Rundschreibens per 2011 Anpassungen am aktuellen Vergütungssystem vorgenommen werden müssen. Erste Einschätzungen lassen den Schluss zu, dass das aktuelle System im Wesentlichen den im Rundschreiben dargelegten Grundsätzen entspricht. Die zusätzlich verlangten Angaben zu den Vergütungen werden im Bericht über Honorare und Entschädigungen für das Jahr 2010 aufgenommen werden.

Die wichtigsten Elemente der Vergütungsphilosophie werden nachstehend beschrieben.

Zurich ist bestrebt, konkurrenzfähige Gesamtvergütungspakete anzubieten, um Mitarbeitende zu gewinnen, zu halten und so zu motivieren und zu vergüten, dass sie aus Sicht der Kunden und Aktionäre hervorragende Leistungen erbringen. Diese Vergütungsphilosophie ist ein wesentlicher Bestandteil des Gesamtangebots an die Mitarbeitenden. Zurich verfügt über einen klar definierten Prozess für das Leistungsmanagement, der das Erreichen der Geschäftsziele und operativen Pläne des Unternehmens unterstützt und die individuelle Vergütung an die Performance des Unternehmens und die persönliche Leistung koppelt. Dies erfolgt über ein Entschädigungssystem, das von der Konzernleitung, dem Entschädigungsausschuss des Verwaltungsrats und dem Verwaltungsrat selbst überwacht wird.

Leitsätze der Vergütungsphilosophie

Es gelten die folgenden Leitsätze:

- Förderung einer anspruchsvollen Leistungskultur durch Abstimmung der Gesamtentschädigung auf die Performance des entsprechenden Geschäftsbereichs und der einzelnen Mitarbeitenden.
- Verknüpfung der variablen Entschädigungen mit massgeblichen Performance-Faktoren, zu denen die Performance der Gruppe, der verschiedenen Geschäftsgebiete, z. B. Segmente, Bereiche, Funktionen, Einheiten, sowie die persönlichen Leistungen gehören können.
- Klare Festlegung der erwarteten Leistung anhand eines strukturierten Leistungsmanagementsystems; dieses bildet die Grundlage für die Festsetzung der Entschädigung.
- Entschädigung der Mitarbeitenden basierend auf lokalen Marktpraktiken.

Gesamtentschädigung

Die Höhe der Gesamtentschädigung einer/s Mitarbeitenden hängt von mehreren Faktoren ab wie dem Geschäftsverlauf, der wirtschaftlichen Situation der Gruppe, der persönlichen Leistung, dem Grundsatz der Gleichbehandlung sowie den rechtlichen Anforderungen. In den Zielvereinbarungen festgelegte Aufgaben werden anhand von Medianwerten in klar definierten Märkten bewertet und berücksichtigen interne Überlegungen zur Gleichbehandlung. Die Zusammensetzung der Entschädigung aus Grundgehalt und variablem Gehalt wird zudem der gängigen Marktpraxis und den internen Verhältnissen angepasst. Zurich kommuniziert transparent, wie die Entschädigungsstruktur festgelegt wird und welche Verfahren für die Entscheidungsfindung verwendet werden. Die Gesamtentschädigung setzt sich aus den folgenden Elementen zusammen:

Element		Art	Beschreibung
Grundgehalt		Fixe Barvergütung	Fixe Vergütung nach Anforderungsprofil und Komplexität der Funktion In der Regel in der Bandbreite von 80%–120% des jeweiligen Marktmedians
Variable Vergütung	Kurzfristige Incentives (STIP – 1 Jahr)	Leistungsorientierte Barvergütung	Für Führungskräfte und eine breitere Gruppe von Mitarbeitenden, jährliche Auszahlung Leistungsmessung anhand der erzielten Geschäftsergebnisse und des Erreichens der strategischen Ziele Leistungsbezogene Elemente hängen von der Geschäfts- und der Einzelleistung ab
	Langfristige Incentives (LTIP – 3 Jahre)	Leistungsorientierte Aktien	Für eine bestimmte Gruppe von Führungskräften mit jährlicher definitiver Zuteilung Die definitive Zuteilung basiert auf der über drei Jahre erzielten Eigenkapitalrendite (ROE) und der Gesamtrendite für die Aktionäre (TSR)
		Leistungsorientierte Optionen	Die Hälfte der definitiv zugeteilten Aktien unterliegen einer Veräusserungsbeschränkung von drei Jahren Optionen werden nur den obersten Führungskräften zugeteilt
Mitarbeiterleistungen		Fixum	Vorsorgeleistungen im Rahmen der gängigen lokalen Marktpraxis Pensionspläne (de-risked gemäss den Gruppenrichtlinien) Ausrichtung der Vorsorgeleistungen an Medianwerten

Grundgehalt
Das Grundgehalt besteht aus dem Fixsalär für die Ausübung einer Funktion, das anhand des Kompetenzbereichs und der Komplexität der Funktion festgelegt und jährlich überprüft wird. Die Grundgehaltsstrukturen sind so festgelegt, dass die Gehälter im Bereich der relevanten Marktmediane liegen und angepasst werden können. Auf individueller Ebene wird das Grundgehalt in der Regel innerhalb einer Bandbreite von 80% bis 120% des jeweiligen Marktmedians festgelegt. Wichtigste Faktoren sind die Gesamterfahrung und -leistung der bzw. des Mitarbeitenden.

Variable Vergütung
Die Incentive-Pläne ermöglichen die Berücksichtigung einer Reihe von Entschädigungsfaktoren, die an das Leistungsniveau gekoppelt sind. Bei überdurchschnittlicher Performance können Geschäftsverlauf und persönliche Leistung der Mitarbeitenden zu hohen, über den Zielgrössen liegenden variablen Gehaltszahlungen führen. Liegt die Performance unter den Erwartungen, kann die variable Vergütung geringer sein oder ganz entfallen. Variable Vergütungen werden in Märkten, in denen sie die Norm sind, gewährt, um die Mitarbeitenden zu motivieren, wichtige kurz- und langfristige Geschäftsziele zur Steigerung des Unternehmenswertes (Shareholder Value) zu erreichen. Die variablen Vergütungskomponenten können sowohl kurzfristige als auch langfristige Incentives umfassen:

- Kurzfristige Incentive-Programme (ein Jahr, STIP) sind leistungsabhängig und basieren auf verschiedenen Faktoren wie der Performance der Gruppe und der relevanten Geschäftseinheiten sowie den persönlichen Leistungen der betreffenden Mitarbeitenden. Die wichtigsten Leistungskennzahlen werden jährlich bestimmt und sind auf die Prioritäten des Unternehmens ausgerichtet. Sie umfassen üblicherweise Profitabilitätsmessgrössen wie den Gewinn nach Steuern (Net Income After Taxes, NIAT) und den Business Operating Profit (BOP) der Gruppe.

- Langfristige Incentive-Programme (drei Jahre, LTIP) bestehen für eine bestimmte Gruppe von Führungskräften, deren Aufgaben sich auf die für die Entwicklung des Shareholder Value massgeblichen Performance-Faktoren konzentrieren. Als Instrument wird primär die Zuteilung von leistungsorientierten Aktien und Aktienoptionen eingesetzt. Bedingt zugeteilte leistungsorientierte Aktien und Aktienoptionen werden nur definitiv zugeteilt, wenn bestimmte Leistungsziele erreicht werden. Je ein Drittel dieser Aktien steht für eine definitive Zuteilung in den drei Folgejahren nach dem Zeitpunkt der bedingten Zuteilung zur Verfügung. Die definitive Zuteilung basiert auf der Performance der Gruppe, die anhand der Eigenkapitalrendite (ROE) und der Gesamtrendite für die Aktionäre (TSR, Total Shareholder Return) im Vergleich mit einer weltweiten Gruppe von 28 im Dow Jones Titan Insurance Index enthaltenen Versicherungsgesellschaften gemessen wird. Anhand der tatsächlich erreichten Eigenkapitalrendite der Gruppe (ROE) und der Gesamtrendite für die Aktionäre (TSR) kann die definitive Zuteilung zwischen 0% und 175% der bedingt zugeteilten Aktien und Aktienoptionen schwanken. Die 2009, 2008 und 2007 vorgenommenen bedingten Zuteilungen werden auf der Basis des ROE und des TSR der drei der definitiven Zuteilung vorangehenden Jahre definitiv zugeteilt werden. Frühere bedingte Zuteilungen werden anhand der Performance während des jeweiligen Geschäftsjahres vor der definitiven Zuteilung definitiv zugeteilt. Weitere Einzelheiten zu den Plänen finden sich im Abschnitt zur aktuellen Vergütung der Mitglieder der Konzernleitung.

Die variablen Vergütungspläne der Gruppe werden jährlich auf Inhalt und Teilnehmerkreis überprüft. Sie können jederzeit gekündigt, geändert, angepasst oder revidiert werden.

Vorsorgeleistungen
Die Gruppe erbringt für die Mitarbeitenden Vorsorgeleistungen, die sich an der lokalen Marktpraxis orientieren. Die Mitarbeitenden sind im Allgemeinen verpflichtet, sich an den Kosten für diese Leistungen zu beteiligen. Das gesamte Leistungsangebot richtet sich nach dem jeweiligen Marktmedian.

Governance der Festlegung von Honoraren und Entschädigungen
Der Verwaltungsrat legt, basierend auf den Vorschlägen des Entschädigungsausschusses des Verwaltungsrats, die Vergütungsgrundsätze fest. Zudem gehört es zur Verantwortung des Entschädigungsausschusses, gestützt auf diese Vergütungsgrundsätze, dem Verwaltungsrat jährlich Vorschläge für die Entschädigung der Verwaltungsräte, des Chief Executive Officer (CEO) und der übrigen Mitglieder der Konzernleitung zu unterbreiten. Mit Bezug auf die anderen Mitglieder der Konzernleitung basieren diese Empfehlungen des Entschädigungsausschusses des Verwaltungsrats auf Vorschlägen des CEO. Die Vergütungen werden vom Verwaltungsrat genehmigt. Werden in den Sitzungen des Entschädigungsausschusses des Verwaltungsrats und des Verwaltungsrats Entscheidungen über die Entschädigung des

Verwaltungsratspräsidenten getroffen, nimmt dieser nicht an der Sitzung teil. Werden Entscheidungen zur Entschädigung des CEO getroffen, ist dieser nicht anwesend. Wird über die Entschädigung der anderen Mitglieder des GEC entschieden, nehmen auch diese Mitglieder nicht an der Sitzung teil. Dem Entschädigungsausschuss des Verwaltungsrats gehören keine Mitglieder an, die in einer Kreuzverflechtung stehen. Weitere Einzelheiten zum Verantwortungsbereich des Entschädigungsausschusses des Verwaltungsrats stehen auf Seite 34 im Bericht über die Corporate Governance. Ein Überblick über die Befugnisse im Bereich der Vergütung findet sich in der folgenden Tabelle.

Das Governance-System lässt sich wie folgt zusammenfassen:

Gegenstand	Empfehlung vom	Endgültige Genehmigung durch
Vergütungsgrundsätze für alle Mitarbeitenden, inklusive der obersten Führungskräfte	Entschädigungsausschuss, basierend auf Vorschlägen des CEO	Verwaltungsrat
Honorare der Verwaltungsratsmitglieder (inklusive Präsident und Vizepräsident)	Entschädigungsausschuss	Verwaltungsrat
Vergütung des CEO	Entschädigungsausschuss	Verwaltungsrat
Vergütungen der GEC-Mitglieder (ohne CEO)	Entschädigungsausschuss, basierend auf Vorschlägen des CEO	Verwaltungsrat
STIP-Finanzierungspools	Entschädigungsausschuss, basierend auf Vorschlägen des CEO	Verwaltungsrat
Levels für die definitive Zuteilung im Rahmen des LTIP	Entschädigungsausschuss, basierend auf Vorschlägen des CEO	Verwaltungsrat

Um die Entscheidungsfindung zur Vergütung des Verwaltungsrats und der Konzernleitung zu unterstützen, werden regelmässig Benchmark-Studien durchgeführt. Zur Beurteilung der Marktpraktiken und der Höhe der Vergütung werden die Entschädigungsstrukturen und -praktiken der im Dow Jones Titan Insurance Index erfassten Unternehmen analysiert. Dieser Index umfasst die grössten Versicherungsgesellschaften mit Sitz in Europa und in den Vereinigten Staaten. Falls sinnvoll, wird diese Analyse durch weitere Benchmark-Studien ergänzt, z. B. durch eine Analyse der Entschädigungspraktiken der grossen im Swiss Market Index (SMI) geführten Unternehmen in der Schweiz oder Unternehmen ähnlicher Grösse in anderen Ländern.

Die Ergebnisse der Benchmark-Studien werden bei der Festsetzung der Honorare der Mitglieder des Verwaltungsrats und der Entschädigungsstrukturen der Mitglieder der Konzernleitung berücksichtigt. Zu den Faktoren, die bei der Analyse der Ergebnisse in Erwägung gezogen werden, gehören die Marktpraktiken in den verschiedenen Ländern und interne Vergleiche zwischen den einzelnen Funktionen. Die Gesamtausrichtung der Entschädigungsstrukturen orientiert sich an den Medianwerten.

Um die Interessen der Verwaltungsräte und der Mitglieder des Group Management Boards mit denen der Aktionäre in Übereinstimmung zu bringen, sind erstere gehalten, eine Position in Zurich Financial Services AG-Aktien aufzubauen. Dies können die Verwaltungsräte und die Mitglieder des Group Management Boards mittels Aktienzuteilungen im Rahmen der Ausrichtung ihres Verwaltungsratshonorares, der Partizipation in den langfristigen Incentive-Programmen (LTIP) sowie durch Zukäufe auf dem freien Markt erreichen. Für den Aufbau der verlangten Aktienposition gilt eine Frist von fünf Jahren. Die Einhaltung dieser Richtlinie wird durch den Vergütungsausschuss jährlich überprüft. Um den Aufbau der Aktienpositionen zu fördern, unterliegen alle den Veraltungsräten im Rahmen ihres Honorars gewährten Aktien sowie die Hälfte der den Mitgliedern des Group Management Boards definitiv zugeteilten Aktien einer Veräusserungsbeschränkung von drei Jahren.

Bei der regelmässigen Überprüfung der Entschädigungsstrukturen und -praktiken wird der Entschädigungsausschuss von der Executive Compensation Abteilung von Helwitt Associates Ltd beraten. Diese Berater wurden vom Vergütungsausschuss beauftragt und sind diesem rechenschaftspflichtig. Da es sich bei Hewitt Associates Ltd um ein grosses, im Bereich des Personalwesens international tätiges Beratungsunternehmen handelt, erbringen auch andere Abteilungen von Hewitt Associates Ltd von Zeit zu Zeit Dienstleistungen für die Gruppe. Der Vergütungsausschuss sieht die

Unabhängigkeit und Integrität der Beratung durch die anderweitig erbrachten Dienstleistungen in der Gruppe nicht gefährdet. Das Management wird demgegenüber durch mehrere Beratungsunternehmen unterstützt, die im Bereich der Ausgestaltung von Entschädigungssystemen für Führungskräfte tätig sind.

Auf der ordentlichen Generalversammlung am 30. März 2010 werden die Aktionäre konsultativ über das Vergütungssystem abstimmen können. Da die endgültige Entscheidung über die Vergütung der Befugnis des Verwaltungsrats unterliegt, ist eine solche Abstimmung unverbindlich.

Honorare und Entschädigungen sowie Aktienbeteiligungen der Mitglieder des Verwaltungsrats und der Konzernleitung

Per 31. Dezember 2009 gehörte kein Verwaltungsratsmitglied von Zurich Financial Services AG der erweiterten Konzernleitung an. Die Entschädigungen der Mitglieder des Verwaltungsrats und der Mitglieder der Konzernleitung sowie deren Aktienbeteiligungen werden daher separat offen gelegt.

Mitglieder des Verwaltungsrats

Verwaltungsratshonorare

Für ihre Mitgliedschaften im Verwaltungsrat von Zurich Financial Services AG und im Verwaltungsrat der Zürich Versicherungs-Gesellschaft AG erhalten alle Verwaltungsratsmitglieder eine Vergütung, die zum Teil bar und zum Teil in Aktien der Zurich Financial Services AG mit einer dreijährigen Veräusserungsbeschränkung ausbezahlt wird. Die Aktien bilden einen Bestandteil der Gesamtvergütung, deren Höhe nicht vom Erreichen spezifischer Leistungsziele abhängig ist. Die Vergütungsstruktur für 2009 wurde im Vergleich zu 2008 nicht geändert.

Mit Ausnahme des Präsidenten und des Vizepräsidenten erhalten alle Mitglieder des Verwaltungsrats ein Jahresgrundhonorar von USD 205’000. Davon wird ein Drittel, d. h. USD 68’500, in Form von veräusserungsbeschränkten Aktien der Zurich Financial Services AG zugeteilt. Bei Mitgliedern, die während des Jahres neu hinzukommen oder ausscheiden, wird der Betrag anteilig errechnet. Mitglieder von Verwaltungsratsausschüssen erhalten für ihre Arbeit in den Ausschüssen, in denen sie Einsitz haben, unabhängig von der Anzahl der Ausschüsse, in denen sie einsitzen, eine zusätzliche Barvergütung in Höhe von insgesamt USD 40’000 pro Jahr. Darüber hinaus erhält der jeweilige Präsident jedes Ausschusses eine Zusatzvergütung von USD 20’000, und der Präsident des Prüfungsausschusses erhält zudem ein zusätzliches Honorar in Höhe von USD 10’000 pro Jahr. Verwaltungsratsmitglieder mit Wohnsitz in den Vereinigten Staaten erhalten zusätzlich einen Betrag von USD 10’000 pro Jahr. Informationen darüber, in welchen Ausschüssen die Mitglieder tätig sind, finden Sie im Bericht über die Corporate Governance (siehe Seite 29 ff.). Ist ein Verwaltungsratsmitglied gleichzeitig Mitglied des Verwaltungsrats einer Tochtergesellschaft der Zurich Financial Services Group, hat das Mitglied darüber hinaus Anspruch auf ein zusätzliches Honorar in Höhe von USD 40’000 pro Jahr sowie von weiteren USD 10’000, wenn er oder sie den Prüfungsausschuss eines solchen Verwaltungsrates präsidiert.

Das Jahresgrundhonorar des Vizepräsidenten beträgt derzeit USD 330’000, wovon USD 68’500 in Form veräusserungsbeschränkter Aktien von Zurich Financial Services AG ausgerichtet werden. Das Jahresgrundhonorar des Verwaltungsratspräsidenten der Zurich Financial Services AG und der Zürich Versicherungs-Gesellschaft AG im Jahr 2009 betrug USD 700’000, wovon ein Drittel, d. h. USD 233’500, in Form von veräusserungsbeschränkten Aktien der Zurich Financial Services AG zugeteilt wird. Weder der Präsident noch der Vizepräsident erhalten für ihre Arbeit in den Verwaltungsratsausschüssen zusätzliche Honorare.

Basierend auf dieser Struktur beliefen sich die insgesamt an die Verwaltungsratsmitglieder der Zurich Financial Services AG und Zürich Versicherungs-Gesellschaft AG gezahlten Honorare für das per 31. Dezember 2009 abgeschlossene Geschäftsjahr auf USD 3’395’000. Diese Summe umfasste USD 2’476’500 in bar sowie zugeteilte Aktien mit einer Veräusserungsbeschränkung von drei Jahren, deren Wert sich zum Zeitpunkt der Zuteilung auf USD 918’500 belief. Zum Zeitpunkt der Zuteilung betrug der Aktienkurs CHF 197.10. Der entsprechende Gesamtbetrag für 2008 belief sich auf USD 3’291’875. Davon wurden USD 2’408’767 in bar ausbezahlt, und der Wert der zugeteilten Aktien mit einer Veräusserungsbeschränkung von drei Jahren belief sich zum Zeitpunkt der Zuteilung auf USD 883’108. Zum Zeitpunkt der Zuteilung im Jahr 2008 betrug der Aktienkurs CHF 284.00.

Die Verwaltungsratshonorare sind nicht pensionsberechtigt.

In den nachstehenden Tabellen sind die in 2009 und 2008 an die Verwaltungsratsmitglieder ausbezahlten Honorare aufgeführt:

Verwaltungsrats-honorare 2009

in USD	2009[1]						
	Grund-honorar	Ausschuss-vergütung[2]	Honorar für den Aus-schussvor-sitzenden[3]	US-Wohnsitz-zuschlag[4]/ Sonstige	Gesamt-honorar	davon entrichtet in bar[5]	davon zugeteilt in Aktien[6, 7]
M. Gentz, Präsident[8]	700'000	–	–	–	700'000	466'500	233'500
Ph. Pidoux, Vizepräsident[8]	330'000	–	–	–	330'000	261'500	68'500
S. Bies, Mitglied	205'000	40'000	–	20'000 [9]	265'000	196'500	68'500
V. Chu, Mitglied	205'000	40'000	–	–	245'000	176'500	68'500
Th. Escher, Mitglied	205'000	40'000	–	–	245'000	176'500	68'500
F. Kindle, Mitglied	205'000	40'000	–	–	245'000	176'500	68'500
A. Meyer, Mitglied	205'000	40'000	–	–	245'000	176'500	68'500
D. Nicolaisen, Mitglied	205'000	40'000	30'000	20'000 [9]	295'000	226'500	68'500
V.L. Sankey, Mitglied	205'000	40'000	20'000	–	265'000	196'500	68'500
T. de Swaan, Mitglied	205'000	40'000	20'000	50'000 [9]	315'000	246'500	68'500
R. Watter, Mitglied	205'000	40'000	–	–	245'000	176'500	68'500
Gesamt in USD[10]	**2'875'000**	**360'000**	**70'000**	**90'000**	**3'395'000**	**2'476'500**	**918'500**

Verwaltungsrats-honorare 2008

in USD	2008[1]						
	Grund-honorar	Ausschuss-vergütung[2]	Honorar für den Aus-schussvor-sitzenden[3]	US-Wohnsitz-zuschlag[4]/ Sonstige	Gesamt-honorar	davon in bar entrichtet[5]	davon zugeteilt in Aktien[6, 11]
M. Gentz, Präsident[8]	700'000	–	–	–	700'000	466'500	233'500
Ph. Pidoux, Vizepräsident[8]	330'000	–	–	–	330'000	261'500	68'500
S. Bies, Mitglied[12]	152'041	29'667	–	7'417	189'125	138'321	50'804
V. Chu, Mitglied[12]	152'041	29'667	–	–	181'708	130'904	50'804
Th. Escher, Mitglied	205'000	40'000	–	–	245'000	176'500	68'500
F. Kindle, Mitglied	205'000	40'000	–	–	245'000	176'500	68'500
A. Meyer, Mitglied	205'000	40'000	–	–	245'000	176'500	68'500
D. Nicolaisen, Mitglied[13]	205'000	40'000	27'417	10'000	282'417	213'917	68'500
V.L. Sankey, Mitglied	205'000	40'000	20'000	–	265'000	196'500	68'500
G. Schulmeyer, Mitglied[12]	52'960	10'333	7'749	2'583	73'625	73'625	–
T. de Swaan, Mitglied[14]	205'000	40'000	14'833	30'167 [15]	290'000	221'500	68'500
R. Watter, Mitglied	205'000	40'000	–	–	245'000	176'500	68'500
Gesamt in USD[10]	**2'822'042**	**349'667**	**69'999**	**50'167**	**3'291'875**	**2'408'767**	**883'108**

[1] Die in den Tabellen ausgewiesene Vergütung enthält keine geschäftlich bedingten Auslagen, die bei der Arbeit der Mitglieder angefallen sind.
[2] Mitglieder von Verwaltungsratsausschüssen erhalten für ihre Arbeit in den Ausschüssen, in denen sie sitzen, unabhängig von der Anzahl der Ausschüsse eine Barvergütung in Höhe von insgesamt USD 40'000 pro Jahr. Informationen darüber, in welchen Ausschüssen die Mitglieder tätig sind, finden sich im Bericht über die Corporate Governance auf Seite 29.
[3] Die Präsidenten der jeweiligen Ausschüsse erhalten zusätzlich USD 20'000, der Präsident des Prüfungsausschusses darüber hinaus noch USD 10'000 pro Jahr. Informationen darüber, in welchen Ausschüssen die Mitglieder tätig sind, finden sich im Bericht über die Corporate Governance auf Seite 29.
[4] Verwaltungsratsmitglieder mit Wohnsitz in den Vereinigten Staaten erhalten eine Entschädigung von USD 10'000 pro Jahr.
[5] Die Barvergütungen sind in USD ausgewiesen, werden aber in der Landeswährung desjenigen Landes bezahlt, in dem die Mitglieder des Verwaltungsrats ihren Wohnsitz haben. Zur Anwendung gelangt der jeweilige Wechselkurs am Tag der Auszahlung.
[6] Die den Mitgliedern des Verwaltungsrats zugeteilten Aktien unterliegen einer Veräusserungsbeschränkung von drei Jahren.

[7] Per 30. Juni 2009 wurden Herrn Gentz 1'296 und den anderen Mitgliedern des Verwaltungsrates je 380 Aktien, basierend auf dem Gesamtjahresmandat, zugewiesen. Die Anzahl der Aktien, die den Mitgliedern aufgrund des ihnen als Aktien zustehenden Honoraranteils zugeteilt wurden, berechnet sich anhand des per 15. Juni 2009 gültigen Aktien- (CHF 197.10) und Wechselkurses (USD/CHF 1.0942). Wenn der Wert der zugeteilten Aktien nicht dem Wert des in Aktien auszurichtenden Honoraranteiles entsprach, wurde die Differenz in bar ausbezahlt. Die in der vorstehenden Tabelle aufgeführten Beträge geben den Wert des festgelegten Honoraranteils, der in Aktien auszurichten ist, in USD wieder.

[8] Weder der Präsident noch der Vizepräsident erhalten für ihre Arbeit in den Verwaltungsratsausschüssen zusätzliche Honorare.

[9] Zusätzlich zu ihren Honoraren als Verwaltungsratsmitglied der Zurich Financial Services AG und der Zürich Versicherungs-Gesellschaft AG bezogen Frau Bies, Herr Nicolaisen und Herr de Swaan eine Vergütung für ihre Mitgliedschaften im Verwaltungsrat der folgenden Unternehmen der Zurich Financial Services Group:
- Frau Bies, Herr Nicolaisen erhielten eine anteilige Vergütung in Höhe von USD 10'000 für ihre Mitgliedschaft im Verwaltungsrat der Zurich Holding Company of America (ZHCA) seit 19. Oktober 2009 (basierend auf einem Jahreshonorar von USD 40'000). Die in der vorstehenden Tabelle aufgeführten Beträge enthalten zudem eine US-Wohnsitzentschädigung in Höhe von USD 10'000.
- Herr de Swaan erhielt für seine Mitgliedschaft im Verwaltungsrat der Zurich Insurance plc ein Jahreshonorar in Höhe von USD 40'000 und für seine Tätigkeit als Präsident des Prüfungsausschusses der Zurich Insurance plc in Irland ein Jahreshonorar in Höhe von USD 10'000.

[10] In Übereinstimmung mit den anwendbaren Gesetzten bezahlte Zurich Arbeitgeberbeiträge an Sozialversicherungssysteme in der Höhe von USD 80'670 für das Jahr 2009. Der entsprechende Betrag für das Jahr 2008 belief sich auf USD 69'305. Sämtliche persönliche Beiträge der Verwaltungsratsmitglieder an Sozialversicherungssysteme sind in den aufgeführten Beträgen in der vorstehenden Tabelle enthalten.

[11] Per 30. Juni 2008 wurden Herrn Gentz 861 und den anderen Mitgliedern des Verwaltungsrates je 252 Aktien, basierend auf dem Gesamtjahresmandat, zugewiesen. Die Anzahl Aktien, die den Mitgliedern aufgrund des ihnen als Aktien zustehenden Honoraranteils zugeteilt wurden, berechnet sich anhand des per 15. Juni 2008 gültigen Aktien- (CHF 284.00) und Wechselkurses (USD/CHF 1.0476). Wenn der Wert der zugeteilten Aktien nicht dem Wert des in Aktien auszurichtenden Honoraranteils entsprach, wurde die Differenz in bar ausbezahlt. Die in der vorstehenden Tabelle aufgeführten Beträge geben den Wert des festgelegten Honoraranteils, der in Aktien auszurichten ist, in USD wieder.

[12] Im Geschäftsjahr 2008 kam es zu folgenden personellen Veränderungen im Verwaltungsrat:
- Frau Bies und Herr Chu stiessen am 3. April 2008 zum Verwaltungsrat und erhielten für ihre Tätigkeit im Verwaltungsrat ab diesem Tag anteilige Vergütungen.
- Herr Schulmeyer legte sein Amt am 3. April 2008 nieder und erhielt für seine Tätigkeit im Verwaltungsrat bis zu diesem Tag eine anteilige Vergütung.

[13] Herr Nicolaisen wurde am 3. April 2008, nach dem Rücktritt von Herrn Schulmeyer, Präsident des Prüfungsausschusses. Für seine Funktion als Präsident erhielt er eine anteilige Vergütung. Zuvor war er Präsident des Risikoausschusses.

[14] Herr de Swaan wurde am 3. April 2008 Präsident des Risikoausschusses. Für seine Funktion als Präsident erhielt er eine anteilige Vergütung.

[15] Zusätzlich zu den Honoraren, die er als Verwaltungsratsmitglied von Zurich Financial Services AG und der Zürich Versicherungs-Gesellschaft AG erhielt, bezog Herr de Swaan für seine Mitgliedschaft im Verwaltungsrat der Zurich Insurance plc seit dem 17. April 2008 eine anteilige Vergütung in Höhe von USD 28'111 (basierend auf einem Jahreshonorar von USD 40'000). Ausserdem erhielt er für seine Tätigkeit als Präsident des Prüfungsausschusses von Zurich Insurance plc seit dem 16. Oktober 2008 eine anteilige Vergütung von USD 2'056 (basierend auf einem Jahreshonorar von USD 10'000).

Abfindungsvereinbarungen für ausgeschiedene Mitglieder des Verwaltungsrats

Im Berichtsjahr 2009 schied kein Verwaltungsratsmitglied aus seiner Rolle aus. An der ordentlichen Generalversammlung 2008 trat Herr Schulmeyer aus den Verwaltungsräten aus. An ihn wurden keine Abfindungszahlungen ausgerichtet.

Entschädigung für ehemalige Verwaltungsratsmitglieder

Ehemalige Mitglieder der Verwaltungsräte erhielten weder im Verlauf des Jahres 2008 noch während des Jahres 2009 Leistungen. Es wurde auch nicht auf Ansprüche verzichtet.

Aktienpläne für Verwaltungsratsmitglieder

Die Mitglieder des Verwaltungsrats der Zurich Financial Services AG und der Zürich Versicherungs-Gesellschaft AG nehmen an keinem der Aktienbeteiligungsprogramme teil, die für das Management der Gruppe eingerichtet worden sind. Wie oben erwähnt, wird allerdings ein Teil der Honorare der Verwaltungsratsmitglieder von Zurich Financial Services AG in Form von Aktien mit einer Veräusserungsbeschränkung von drei Jahren ausgerichtet. Die den Verwaltungsratsmitgliedern zugeteilten Aktien sind Teil der Gesamtvergütung und nicht an das Erreichen spezifischer Leistungsziele gebunden.

Aktienbeteiligung der Verwaltungsratsmitglieder

Im Folgenden ist aufgelistet, wie viele Aktien der Zurich Financial Services AG die Verwaltungsratsmitglieder halten, die Ende des jeweiligen Jahres im Amt waren. Die ausgewiesenen Anteile schliessen sämtliche Aktien mit ein, an denen das jeweilige Mitglied wirtschaftlich berechtigt ist (beneficial interest), inklusive der den Mitgliedern als Bestandteil ihres Honorars zugewiesenen Aktien mit einer Veräusserungsbeschränkung und der Aktien, die von ihnen nahestehenden Personen gehalten werden.

Aktienbeteiligungen der Mitglieder des Verwaltungsrats

Anzahl der Aktien der Zurich Financial Services AG[1], per 31. Dezember	Eigentum an Aktien	
	2009	2008
M. Gentz, Präsident	4'274	2'978
Ph. Pidoux, Vizepräsident	2'850	2'470
S. Bies, Mitglied	567	187
V. Chu, Mitglied	567	187
Th. Escher, Mitglied	5'850	5'470
F. Kindle, Mitglied	10'850	10'470
A. Meyer, Mitglied	2'174	1'794
D. Nicolaisen, Mitglied	850	470
V.L. Sankey, Mitglied	2'020	1'640
T. de Swaan, Mitglied	850	470
R. Watter, Mitglied	3'818	3'438
Gesamt	**34'670**	**29'574**

[1] Kein Mitglied des Verwaltungsrats hielt per 31. Dezember 2009 bzw. 2008 alleine oder gemeinsam mit einer oder mehreren ihm nahestehenden Personen mehr als 0,5% der Stimmrechte.

Aktienoptionen der Verwaltungsratsmitglieder

Die Mitglieder der Verwaltungsräte von Zurich Financial Services AG und Zürich Versicherungs-Gesellschaft AG nehmen an keinem Aktienoptionsprogramm des obersten Managements teil. Daher wurden ihnen weder im Berichtsjahr noch in den vorhergehenden Jahren Aktienoptionen zugeteilt. Weder Mitglieder des Verwaltungsrats noch ihnen nahestehende Personen hielten per 31. Dezember 2009 oder per 31. Dezember 2008 Options- oder Wandelrechte auf Aktien der Zurich Financial Services AG.

Zusätzliche Honorare und Vergütungen für Verwaltungsratsmitglieder

Keines der Mitglieder des Verwaltungsrats hat – abgesehen von den oben aufgeführten Vergütungen – weitere Entschädigungen oder Sachleistungen von der Gruppe oder von einem zur Gruppe gehörenden Unternehmen erhalten.

Persönliche Darlehen für Verwaltungsratsmitglieder

Unabhängig von seiner Mitgliedschaft im Verwaltungsrat und zu für andere Kunden verfügbaren Bedingungen hatte Herr Watter per 31. Dezember 2009 und 2008 ein gesichertes Policendarlehen in Höhe von CHF 2,5 Millionen ausstehen. Der jährlich belastete Zins auf das Darlehen beträgt 4%. Mit Ausnahme des Darlehens für Herrn Watter hatte kein Verwaltungsratsmitglied per 31. Dezember 2009 oder 2008 ausstehende Darlehen, Vorschüsse oder Kredite.

Persönliche Darlehen für ehemalige Verwaltungsratsmitglieder

Per 31. Dezember 2009 bzw. 2008 hatte kein ehemaliges Mitglied des Verwaltungsrats ausstehende Darlehen, Vorschüsse oder Kredite.

Den Mitgliedern des Verwaltungsrats oder ehemaligen Verwaltungsratsmitgliedern nahestehende Personen

Den Mitgliedern des Verwaltungsrats oder ehemaligen Mitgliedern des Verwaltungsrats nahestehende Personen erhielten im Verlauf des Jahres 2009 bzw. 2008 keine Leistungen. Es wurde auch nicht auf Forderungen ihnen gegenüber verzichtet. Die den Mitgliedern des Verwaltungsrats oder ehemaligen Verwaltungsratsmitgliedern nahestehenden Personen hatten per 31. Dezember 2009 bzw. 2008 auch keine ausstehenden Darlehen, Vorschüsse oder Kredite.

Konzernleitung

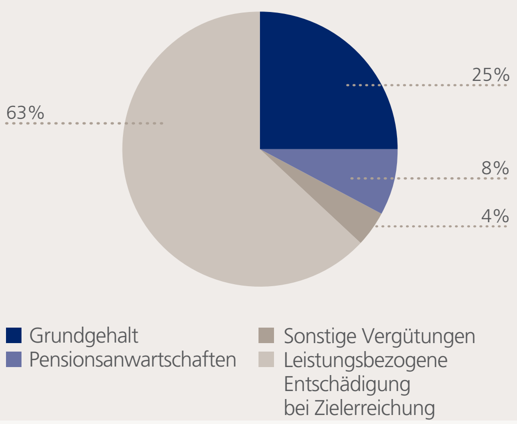
Vergütung der Konzernleitung

Der Gesamtbetrag der an die Mitglieder der Konzernleitung (Group Executive Committee, GEC) im Jahr 2009 bezahlten Vergütungen entspricht dem Wert der Barzahlungen (einschliesslich Vergütungen unter dem kurzfristigen Incentive-Plan, STIP), der Pensionen, der sonstigen Vergütungen und der im Rahmen des langfristigen Incentive-Plans (LTIP) der Gruppe im Jahr 2009 bedingt zugeteilten Aktien und Aktienoptionen.

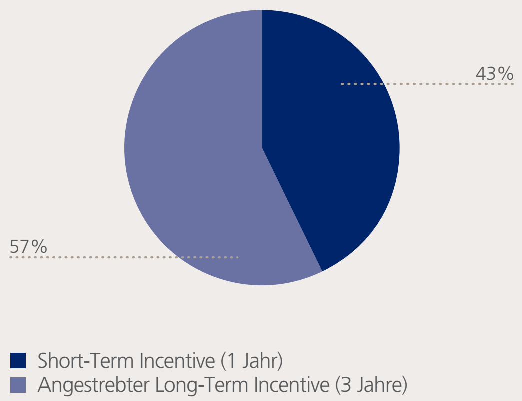
Die Entschädigungsstruktur und die Zusammensetzung der einzelnen Vergütungskomponenten für die Mitglieder der Konzernleitung werden unter Berücksichtigung der gängigen Marktpraxis und der internen Verhältnisse festgelegt.

Die Verteilung der Gesamtvergütung auf die einzelnen Vergütungskomponenten im Jahr 2009 ist in den nachstehenden Tabellen aufgeführt. Diese erfolgt auf Basis der Zielwerte für die leistungsbezogene Vergütung.

Gewichtung der Vergütungselemente



Gewichtung der leistungsbezogenen Entschädigung bei Zielerreichung



Wie aus den oben stehenden Grafiken ersichtlich ist, besteht eine starke Gewichtung zugunsten leistungsbezogener Vergütungskomponenten sowohl durch den kurzfristigen Incentive-Plan (STIP) als auch durch den langfristigen Incentive-Plan (LTIP). Das Verhältnis der Zielwerte zwischen kurzfristigen (einjährigen) und langfristigen (dreijährigen) Incentive-Leistungen zeigt eine stärkere Gewichtung langfristiger Incentives.

Die einzelnen Vergütungselemente werden nachstehend detaillierter beschrieben (die Beträge schliessen jeweils die Vergütung für das höchstbezahlte Mitglied der Konzernleitung ein):

Wert der Gesamtvergütung

Der Gesamtwert der verschiedenen Vergütungskomponenten der Mitglieder der Konzernleitung belief sich 2009 auf USD 47,8 Mio. Dieser Betrag steht einem Betrag in Höhe von USD 53,9 Mio. für 2008 gegenüber, der auf derselben Basis berechnet wurde. Die Reduktion der Gesamtvergütung zwischen 2008 und 2009 erklärt sich hauptsächlich durch den Umstand, dass im Jahr 2009 weniger Mitglieder der Konzernleitung angehörten.

Der Gesamtwert für das Geschäftsjahr 2009 setzt sich aus folgenden Elementen zusammen (die Vergleichszahlen für 2008 sind in der Tabelle zum Gesamtbetrag der an die Mitglieder des GEC gezahlten Vergütungen aufgeführt):

Für 2009 bezahltes Grundgehalt und jährliche Bonuszahlungen

Der Gesamtbetrag der Grundgehälter und der jährlichen Bonuszahlungen im Rahmen des kurzfristigen Incentive-Plans (STIP) für 2009 belief sich auf USD 26,1 Mio. Davon entfielen USD 11,1 Mio. auf die Grundgehälter und USD 15,0 Mio. auf die jährlichen Bonuszahlungen, die 2010 für die im Geschäftsjahr 2009 erzielte Performance ausbezahlt werden. Die jährlichen Bonuszahlungen sind leistungsabhängig und werden individuell festgelegt. Die zur Verfügung stehende

Gesamtsumme für die Bonuszahlungen ist von dem im Geschäftsjahr 2009 erzielten Gewinn abhängig. Die Bonuszahlungen an die einzelnen Mitglieder werden anhand verschiedener Faktoren festgelegt. Dazu gehören die Geschäftsergebnisse derjenigen Geschäftseinheiten, für welche das Mitglied der Konzernleitung verantwortlich ist, die erfolgreiche Umsetzung von Wachstumsinitiativen und der individuelle Beitrag des Mitgliedes zum Erreichen der strategischen Ziele im Laufe des Jahres. Für die Mitglieder der Konzernleitung wurde das Niveau der Vergütung im Rahmen des kurzfristigen Incentive-Plans bei Erreichen der Zielvorgaben für 2009 auf 100% des Grundgehalts festgelegt und für den Chief Executive Officer auf 150% des Grundgehalts. Die höchstmögliche Vergütung für sämtliche Mitglieder des GEC (inklusive des CEO) beträgt 200% dieses Niveaus.

Wert der im Laufe des Jahres 2009 aufgelaufenen Pensionsanwartschaften

Die Mitglieder der Konzernleitung nehmen an den Pensionsplänen der Geschäftseinheiten teil, bei denen sie angestellt sind. Die Gruppe verfolgt die Philosophie, Pensionsanwartschaften anzubieten, die auf einem Cash-Balance-Ansatz und/oder einem beitragsorientierten Ansatz gründen, wobei während der ganzen Berufstätigkeit Kapital für die Altersvorsorgeleistungen angesammelt wird. Die Mehrheit der Mitglieder der Konzernleitung nimmt bereits an solchen Plänen teil, und mit der Zeit werden alle Mitglieder der Konzernleitung an solchen Plänen teilnehmen. Die anderen Mitglieder der Konzernleitung partizipieren weiterhin an Leistungsprimaten, deren künftige Leistungen auf dem zuletzt erzielten pensionsrelevanten Gehalt und der Anzahl der Dienstjahre in der Gruppe basieren. Das normale Rentenalter variiert zwischen 60 und 65 Jahren. Der Gesamtwert der für die Mitglieder der Konzernleitung im Jahr 2009 aufgelaufenen Pensionsanwartschaften, berechnet auf der Grundlage der für die Gesellschaft anfallenden «Service Costs» gemäss der Rechnungslegungsvorschrift IAS 19, belief sich auf USD 3,6 Mio. Die «Service Costs» gemäss IAS 19 berechnen sich anhand des Betrags der im Laufe des Jahres aufgelaufenen Pensionsanwartschaften und bei beitragsorientierten Plänen anhand der vom Unternehmen während des Geschäftsjahres bezahlten Beiträge.

Wert der sonstigen Vergütungen für 2009

Die Mitglieder der Konzernleitung erhielten 2009 sonstige Vergütungen in Form von Mitarbeiterrabatten (employee benefits), Aufwandsentschädigungen bei Auslandentsendungen (expatriate allowances), Nebenleistungen (perquisites) sowie Sachleistungen und anderen Leistungen, die gemäss den jeweiligen Arbeitsverträgen der einzelnen Mitarbeitenden geschuldet sind. Der Gesamtwert dieser Vergütungen belief sich 2009 auf USD 2,1 Mio. Die Sachleistungen wurden zum Marktwert bewertet.

Der Konzernleitung im Rahmen des langfristigen Incentive-Plans der Gruppe zugeteilte Aktien und Aktienoptionen für 2009

Die Vergütungskomponenten für die Mitglieder der Konzernleitung im Rahmen des langfristigen Incentive-Plans (LTIP) umfassen eine jährliche bedingte Zuteilung von leistungsorientierten Aktien und Aktienoptionen (performance shares und share options grants), deren definitive Zuteilung (vesting) vom zukünftigen Erreichen vorgegebener Leistungszielgrössen abhängig ist. Unter besonderen Umständen können zudem auch noch Aktienzuteilungen von Aktien mit einer Veräusserungsbeschränkung vorgenommen werden (restricted share grants). Für die Mitglieder der Konzernleitung betrug 2009 das Niveau des Wertes der bedingt zugeteilten, leistungsorientierten Aktien und Aktienoptionen 125% des Grundgehalts. Das entsprechende Niveau für den Chief Executive Officer wurde bei 300% festgesetzt.

Die bedingte Zuteilung der Aktien und Aktienoptionen für das Geschäftsjahr erfolgt am dritten Arbeitstag im April des jeweiligen Jahres. Somit erfolgte die Zuteilung im Berichtsjahr am 3. April 2009. Die bedingt zugeteilten, leistungsorientierten Aktien- und Aktienoptionen werden nur definitiv zugeteilt, wenn bestimmte Leistungsziele erreicht werden. Je ein Drittel dieser im Jahr 2009 bedingt zugeteilten Aktien und Aktienoptionen steht für eine definitive Zuteilung in den Jahren 2010, 2011 und 2012 zur Verfügung. Diese definitive Zuteilung basiert auf der Performance der Gruppe, die anhand der Eigenkapitalrendite (ROE) und der Gesamtrendite für die Aktionäre (Total Shareholder Return – TSR) im Vergleich mit einer weltweiten Gruppe von 28 im Dow Jones Titan Insurance Index enthaltenen Versicherungsgesellschaften ermittelt wird. Anhand der tatsächlich erzielten Werte für ROE und TSR kann die definitive Zuteilung zwischen 0% und 175% der bedingt zugeteilten Aktien und Aktienoptionen schwanken. Die seit 2007 vorgenommenen bedingten Zuteilungen werden auf der Basis von ROE und TSR der drei der definitiven Zuteilung vorangehenden Jahre festgelegt. Die vor 2007 vorgenommenen bedingten Zuteilungen werden anhand der Performance während des jeweiligen Geschäftsjahres vor der definitiven Zuteilung festgelegt.

Die definitive Zuteilung findet auf der Grundlage der folgenden Matrix statt:

Long-Term Incentive-Plan Vesting Matrix

in %		Level für die definitive Zuteilung der Aktien- und Aktienoptionen			
Relative Gesamtrendite für die Aktionäre (TSR) von Zurich während der jeweils vorangegangenen drei Jahre, basierend auf einer Gruppe von 28 im Dow Jones Titan Insurance Index enthaltenen Gesellschaften	Top-Quartil (Position: 1 bis 7)	100%	125%	150%	175%
	Zweites Quartil (Position: 8 bis 14)	75%	100%	125%	150%
		9%	12%	15%	18%
		Durchschnittliche Dreijahresperformance der Gruppe, bemessen anhand der Eigenkapitalrendite der Gruppe (ROE)			

Die prozentualen Zuteilungen werden durch Interpolation der Zahlen in der vorstehenden Matrix festgelegt. Bei einer relativen TSR im Top-Quartil und einer durchschnittlichen Eigenkapitalrendite der Gruppe (ROE) von 14% läge die prozentuale definitive Zuteilung beispielsweise bei 142% der bedingt zugeteilten Aktien und Aktienoptionen.

Liegt die tatsächliche Performance unter den beiden Mindestniveaus, erfolgt keine definitive Zuteilung und die variable Entschädigung entfällt ganz. Erzielt die Gruppe hingegen eine Eigenkapitalrendite, die über dem Minimum liegt, und befindet sich die relative Gesamtrendite für die Aktionäre (TSR) unter dem zweiten Quartil, legt der Verwaltungsrat auf Basis der Empfehlungen des Entschädigungsausschusses fest, ob aufgrund aussergewöhnlicher Umstände eine teilweise definitive Zuteilung von Aktien und/oder Aktienoptionen angemessen ist. Zudem kann der Verwaltungsrat auf der Grundlage einer Empfehlung des Entschädigungsausschusses die berechnete Zuteilungshöhe für bestimmte Mitglieder erhöhen oder senken, um den individuellen Umständen Rechnung zu tragen.

2009 wurden die folgenden Aktienzuteilungen vorgenommen:

Zuteilung von leistungsorientierten Aktien

Die Gesamtzahl der an die Mitglieder der Konzernleitung im Jahr 2009 bedingt zugeteilten, leistungsorientierten Aktien betrug 46'001. Dieser Anzahl stehen 29'491 bedingt zugeteilte Aktien im Jahr 2008 gegenüber. Zum Zeitpunkt der bedingten Zuteilung am 3. April 2009 belief sich der Wert dieser an die Mitglieder der Konzernleitung 2009 bedingt zugeteilten Aktien auf USD 8,0 Mio., basierend auf der Annahme einer definitiven Zuteilung in Höhe von 100% und einem der Berechnung zugrunde liegenden Aktienkurs am Tag vor der bedingten Zuteilung von CHF 198.10.

Die Zahl der Aktien, die im Berichtsjahr an die in der Konzernleitung tätigen Mitglieder aus den bedingten leistungsorientierten Aktienzuteilungen in den Jahren 2006, 2007 und 2008 definitiv zugeteilt wurden, belief sich 2009 auf 44'740. Basierend auf den erzielten Werten für ROE und TSR entsprach dies für die bedingten Zuteilungen (grants) aus den Jahren 2007 und 2008 einem Level für die definitive Zuteilung (vesting level) von 170% und für die bedingte Zuteilung aus dem Jahr 2006 einem Level von 126%. Die Hälfte der Aktien, die im Rahmen des Plans definitiv zugeteilt werden, unterliegt ab dem Tag der definitiven Zuteilung einer dreijährigen Veräusserungsbeschränkung.

Zuteilungen von Aktien mit Veräusserungsbeschränkung

Bedingte Zuteilungen von Aktien mit Veräusserungsbeschränkung (restricted share grants) ergänzen die regulären langfristigen Incentive-Zuteilungen und kommen unter besonderen Umständen zur Anwendung. Dazu zählen hauptsächlich Zuteilungen an neue Mitarbeitende als Kompensation für den Verlust ihrer Aktienansprüche gegenüber ihrem früheren Arbeitgeber. Diese bedingt zugeteilten Aktien werden normalerweise in den nächsten drei bis fünf Jahren nach dem Zeitpunkt der bedingten Zuteilung definitiv zugeteilt und verfallen, wenn der Inhaber solcher Aktien das Unternehmen vor dem Datum der definitiven Zuteilung freiwillig verlässt und das Anstellungsverhältnis beendet wird.

An die Mitglieder der Konzernleitung wurden 2009 und 2008 keine Aktien mit Veräusserungsbeschränkung bedingt zugeteilt.

Zugeteilte Aktienoptionen

Die Gesamtzahl der an die Mitglieder der Konzernleitung im Jahr 2009 bedingt zugeteilten Aktienoptionen betrug 146’867. Dieser Anzahl stehen 148’154 bedingt zugeteilte Aktienoptionen im Jahr 2008 gegenüber. Zum Zeitpunkt der bedingten Zuteilung belief sich der Wert der am 3. April 2009 zugeteilten Aktienoptionen, basierend auf der Annahme einer definitiven Zuteilung in Höhe von 100% und der Black-Scholes-Bewertung der Optionen am Tag der bedingten Zuteilung, auf USD 8,0 Mio.

Die Zahl der Aktienoptionen, die im Berichtsjahr an die in der Konzernleitung tätigen Mitglieder aus den bedingt zugeteilten Aktienoptionen in den Jahren 2006, 2007 und 2008 definitiv zugeteilt wurden, belief sich im Jahr 2009 auf 210’569. Basierend auf den erzielten Werten für ROE und TSR entsprach dies einem Level für die definitive Zuteilung (vesting level) von 170% für die bedingten Zuteilungen (grants) in den Jahren 2007 und 2008 und einem Level von 126% für die bedingte Zuteilung aus dem Jahr 2006.

Zusammenfassung der Gesamtvergütung für die Konzernleitung

Unter Bezugnahme auf die oben aufgeführten Zahlen umfasst der Gesamtbetrag der an die Mitglieder der Konzernleitung im Jahr 2009 gezahlten Vergütungen, bestehend aus Barvergütungen, Pensionen, dem Wert sonstiger Vergütungen und dem Wert bedingt zugeteilter Aktien und Aktienoptionen, USD 47,8 Mio. Der Gesamtbetrag teilt sich wie folgt auf:

Alle Mitglieder des GEC[1] (einschl. des höchstbezahlten Mitglieds)

in Mio. USD für die per 31. Dezember abgeschlossenen Geschäftsjahre	2009[2]	2008[3]
Grundgehalt	11,1	13,4
Bonuszahlungen für das Jahr	15,0	13,5
«Service Costs» für Pensionsanwartschaften[4]	3,6	4,5
Wert der sonstigen Vergütungen[5]	2,1	2,9
Wert der bedingt zugeteilten, leistungsorientierten Aktien (performance share grants) und der bedingt zugeteilten Aktien mit Veräusserungsbeschränkung (restricted share grants)[6]	8,0	9,8
Wert der bedingt zugeteilten, leistungsorientierten Aktienoptionen (performance option grants)[6]	8,0	9,8
Gesamt[7]	**47,8**	**53,9**

[1] Die in der Tabelle ausgewiesene Vergütung enthält keine geschäftlich bedingten Auslagen, die bei der Arbeit der Mitglieder angefallen sind.
[2] Auf der Grundlage von elf GEC-Mitgliedern, von denen zehn während des ganzen Jahres 2009 tätig waren.
[3] Auf der Grundlage von zwölf GEC-Mitgliedern, von denen alle während des ganzen Jahres 2008 tätig waren.
[4] Die Beträge reflektieren den Gesamtwert der aufgelaufenen Pensionsanwartschaften der Mitglieder der Konzernleitung während der Jahre 2009 und 2008, berechnet auf der Grundlage der für die Gesellschaft anfallenden «Service Costs» gemäss der Rechnungslegungsvorschrift IAS 19. Die «Service Costs» gemäss IAS 19 berechnen sich anhand des Betrags der im Laufe des Jahres aufgelaufenen Pensionsanwartschaften und bei beitragsorientierten Plänen anhand der vom Unternehmen während des Geschäftsjahres bezahlten Beiträge. In den «Service Costs» nicht enthalten sind der Zinsaufwand auf aufgelaufene Leistungen, Anpassungen für versicherungsmathematische Gewinne und Verluste und die erwartete Rendite auf gehaltene Vermögenswerte.
[5] Enthält Mitarbeiterrabatte (employee benefits), Aufwandsentschädigungen bei Auslandentsendungen (expatriate allowances), Nebenleistungen (perquisites) sowie Sachleistungen und andere Leistungen, die gemäss den jeweiligen Arbeitsverträgen der einzelnen Mitarbeitenden geschuldet sind. Die Sachleistungen wurden zum Marktwert bewertet.
[6] Die bedingt zugeteilten Aktien und Aktienoptionen werden in Zukunft entsprechend dem Erreichen der festgelegten Leistungsziele definitiv zugeteilt. Die Bewertung der bedingt zugeteilten Aktien basiert auf der Annahme einer definitiven Zuteilung in Höhe von 100%, die Bewertung der Optionen erfolgt in Übereinstimmung mit dem Black-Scholes-Modell zur Festlegung des Optionspreises, wie in Note 25 des Anhangs zum Konzernabschluss ausgeführt. Der Bewertung der bedingt zugeteilten, leistungsorientierten Aktien wird der Aktienkurs am Tag vor der bedingten Zuteilung (CHF 198.10 für 2009 und CHF 336.50 für 2008), der Bewertung der Aktien mit Veräusserungsbeschränkung der Aktienkurs am Tag der Zuteilung zugrunde gelegt.
[7] In Übereinstimmung mit den am Anstellungsort der Mitglieder des GEC geltenden Gesetzen bezahlte Zurich Arbeitgeberbeiträge an Sozialversicherungssysteme in Höhe von USD 1.9 Mio. für das Jahr 2009 bzw. USD 3,4 Mio. für das Jahr 2008. Da die Beitragszahlungen auf Basis des Gesamteinkommens berechnet werden, während die künftigen ausbezahlten Leistungen einer Maximalhöhe unterliegen, besteht keine direkte Korrelation zwischen den an das Sozialversicherungssystem bezahlten Beiträgen und den Leistungen, die die Mitglieder des GEC künftig erhalten werden.

Auf Grundlage dieser Zahlen entfallen vom Wert der Gesamtvergütung für alle Mitglieder 35% (Vorjahr 39%) auf fixe Vergütungskomponenten (bestehend aus Grundgehalt, «Service Costs» für Pensionsanwartschaften und sonstige Vergütungen) und 65% (Vorjahr 61%) auf leistungsbezogene Komponenten (bestehend aus Bonuszahlungen im Rahmen des kurzfristigen Incentive-Plans sowie dem Wert der bedingten, leistungsorientierten Aktienzuteilungen, der bedingt zugeteilten Aktien, die einer Veräusserungsbeschränkung unterliegen, und der bedingt zugeteilten Aktienoptionen).

Höchste Gesamtvergütung für Mitglieder der Konzernleitung

Die höchste Vergütung der Mitglieder der Konzernleitung erhielt mit USD 11,85 Mio. James J. Schiro, Chief Executive Officer (CEO) der Gruppe. Der Betrag umfasst das Grundgehalt für 2009, die Bonuszahlung für 2009, den Wert der aufgelaufenen Pensionsanwartschaften und der sonstigen Vergütungen sowie den Wert der bedingt zugeteilten, leistungsorientierten Aktien und Aktienoptionen im Jahr 2009.

In der nachstehenden Tabelle ist die Gesamtvergütung für das am höchsten bezahlte Mitglied der Konzernleitung aufgeführt:

Höchstbezahltes Mitglied des GEC, James J. Schiro, Chief Executive Officer[1]

in Mio. USD für die per 31. Dezember abgeschlossenen Geschäftsjahre	2009	2008
Grundgehalt	1,50	1,50
Bonuszahlungen für das Jahr	4,05	2,25
«Service Costs» für Pensionsanwartschaften[2]	0,95	0,80
Wert der sonstigen Vergütungen[3]	0,85	0,50
Wert der bedingt zugeteilten leistungsorientierten Aktien (performance share grants) und der bedingt zugeteilten Aktien mit Veräusserungsbeschränkung (restricted share grants)[4]	2,25	2,25
Wert der bedingt zugeteilten leistungsorientierten Aktienoptionen (performance option grants)[4]	2,25	2,25
Gesamt	**11,85**	**9,55**

1 Die in der Tabelle ausgewiesene Vergütung enthält keine geschäftlich bedingten Auslagen, die bei der Arbeit des CEO angefallen sind.
2 Die Beträge reflektieren den Gesamtwert der aufgelaufenen Pensionsanwartschaften, berechnet auf der Grundlage der für die Gesellschaft anfallenden «Service Costs» gemäss der Rechnungslegungsvorschrift IAS 19. Die «Service Costs» gemäss IAS 19 berechnen sich anhand des Betrags der im Laufe des Jahres aufgelaufenen Pensionsanwartschaften, bei beitragsorientierten Plänen anhand der vom Unternehmen während des Geschäftsjahres bezahlten Beiträge. In den «Service Costs» nicht enthalten sind der Zinsaufwand auf aufgelaufene Leistungen, Anpassungen für versicherungsmathematische Gewinne und Verluste und die erwartete Rendite auf gehaltene Vermögenswerte.
3 Enthält Mitarbeiterrabatte (employee benefits), Aufwandsentschädigungen bei Auslandentsendungen (expatriate allowances), Nebenleistungen (perquisites) sowie Sachleistungen und andere Leistungen, die gemäss den jeweiligen Arbeitsverträgen der einzelnen Mitarbeitenden geschuldet sind. Die Sachleistungen wurden zum Marktwert bewertet.
4 Die bedingt zugeteilten Aktien und Aktienoptionen werden in Zukunft entsprechend dem Erreichen der festgelegten Leistungsziele definitiv zugeteilt. Die Bewertung der bedingt zugeteilten Aktien basiert auf der Annahme einer definitiven Zuteilung in Höhe von 100%, die Bewertung der Optionen erfolgt in Übereinstimmung mit dem Black-Scholes-Modell zur Festlegung des Optionspreises, wie in Note 25 des Anhangs zum Konzernabschluss ausgeführt. Der Bewertung der bedingt zugeteilten, leistungsbezogenen Aktien wird der Aktienkurs am Tag vor der bedingten Zuteilung (CHF 198.10 für 2009 und CHF 336.50 für 2008) zugrunde gelegt. Der Bewertung der Aktien mit Veräusserungsbeschränkung wird der Aktienkurs am Tag der Zuteilung zugrunde gelegt.

Abfindungsvereinbarungen für im Geschäftsjahr ausgeschiedene Mitglieder der Konzernleitung

Ein Mitglied der Konzernleitung ging Ende 2008 in den Ruhestand, ein weiteres Ende April 2009. Es wurden keine Abfindungszahlungen geleistet.

Entschädigung für ehemalige Mitglieder der Konzernleitung

Ehemalige Mitglieder der Konzernleitung erhielten weder in 2009 noch in 2008 Leistungen.
Es wurde auch nicht auf Forderungen ihnen gegenüber verzichtet.

Zusammenfassung der insgesamt ausstehenden Aktienzuteilungsverpflichtungen für Mitglieder der Konzernleitung im Rahmen der langfristigen Incentive-Pläne der Gruppe

Aktienzuteilungen

Leistungsorientierte Aktienzuteilungen

Die Gesamtzahl der per 31. Dezember 2009 im Rahmen der langfristigen Incentive-Pläne der Gruppe bedingt zugeteilten, leistungsorientierten Aktien belief sich auf 70'166 (59'583 per 31. Dezember 2008). Die folgende Tabelle enthält eine Zusammenfassung der per 31. Dezember 2009 ausstehenden bedingten Zuteilungen (performance share grants):

Zusammenfassung der ausstehenden Aktienzuteilungen

Performance-Periode	Ausstehende Zuteilung leistungs-orientierter Aktien	Zugewiesener Preis in CHF	Künftige Jahre der definitiven Zuteilung
2009–2011	44'681	198.10	2010–2012
2008–2010	16'496	336.50	2010–2011
2007–2009	8'989	355.75	2010

Diese im Rahmen des langfristigen Incentive-Plans (LTIP) der Gruppe vorgenommenen bedingten, leistungsorientierten Aktienzuteilungen (performance share grants) sind für eine definitive Zuteilung (vesting) in den drei auf die bedingte Zuteilung folgenden Jahren in Teilen von je einem Drittel bestimmt. Die tatsächliche Zuteilungshöhe wird in Übereinstimmung mit den auf den Seiten 50 bis 54 aufgeführten Vergütungsgrundsätzen und der Long-Term Incentive Plan Vesting Matrix, wie auf Seite 60 beschrieben, festgelegt.

Zuteilungen von Aktien mit Veräusserungsbeschränkung

Zusätzlich waren per 31. Dezember 2009 4'377 Aktien mit Veräusserungsbeschränkung für Mitglieder der Konzernleitung ausstehend (Ende 2008 waren 10'495 Aktien mit Veräusserungsbeschränkung ausstehend). Diese Aktien mit Veräusserungsbeschränkung werden 2010 definitiv zugeteilt und verfallen, wenn der Inhaber dieser Aktien das Unternehmen vor dem Datum der definitiven Zuteilung freiwillig verlässt und das Anstellungsverhältnis beendet wird.

Zugeteilte Aktienoptionen

Gestützt auf das Aktienoptionsprogramm für die Geschäftsleitung kann die Gruppe einzelnen Führungskräften nach Massgabe der Reglemente Optionen zum Kauf von Aktien zuteilen. Die ersten Aktienoptionen wurden im Jahr 1999 bedingt zugeteilt, und seitdem erfolgen regelmässig jährliche bedingte Zuteilungen (option grants). Vor 2003 erfolgte die Optionszuteilung grundsätzlich auf der Basis einer Laufzeit der Optionen von sieben Jahren und einer Zeitspanne für die definitive Zuteilung (vesting period) von drei Jahren, wobei der Ausübungspreis jeweils 10% über dem durchschnittlichen Marktpreis während des Monats vor der bedingten Zuteilung festgesetzt wurde. Gemäss dem Reglement des Aktienoptionsprogramms können auch andere Parameter für die bedingte Zuteilung von Optionen herangezogen werden. Im Zusammenhang mit der Neugestaltung des langfristigen Incentive-Programms (LTIP) im Jahr 2003 wurde festgelegt, dass sich der Ausübungspreis bei den seit damals bedingt zugeteilten Optionen anhand des Aktienkurses am Tag vor der bedingten Zuteilung (grant date) bestimmt. Die bedingt zugeteilten Aktienoptionen sind für eine definitive Zuteilung (vesting) in den drei auf die bedingte Zuteilung folgenden Jahren in Teilen von je einem Drittel bestimmt. Die tatsächliche Zuteilungshöhe wird anhand der Leistung und in Übereinstimmung mit den auf den Seiten 50 bis 54 aufgeführten Vergütungsgrundsätzen und der Long-Term Incentive Plan Vesting Matrix, wie auf Seite 60 beschrieben, festgelegt. Bedingte Zuteilungen von Aktienoptionen erfolgen zurzeit jährlich jeweils am 3. Arbeitstag im April.

Die Gesamtzahl der im Rahmen des Aktienoptionsprogramms aus Optionen resultierenden Aktien für die Mitglieder der Konzernleitung per 31. Dezember 2009 bzw. 2008 ist in den nachstehenden Tabellen aufgeführt.

Zusammenfassung der ausstehenden Optionen, 2009

per 31. Dezember 2009

Jahr der bedingten Zuteilung (grant)	Anzahl definitiv zugeteilter Optionen	Anzahl bedingt zugeteilter Optionen	Gesamtzahl der Aktien aus Optionen	Ausübungspreis je Aktie in CHF	Verfall
2009	–	143’228	143’228	198.10	2016
2008	73’834	82’861	156’695	336.50	2015
2007	156’288	41’061	197’349	355.75	2014
2006	164’221	–	164’221	308.00	2013
2005	160’291	–	160’291	206.40	2012
2004	61’247	–	61’247	213.25	2011
2003	–	–	–	120.50	2010
2001	9’142	–	9’142	322.30	2012
Gesamt	**625’023**	**267’150**	**892’173**		

Zusammenfassung der ausstehenden Optionen, 2008

per 31. Dezember 2008

Jahr der bedingten Zuteilung (grant)	Anzahl definitiv zugeteilter Optionen	Anzahl bedingt zugeteilter Optionen	Gesamtzahl der Aktien aus Optionen	Ausübungspreis je Aktie in CHF	Verfall
2008	–	148’154	148’154	336.50	2015
2007	98’356	99’300	197’656	355.75	2014
2006	141’737	38’181	179’918	308.00	2013
2005	197’632	–	197’632	206.40	2012
2004	82’620	–	82’620	213.25	2011
2003	14’347	–	14’347	120.50	2010
2002	39’129	–	39’129	331.10	2009
2001	9’142	–	9’142	322.30	2012
Gesamt	**582’963**	**285’635**	**868’598**		

Alle oben erwähnten Optionen berechtigen den Inhaber zum Bezug einer Aktie der Zurich Financial Services AG zum genannten Ausübungspreis.

Eigentum an Aktien und Aktienoptionen von Mitgliedern der Konzernleitung

In der nachstehenden Tabelle ist das Eigentum an Aktien und Aktienoptionen von Mitgliedern der Konzernleitung per 31. Dezember 2009 und 31. Dezember 2008 ausgewiesen. Zusätzlich zu den am Markt erworbenen Aktien beinhalten die Zahlen definitiv zugeteilte Aktien (und zwar unabhängig davon, ob sie einer Veräusserungsbeschränkung unterliegen oder nicht) und definitiv zugeteilte Aktienoptionen, die im Rahmen des langfristigen Incentive-Plans (LTIP) der Gruppe erhalten wurden. In dieser Tabelle nicht berücksichtigt sind noch nicht definitiv zugeteilte, leistungsorientierte Aktien (unvested performance shares), nicht definitiv zugeteilte Aktien mit Veräusserungsbeschränkung (unvested restricted shares) und nicht definitiv zugeteilte, leistungsorientierte Aktienoptionen (unvested performance share options).

Das ausgewiesene Eigentum an Aktien und Aktienoptionen schliesst sämtliche Aktien mit ein, an denen das jeweilige Mitglied der Konzernleitung wirtschaftlich berechtigt ist (beneficial interest), sowie das Eigentum von Personen, die dem Mitglied nahestehen. Eine definitiv zugeteilte Option verleiht Anspruch auf eine Aktie mit normalem Stimm- und Dividendenbezugsrecht.

Eigentum an Aktien und definitiv zugeteilten Aktienoptionen von Mitgliedern des GEC

Anzahl der definitiv zugeteilten Aktien und Aktienoptionen per 31. Dezember[1]	2009		2008	
	Eigentum an Aktien	**Eigentum an definitiv zugeteilten Aktienoptionen[2]**	Eigentum an Aktien	Eigentum an definitiv zugeteilten Aktienoptionen[2]
J.J. Schiro, Chief Executive Officer[3]	97’426	286’165	85’726	230’415
J. Amore, CEO General Insurance	19’264	82’522	19’606	76’096
A. Court, CEO Europe General Insurance	6’722	16’515	3’062	5’696
M. Foley, CEO North America Commercial	6’696	11’696	4’107	3’857
M. Greco, CEO Global Life	2’403	5’076	492	–
P. Hopkins, Verwaltungsratspräsident von Farmers Group, Inc. und CEO Americas	5’932	33’662	6’678	21’184
A. Lehmann, Chief Risk Officer	15’174	56’257	13’066	49’871
P. O’Sullivan[4]	n.a.	n.a.	15’848	54’315
G. Riddell, Vorsitzender von Global Corporate und CEO Asia-Pacific & Middle East	16’918	52’533	12’410	44’846
M. Senn, Chief Investment Officer	11’662	31’729	6’780	16’019
P. van de Geijn[5]	n.a.	n.a.	10’952	44’034
D. Wemmer, Chief Financial Officer	12’612	48’868	9’267	36’630
	194’809	**625’023**	**187’994**	**582’963**

[1] Kein Mitglied der Konzernleitung hielt per 31. Dezember 2009 bzw. 2008 allein oder gemeinsam mit einer oder mehreren ihm nahestehenden Personen mehr als 0,5% der Stimmrechte, weder direkt noch indirekt in Form von Aktienoptionen.
[2] Die Verteilung der definitiv zugeteilten Optionen anhand der in der Tabelle «Zusammenfassung der ausstehenden Optionen» identifizierten bedingten Zuteilungen (grants) wird in den nachstehenden Tabellen aufgezeigt.
[3] Beinhaltet 3’800 Aktien per 31. Dezember 2009 und 2008 für James J. Schiro, die von im Familienbesitz befindlichen Wohltätigkeitsstiftungen gehalten werden.
[4] Trat per 30. April 2009 in Ruhestand.
[5] Trat per 31. Dezember 2008 in Ruhestand.

In den nachstehenden Tabellen ist aufgezeigt, wie die Gesamtzahl der definitiv zugeteilten Aktienoptionen anhand der in der Tabelle «Zusammenfassung der ausstehenden Optionen» dargestellten bedingten Zuteilungen (grants) per 31. Dezember 2009 bzw. 2008 auf die einzelnen Mitglieder der Konzernleitung verteilt ist.

Verteilung definitiv zugeteilter Aktienoptionen 2009

Anzahl definitiv zugeteilter Aktienoptionen per 31. Dezember 2009	Jahr der bedingten Zuteilung							Gesamt
	2008	**2007**	**2006**	**2005**	**2004**	**2003**	**2001**	
J.J. Schiro	22’730	56’980	83’690	98’567	24’198	–	–	286’165
J. Amore	6’440	15’865	17’893	17’269	15’913	–	9’142	82’522
A. Court	5’585	10’930	–	–	–	–	–	16’515
M. Foley	4’293	7’403	–	–	–	–	–	11’696
M. Greco	5’076	–	–	–	–	–	–	5’076
P. Hopkins	4’830	11’899	13’420	10	3’503	–	–	33’662
A. Lehmann	6’344	11’899	13’420	15’962	8’632	–	–	56’257
G. Riddell	5’319	13’014	12’194	15’633	6’373	–	–	52’533
M. Senn	6’344	13’583	11’802	–	–	–	–	31’729
D. Wemmer	6’873	14’715	11’802	12’850	2’628	–	–	48’868
Gesamt	**73’834**	**156’288**	**164’221**	**160’291**	**61’247**	**–**	**9’142**	**625’023**

Verteilung definitiv zugeteilter Aktienoptionen 2008

Anzahl definitiv zugeteilter Aktienoptionen per 31. Dezember 2008	Jahr der bedingten Zuteilung							Gesamt
	2007	2006	2005	2004	2003	2002	2001	
J.J. Schiro	30’166	61’857	98’567	24’198	–	15’627	–	230’415
J. Amore	8’268	13’002	17’269	15’913	–	12’502	9’142	76’096
A. Court	5’696	–	–	–	–	–	–	5’696
M. Foley	3’857	–	–	–	–	–	–	3’857
M. Greco	–	–	–	–	–	–	–	–
P. Hopkins	6’201	9’752	10	3’503	–	1’718	–	21’184
A. Lehmann	6’201	9’752	15’962	8’632	5’363	3’961	–	49’871
P. O’Sullivan[1]	8’815	11’311	19’955	11’647	–	2’587	–	54’315
G. Riddell	6’782	8’861	15’633	6’373	5’694	1’503	–	44’846
M. Senn	7’342	8’677	–	–	–	–	–	16’019
P. van de Geijn[2]	7’074	9’848	17’386	9’726	–	–	–	44’034
D. Wemmer	7’954	8’677	12’850	2’628	3’290	1’231	–	36’630
Gesamt	**98’356**	**141’737**	**197’632**	**82’620**	**14’347**	**39’129**	**9’142**	**582’963**

[1] Trat per 30. April 2009 in den Ruhestand.
[2] Trat per 31. Dezember 2008 in den Ruhestand.

Trading-Pläne
Um den Mitgliedern der Konzernleitung den Verkauf von Aktien und die Ausübung von Optionen zu erleichtern, hat der Verwaltungsrat mit Wirkung per 2008 die Einführung von Trading-Plänen genehmigt. Im Rahmen dieser Pläne können die Mitglieder anhand eines vordefinierten Transaktionsprogramms Aktien verkaufen und/oder Aktienoptionen ausüben. Trading-Pläne können nur in Zeiten eingerichtet werden, in denen das Mitglied der Konzernleitung über keine unveröffentlichten preissensitiven Informationen über die Gruppe verfügt. Zudem kann die erste Transaktion in einem Trading-Plan erst drei Monate nach der Einrichtung des Plans getätigt werden. Die Bedingungen der Transaktionen müssen vorab festgelegt werden und können danach nicht mehr geändert werden. Sämtliche Trading-Pläne der Mitglieder der Konzernleitung müssen vom Präsidenten des Verwaltungsrats bewilligt werden. Einmal eingerichtet, werden Transaktionen monatlich – auch während der Sperrfristen – ausgeführt. Alle im Rahmen eines Trading-Plans ausgeführten Transaktionen werden entsprechend der Richtlinie zur Offenlegung von Management-Transaktionen ordnungsgemäss der SIX Swiss Exchange gemeldet und als solche auf deren Website veröffentlicht.

Zusätzliche Honorare und Vergütungen für Mitglieder der Konzernleitung
Kein Mitglied der Konzernleitung hat 2009 und 2008 neben den oben aufgeführten Vergütungen weitere Entschädigungen von der Gruppe oder von einem zur Gruppe gehörenden Unternehmen erhalten.

Persönliche Darlehen für Mitglieder der Konzernleitung
Per 31. Dezember 2009 belief sich der Gesamtbetrag ausstehender Darlehen, Vorschüsse und Kredite für Mitglieder der Konzernleitung auf CHF 1’073’000 (Vorjahr CHF 1’082’000). Bei den Darlehen handelt es sich um Hypothekardarlehen in Schweizer Franken, die zu ähnlichen Konditionen gewährt wurden, wie sie für alle Mitarbeitenden in der Schweiz gelten. Bis zu einer Höhe von maximal CHF 1’500’000 werden Hypothekardarlehen zu einem Vorzugszinssatz von bis zu einem Prozentpunkt unter den geltenden marktüblichen Zinssätzen für Hypothekardarlehen gewährt. Das höchste ausstehende Hypothekardarlehen per 31. Dezember 2009 bzw. 2008 wurde Herrn Lehmann (Group Chief Risk Officer) gewährt. Dieses belief sich auf CHF 773’000 (2008 auf CHF 782’000) und ist insgesamt mit 2,1% (2008 mit 2,6%) zu verzinsen.

Persönliche Darlehen für frühere Mitglieder der Konzernleitung
Ehemalige Mitglieder der Konzernleitung sind berechtigt, ihre Hypothekardarlehen nach der Pensionierung zu ähnlichen Konditionen weiterzuführen wie während der Dauer ihrer Anstellung, d.h. zu den oben erwähnten Bedingungen für Mitarbeitende in der Schweiz. In diesem Zusammenhang bestand per 31. Dezember 2009 bzw. 2008 ein ausstehendes Hypothekardarlehen für ein ehemaliges Mitglied, Peter Eckert, in Höhe von CHF 2’500’000 (im Vorjahr CHF 3’000’000) mit einem Vorzugszinssatz von 2,0% (im Vorjahr 2,5%) auf die ersten CHF 1’000’000 (im Vorjahr 1’500’000). Abgesehen davon beanspruchte per 31. Dezember 2009 bzw. 2008 kein ehemaliges Mitglied der Konzernleitung ein Darlehen, Vorschüsse oder Kredite.

Den Mitgliedern der Konzernleitung oder ehemaligen Mitgliedern der Konzernleitung nahestehende Personen

Mitgliedern des GEC oder ehemaligen Mitgliedern des GEC nahestehende Personen erhielten im Verlauf des Jahres 2009 bzw. 2008 keinerlei Leistungen. Es wurde auch nicht auf Forderungen ihnen gegenüber verzichtet. Zudem hatten die den Mitgliedern der Konzernleitung oder ehemaligen Konzernleitungsmitgliedern nahestehenden Personen per 31. Dezember 2009 bzw. 2008 keine ausstehenden Darlehen, Vorschüsse oder Kredite.

Group Performance Review

Financial Review

The information contained within the Financial Review is unaudited. This document should be read in conjunction with the Financial Report 2009 for the Zurich Financial Services Group and with its audited Consolidated Financial Statements as of December 31, 2009. Comparatives are for the year ended December 31, 2008 unless otherwise stated. All amounts, unless otherwise specified, are shown in U.S. dollars and rounded to the nearest million with the consequence that the rounded amounts may not add to the rounded total in all cases. All ratios and variances are calculated using the underlying amounts rather than the rounded amounts. Certain comparatives including segment disclosures have been restated for changes in presentation and for reclassifications as set out in notes 1 and 30 of the audited Consolidated Financial Statements to conform to the 2009 presentation. The reclassifications had no impact on previously reported business operating profit, net income or shareholders' equity.

Financial highlights

in USD millions, for the years ended December 31, unless otherwise stated	**2009**	2008	Change[1]
Business operating profit	**5,593**	5,186	8%
Net income attributable to shareholders	**3,215**	3,039	6%
General Insurance gross written premiums and policy fees	**34,157**	37,151	(8%)
Global Life gross written premiums, policy fees and insurance deposits	**26,029**	21,873	19%
Farmers Management Services management fees and other related revenues	**2,690**	2,458	9%
Farmers Re gross written premiums and policy fees	**6,615**	3,381	96%
General Insurance business operating profit	**3,463**	3,535	(2%)
General Insurance combined ratio	**96.8%**	98.1%	1.3 pts
Global Life business operating profit	**1,477**	1,490	(1%)
Global Life new business annual premium equivalent (APE)	**3,667**	3,261	12%
Global Life new business margin, after tax (as % of APE)	**21.3%**	23.1%	(1.8 pts)
Global Life new business value, after tax	**782**	753	4%
Farmers business operating profit	**1,554**	1,356	15%
Farmers Management Services gross management result	**1,291**	1,142	13%
Farmers Management Services managed gross earned premium margin	**7.2%**	6.9%	0.3 pts
Group investments average invested assets[2]	**187,579**	185,558	1%
Group investments result, net	**6,082**	5,805	5%
Group investments return (as % of average invested assets)	**3.2%**	3.1%	0.1 pts
Shareholders' equity	**29,678**	22,103	34%
Solvency I ratio	**198%**	160%	38 pts
Diluted earnings per share (in CHF)	**24.21**	23.35	4%
Book value per share (in CHF)	**209.27**	167.92	25%
Return on common shareholders' equity (ROE)	**12.6%**	12.1%	0.5 pts
Business Operating Profit (after tax) return on common shareholders' equity (BOPAT ROE)	**17.2%**	16.8%	0.4 pts

[1] Parentheses around numbers represent an adverse variance.
[2] Excluding average cash received as collateral for securities lending of USD 335 million and USD 1.0 billion in the years ended December 31, 2009 and 2008, respectively.

Performance overview for the year ended December 31, 2009

Zurich Financial Services Ltd and its subsidiaries (the Group) delivered a strong set of financial results for the year ended December 31, 2009 as well as for the discrete fourth quarter 2009 which were a testament to a continued and disciplined execution of the Group's stated strategic objectives. While growth was achieved in targeted areas, particularly in the Global Life and Farmers businesses, the focus on margins was maintained, which paid off in particular in a robust operational performance from the General Insurance business. In parallel, as a result of disciplined asset/liability and risk management philosophies, capital and solvency positions increased substantially compared with December 31, 2008. The combination of sustained profitability, underscored by a business operating profit (after tax) return on common shareholders' equity of 17.2 percent for the year ended December 31, 2009, and a strong balance sheet, allowed for a dividend proposal of CHF 16.00 gross, which demonstrates the Group's commitment to shareholder value creation.

Business operating profit increased by USD 406 million or 8 percent to USD 5.6 billion in U.S. dollar terms and 10 percent on a local currency basis, with all core operating segments improving their performance on a local currency basis.

- **General Insurance** business operating profit decreased by USD 72 million or 2 percent to USD 3.5 billion in U.S. dollar terms but increased by 1 percent on a local currency basis. The overall result was driven by an improved underwriting result primarily due to the Group's disciplined approach to pricing insurance risks and lower levels of natural catastrophe losses. This improvement was partially offset by lower profitability in personal lines business in Europe and lower run-off contributions from reserves established in prior years. The overall improvement in the underwriting result compensated for lower investment result.
- **Global Life** business operating profit remained almost flat decreasing by USD 13 million or 1 percent to USD 1.5 billion in U.S. dollar terms, but increased by USD 77 million or 5 percent on a local currency basis. 2009 experienced a higher level of one-off benefits compared with 2008, which drove the overall improvement in local currency. The underlying performance of the businesses remained strong as the continued roll-out of the industrial business model, with its combined focus on distribution and product pillars as well as expense discipline through shared product manufacturing and other operational platforms, enabled us to achieve robust volumes and margin levels.
- **Farmers** business operating profit increased by USD 198 million or 15 percent to USD 1.6 billion. **Farmers Management Services** business operating profit increased by USD 124 million or 10 percent to USD 1.3 billion. This increase was primarily driven by the 21st Century acquisition, which has been integrated into Farmers in line with original targets and contributed USD 81 million, and also by disciplined expense management. **Farmers Re** business operating profit increased by USD 74 million, or 48 percent compared with the prior year, to USD 228 million as investment income accumulated as a result of the increased participation in the All Lines quota share reinsurance treaty.

Other Operating Businesses business operating loss improved by USD 160 million to a loss of USD 611 million primarily arising from gains on repurchases of subordinated debt executed against advantageous market conditions.

Non-Core Businesses, comprising the Group's run-off businesses and the Group's banking activities which are no longer seen to support the core insurance business but are viewed as a useful adjunct to it, reported a business operating profit of USD 143 million for the discrete fourth quarter 2009, resulting in an overall loss for the full year 2009 of USD 290 million compared with a loss of USD 423 million in 2008. The loss for the full year primarily resulted from an increase in certain life insurance reserves predominantly addressing policyholders' behavior and from increased loan loss provisions in the banking operations.

Total Group business volumes comprising gross written premiums, policy fees, insurance deposits and Farmers Management Services management fees increased by USD 4.6 billion or 7.1 percent in U.S. dollar terms and by USD 8.2 billion or 12.6 percent on a local currency basis, underscoring the Group's ability to grow selectively in line with its strategic objectives. The business volumes in the main operating segments developed as follows:

- **General Insurance** gross written premiums and policy fees decreased by 8 percent to USD 34.2 billion in U.S. dollar terms and by 4 percent on a local currency basis. Average rate increases of 3.3 percentage points were achieved through disciplined underwriting focusing on margin enhancement. This was particularly evident in the Global Corporate and North America Commercial businesses. International Markets achieved an increase in local currency as a result of organic growth, mainly in markets where economic growth continued, but also as a result of acquisitions. These positive developments on rates and volumes did not fully compensate for the effects of underwriting actions on new business and renewals, and for the effects of a difficult economic environment, where decreases in customers' insurable exposures were experienced, particularly in the construction and automotive industries in North America.

- **Global Life** gross written premiums, policy fees and insurance deposits increased by 19 percent to USD 26 billion in U.S. dollar terms and by 28 percent on a local currency basis. The new business annual premium equivalent (APE) increased by 12 percent in U.S. dollar terms and by 19 percent on a local currency basis. This growth supported net policyholder inflows of USD 5.4 billion compared with net policyholder outflows of USD 2.2 billion in 2008. This resulted in total assets under management of USD 215 billion as of December 31, 2009 compared with USD 180 billion as of December 31, 2008. The growth was primarily driven by the Bank Distribution pillar with continued strong performance in Spain, the Corporate Life & Pensions pillar in the UK and Ireland, and the Private Banking Client Solutions pillar with strong sales in both, the UK and the newly established hub in Luxembourg.

- **Farmers Management Services** management fees and other related revenues increased by 9 percent to USD 2.7 billion driven by an 8 percent increase in gross earned premiums in the Farmers Exchanges, which the Group manages but does not own. 21st Century contributed USD 214 million to revenues while Small Business Solutions generated an increase in revenue of USD 31 million compared with the prior year. Since September 2008, **Farmers Re** increased its participation in the All Lines quota share reinsurance treaty with the Farmers Exchanges in various steps from 5 percent to 37.5 percent for the second half of 2009, which resulted in an increase in assumed written premiums of USD 3.2 billion to USD 6.6 billion compared with 2008. Effective December 31, 2009 the participation was reduced to 35 percent.

As a result of the strong operating performance and lower levels of net capital losses on investments due to recovering capital markets, **net income attributable to shareholders** increased by USD 176 million to USD 3.2 billion for the full year, with net income attributable to shareholders for the discrete fourth quarter of 2009 increasing for the fifth consecutive quarter since the third quarter 2008. This strong result was achieved despite charges of USD 265 million in 2009 from losses on hedges used to protect the economic solvency position included in net capital gains/(losses) on investments and impairments. The **shareholders' effective tax rate** was 21.9 percent for the year ended December 31, 2009 compared with 19.0 percent for the year ended December 31, 2008. The 2008 full year shareholders' effective tax rate was positively affected by one-off items, mainly the use of previously unrecognized net operating losses.

Compared with 2008, **ROE** increased by 0.5 percentage points to 12.6 percent while **BOPAT ROE** increased by 0.4 percentage points to 17.2 percent. **Diluted earnings per share** increased by 4 percent to CHF 24.21 for the year ended December 31, 2009, compared with CHF 23.35 for the year 2008.

General Insurance

in USD millions, for the years ended December 31	2009	2008	Change
Gross written premiums and policy fees	34,157	37,151	(8%)
Net earned premiums and policy fees	29,071	30,922	(6%)
Insurance benefits and losses, net of reinsurance	(20,622)	(22,441)	8%
Net underwriting result	930	594	57%
Net investment income	3,070	3,711	(17%)
Net non-technical result (excl. items not included in BOP)	(651)	(657)	1%
Business operating profit	**3,463**	**3,535**	**(2%)**
Loss ratio	70.9%	72.6%	1.6 pts
Expense ratio	25.9%	25.5%	(0.4 pts)
Combined ratio	**96.8%**	**98.1%**	**1.3 pts**

in USD millions, for the years ended December 31	Business operating profit		Combined ratio	
	2009	2008	2009	2008
Global Corporate	787	47	95.1%	112.4%
North America Commercial	1,243	1,238	96.9%	97.4%
Europe General Insurance	1,120	1,864	98.4%	94.7%
International Markets	169	201	96.9%	96.2%
GI Global Functions including Group Reinsurance	144	186	nm	nm
Total	**3,463**	**3,535**	**96.8%**	**98.1%**

General Insurance delivered a much improved underwriting result in 2009, as a result of the focus on maintaining pricing and expense discipline. This substantially offset the lower non-technical result, which was primarily attributable to lower investment income, as well as the challenges posed by the economic and competitive market environment. Rate increases were achieved, particularly in the Global Corporate and commercial businesses and the Group managed expenses commensurately with reduced volumes of business. Determination to maintain pricing discipline, together with the difficult market environment which negatively impacted the level of customers' insurable exposures, resulted in lower overall business volumes and retention levels. The benefit of the absence of major insured natural catastrophes during the year was largely offset by exceptional adverse market conditions in some of the Group's European personal lines businesses. The economic environment, however also affected the investment result as yields reduced. Strong expense management and underwriting discipline with a focus on maintaining margins have resulted in a 1 percent increase in business operating profit compared with the prior year in local currency terms. In U.S. dollar terms, **business operating profit** decreased slightly by USD 72 million, or 2 percent, to USD 3.5 billion.

Gross written premiums and policy fees, decreased by 8 percent or by USD 3.0 billion to USD 34.2 billion in U.S. dollar terms and by 4 percent on a local currency basis. Average rate increases of 3.3 percentage points were achieved in line with the Group's technical pricing models. As a consequence, retention and new business levels were adversely affected. The reduction measured in local currency was primarily driven by North America Commercial where certain segments of the business were heavily affected by the economic environment which led to reduced customers' insurable exposures. Global Corporate, in particular, was affected by the lower levels of insurance protection required by customers, which have been partially compensated for by rate increases. Europe General Insurance has also been impacted by the challenging market conditions resulting in lower premium volumes in local currency terms. International Markets increased by 3 percent in local currency terms through both organic growth and acquisitions. Despite the economic environment, the Group gained market share in certain targeted segments, positioning itself well for the future.

The **net underwriting result** increased by USD 336 million to USD 930 million with the combined ratio of 96.8 percent improving by 1.3 percentage points compared with 2008. Overall the loss ratio improved 1.6 percentage points mainly due to improvements in the attritional loss ratio reflecting realized rate increases and the impact of the Group's risk selection strategy which have begun to flow into the result, as well as the absence of major insured natural catastrophes. This improvement was offset by a higher attritional loss experience in our European personal motor business, mainly in Italy and the UK, as well as lower levels of favorable development of reserves established in prior years and higher levels of large loss experience. The lower levels of favorable development of reserves established in prior years included a charge for UK asbestos which has affected Global Corporate and Europe General Insurance. The expense ratio increased as a result of higher commissions due to a change in business mix and the Group's approach to broker remuneration. Strict expense management and the benefits of cost savings programs mostly maintained the technical expenses in line with premium volume decrease despite continued strategic investments in profitable growth opportunities and operational transformation.

Global Corporate

in USD millions, for the years ended December 31	2009	2008	Change
Gross written premiums and policy fees	7,602	7,888	(4%)
Net underwriting result	231	(602)	nm
Business operating profit	**787**	**47**	**nm**
Loss ratio	74.7%	92.2%	17.5 pts
Expense ratio	20.4%	20.2%	(0.2 pts)
Combined ratio	**95.1%**	**112.4%**	**17.3 pts**

Following a very difficult year in 2008, various profit improvement actions were taken such as improved pricing and expense management, as well as a stronger focus on building long-term customer partnerships. These actions, along with a favorable natural catastrophe experience, substantially improved the net underwriting result, leading to an overall increase in **business operating profit** of USD 740 million to USD 787 million. The improvement in the underwriting result was partially offset by higher non-technical expenses, as a result of one-off benefits in 2008, and lower investment income in 2009 due to declining yields.

Gross written premiums and policy fees decreased by USD 286 million or 4 percent to USD 7.6 billion in U.S. dollar terms and by 1 percent on a local currency basis. The Group's focus continues to be on underwriting and pricing discipline, and as a result average rate increases of 5.3 percent were achieved on business written in 2009, following a number of years of declining rates. As the market for corporate customers remains competitive, loss of business where customers do not accept the terms required to meet the technical price continued to be experienced. However, despite the challenging conditions, significant growth in a number of targeted areas has been achieved, with particularly strong performances in European financial lines and in Asia-Pacific, while the recently launched Middle East business has also made a positive contribution.

The **net underwriting result,** which improved by USD 833 million to a profit of USD 231 million, reflects a 17.3 percentage point improvement in the combined ratio. This is driven entirely by improved loss experience, with the loss ratio decreasing by 17.5 percentage points to 74.7 percent compared with prior year. This includes a significant improvement in the attritional loss ratio as a result of the actions taken to increase rates, improve risk selection, and accept lapses of business not meeting our pricing hurdles. The loss ratio trend is also favorably impacted by significantly lower levels of natural catastrophe losses compared with 2008 as well as favorable development on reserves established in prior years. The expense ratio was 0.2 percentage points higher compared with the prior year, which reflects slightly higher commissions driven by business mix. Other technical expenses remained broadly flat relative to net earned premiums which reflects the Group's expense discipline, compensating for strategic investments such as expansion into the Middle East.

North America Commercial

in USD millions, for the years ended December 31	2009	2008	Change
Gross written premiums and policy fees	9,864	11,215	(12%)
Net underwriting result	257	243	6%
Business operating profit	**1,243**	**1,238**	**–**
Loss ratio	68.5%	70.3%	1.7 pts
Expense ratio	28.4%	27.1%	(1.3 pts)
Combined ratio	**96.9%**	**97.4%**	**0.5 pts**

Margin enhancement as a result of disciplined underwriting was the primary contributor to a flat **business operating profit** of USD 1.2 billion, despite falling business volumes. The benefit realized from favorable natural catastrophe experience was fully offset by the impact of significantly reduced premiums due to lower economic activity, higher large loss experience and lower investment income due to declining yields.

Gross written premiums and policy fees decreased by USD 1.4 billion or 12 percent to USD 9.9 billion. Underwriting and pricing discipline was maintained, based on differentiated rating actions, resulting in 2.4 percent average rate increases on business written in 2009. Businesses in the construction and automotive industries suffered most from the economic environment. However, the Group was able to realize growth in its Global and National Strategic Broker relationships. The environmental business has also grown as well as certain segments in the specialties business unit and target customer segments in middle markets. Although the environment generally led to significantly lower customers' insurable exposures in chosen segments, targeted customer retention remained at comparatively high levels, and as such, the customer base was maintained.

The **net underwriting result** increased by USD 14 million to USD 257 million driven by more benign catastrophe experience compared with the prior year. The loss ratio developed favorably by 1.7 percentage points compared with the prior year. The decrease was attributable to lower catastrophe losses partially offset by lower levels of positive development from reserves established in prior years and by higher levels of large losses. The expense ratio increased by 1.3 percentage points, driven by higher commissions due to changes in the approach to broker remuneration in a competitive market environment and changes in business mix. Other technical expenses were managed largely in line with the drop in net earned premiums through the focused execution of a number of savings initiatives.

Europe General Insurance

in USD millions, for the years ended December 31	2009	2008	Change
Gross written premiums and policy fees	14,556	15,946	(9%)
Net underwriting result	222	788	(72%)
Business operating profit	**1,120**	**1,864**	**(40%)**
Loss ratio	73.6%	69.9%	(3.7 pts)
Expense ratio	24.8%	24.7%	–
Combined ratio	**98.4%**	**94.7%**	**(3.7 pts)**

Most of Europe General Insurance businesses maintained strong levels of business performance, the result of which was significantly offset by weak personal lines motor results, mainly in Italy and the UK. These areas were and continue to be addressed with decisive underwriting and claims management actions. In addition, investment income decreased due to lower yields and a lower asset base, mainly as a result of the repatriation of capital to the Group following the transfer of the UK general insurance business to the Group's single EU carrier based in Ireland. As a result, **business operating profit** decreased by USD 744 million or 40 percent to USD 1.1 billion in U.S. dollar terms and by 36 percent on a local currency basis.

Gross written premiums and policy fees decreased by USD 1.4 billion or 9 percent to USD 14.6 billion in U.S. dollar terms, and by only 1 percent on a local currency basis. Overall rates were successfully increased on average by 2.8 percent on business written in 2009. In personal lines businesses operating in mature markets, continued focus on pricing discipline impacted the ability to grow volumes given the intense competition. The UK personal motor business has led the market with rate increases but as a consequence had to accept a significant reduction in volume. Commercial lines business remained flat in local currency, mainly based on rate increases, despite the challenging economic environment.

The **net underwriting result** decreased by USD 567 million or 72 percent to USD 222 million both in U.S. dollar terms and on a local currency basis. This decrease is reflected in a 3.7 percentage point increase in the combined ratio to 98.4 percent due to the motor personal lines underwriting results in Italy and the UK which reflect the difficult local market environments. In the UK, the loss ratio deteriorated driven by an overall increase in personal injury claims, as well as the so-called credit hire practices, which drive up replacement vehicle costs. These developments are responded to through rate increases and through a dedicated claims management strategy. In Italy, mitigating actions against deteriorating loss experience in the personal motor business were continued. These mitigating actions included increased rates and improvement actions on underperforming distributors. Outside these two European markets, personal lines businesses performed well. However, the competitive market environment puts pressure on volume and generally strong margins. The commercial lines business underwriting profit increased mainly as a result of favorable large and natural catastrophe loss experience. The overall net expense ratio was largely flat as disciplined expense management and focus on margin enhancement compensated for strategic investments and higher commission levels.

International Markets

in USD millions, for the years ended December 31	2009	2008	Change
Gross written premiums and policy fees	2,695	2,753	(2%)
Net underwriting result	64	76	(15%)
Business operating profit	**169**	**201**	**(16%)**
Loss ratio	61.5%	60.2%	(1.3 pts)
Expense ratio	35.3%	36.0%	0.6 pts
Combined ratio	**96.9%**	**96.2%**	**(0.7 pts)**

Business operating profit decreased by USD 31 million or 16 percent to USD 169 million and decreased by 13 percent on a local currency basis. The decrease in local currency was attributable to a lower underwriting result as well as a decrease in investment income due to lower yields mainly in Australia.

Gross written premiums and policy fees decreased by USD 58 million or 2 percent to 2.7 billion in U.S. dollar terms while increasing by 3 percent on a local currency basis. Local currency growth was achieved in Latin America where premiums increased by 17 percent compared with the prior year. The growth in Latin America was primarily a result of the acquisition in Brazil in the fourth quarter of 2008 together with organic growth in Argentina and Venezuela. In Asia-Pacific underlying growth was offset by the transfer of premiums in Asia and Australia to Global Corporate, excluding the impact of these transfers, premiums in Asia-Pacific increased by 7 percent.

The **net underwriting result** decreased by USD 12 million to USD 64 million reflected in a 0.7 percentage point increase in the combined ratio to 96.9 percent. This was mainly attributable to a higher loss ratio of 1.3 percentage points due to higher large losses impacting both Asia-Pacific and Latin American regions. The Australian bush fires in early 2009 also contributed to the higher loss ratio. The expense ratio decreased by 0.6 percentage points to 35.3 percent mainly due to expense reduction initiatives in Asia-Pacific, partially offset by increases in Latin America attributable to the acquisition in Brazil.

Global Life

in USD millions, for the years ended December 31	2009	2008	Change
Insurance deposits	13,589	11,079	23%
Gross written premiums and policy fees	12,440	10,794	15%
Net investment income on Group investments	4,081	4,518	(10%)
Insurance benefits and losses, net of reinsurance	(10,594)	(9,229)	(15%)
Underwriting and policy acquisition costs, net of reinsurance	(1,116)	(1,887)	41%
Administrative and other operating expenses	(2,237)	(2,404)	7%
of which:			
Amortization and impairments of intangible assets	*(346)*	*(224)*	*(55%)*
Depreciation and impairments of property and equipment	*(34)*	*(42)*	*19%*
Business operating profit	**1,477**	**1,490**	**(1%)**
Total reserves for life insurance contracts, net of reinsurance, and liabilities for investment contracts	180,145	154,700	16%
Assets under management[1]	214,512	180,416	19%
Embedded value – highlights			
New business annual premium equivalent (APE)	**3,667**	**3,261**	**12%**
Present value of new business premiums (PVNBP)	29,515	25,883	14%
New business margin, after tax (as % of APE)	**21.3%**	**23.1%**	**(1.8 pts)**
New business margin, after tax (as % of PVNBP)	2.6%	2.9%	(0.3 pts)
New business value, after tax	**782**	**753**	**4%**

[1] Assets under management comprise Group and unit-linked investments that are included in the Global Life balance sheet plus assets that are managed by third parties, for which we earn fees.

in USD millions, for the years ended December 31	New business annual premium equivalent (APE)		New business value, after tax		New business margin, after tax (as % of APE)		Business operating profit	
	2009	2008	2009	2008	2009	2008	2009	2008
Americas	259	223	136	121	52.4%	54.3%	458	290
of which:								
United States	*97*	*101*	*100*	*91*	*102.5%*	*90.4%*	*398*	*240*
Latin America	*161*	*122*	*36*	*30*	*22.1%*	*24.6%*	*60*	*51*
United Kingdom	785	878	95	90	12.1%	10.2%	261	429
Germany	622	690	144	265	23.1%	38.3%	324	332
Switzerland	118	123	24	36	20.1%	29.4%	237	190
Ireland	310	327	69	61	22.4%	18.7%	37	77
Spain	709	294	111	44	15.7%	14.9%	13	39
Emerging Markets in Asia	528	526	128	100	24.2%	19.1%	64	21
of which:								
ZIS	*453*	*449*	*112*	*91*	*24.7%*	*20.3%*	*62*	*29*
Hong Kong	*75*	*77*	*16*	*17*	*21.4%*	*21.6%*	*14*	*2*
Rest of the World	336	200	75	35	22.4%	17.6%	84	111
Total	**3,667**	**3,261**	**782**	**753**	**21.3%**	**23.1%**	**1,477**	**1,490**

The Global Life segment continues to execute on its strategy delivering strong results with profitable growth in a difficult market environment and performing well on all key metrics. The growth was driven through the distribution and proposition pillars as well as a strong focus on in-force management resulting in net policyholder inflows compared with net policyholder outflows in 2008. Progress was made on developing the industrial business model benefiting our unit costs and a notable increase in cross-border sales. The new business value not only increased in each successive quarter of 2009, but accelerated over the course of the year underpinned by efficiency gains and focused efforts to shift the new business mix towards protection products.

New business annual premium equivalent (APE) increased by USD 406 million or 12 percent in U.S. dollar terms, to USD 3.7 billion and by 19 percent in local currency basis. Growth in Spain of USD 414 million included underlying growth of USD 45 million or 76 percent on a local currency basis and a contribution of USD 369 million from the businesses acquired in the third quarter of 2008. In the UK, APE decreased by 11 percent in U.S. dollar terms but increased by 6 percent on a local currency basis, driven by higher long-term savings sales and successful sales through our major banking partners. In the Americas, APE increased by 16 percent in U.S. dollar terms and by 21 percent on a local currency basis, driven by growth in Latin America from Corporate Life & Pensions sales, and our success in gaining participation in the reformed social security system in Chile. In Germany, APE decreased by 10 percent in U.S. dollar terms and by 5 percent on a local currency basis, as 2008 included a benefit from the final step-up of premiums in state subsidized pension contracts that increased unit-linked sales. APE in Emerging Markets in Asia were flat in U.S. dollar terms but decreased 4 percent on a local currency basis as a result of reduced sales in Hong Kong and in the International/Expats business of Zurich International Solutions (ZIS) due to market conditions. In Ireland, where the market declined over 28 percent, APE decreased by 5 percent in U.S. dollar terms but remained flat on a local currency basis as a result of strong growth in Corporate Life & Pensions business offsetting lower IFA/Brokers sales. APE in the Rest of the World increased by 69 percent in U.S. dollar terms and by 79 percent on a local currency basis driven by the early success of the newly formed Private Banking Client Solutions hub in Luxembourg and, in Italy by successful Bank Distribution activities as well as by strong IFA/ Brokers sales through the Finanza e Futuro distribution channel acquired in 2008.

New business value, after tax, increased by USD 29 million or 4 percent in U.S. dollar terms, to USD 782 million and by 9 percent on a local currency basis, benefiting from increased new business value in both individual and corporate protection products. By country, the new business value improved from increased volumes in Spain and Luxembourg, improved margins in the UK, higher sales volumes in Latin America, and the benefit of lower interest rates for protection products in the U.S. and Australia. This improvement was partially offset by Germany and Switzerland with negative impacts from lower interest rates on savings products and lower sales due to the market conditions earlier in the year. Overall the new business margin after tax decreased by 1.8 percentage points to 21.3 percent compared with the prior year, primarily reflecting the impact of lower interest rates impacting Germany new business margins.

Business operating profit decreased by USD 13 million or 1 percent in U.S. dollar terms to USD 1.5 billion, but an increase of 5 percent on a local currency basis. In the U.S., business operating profit included net one-off benefits of USD 159 million largely due to updated mortality assumptions. The underlying result of the Americas businesses overall remained strong. Improved investment results drove the increase in business operating profit in Switzerland. Changes to actuarial assumptions benefited Hong Kong, contributing to the improved underlying result in Emerging Markets in Asia. In the UK, USD 48 million of the reduction of USD 168 million in business operating profit reported in U.S. dollars resulted from currency translation effects. The UK underlying performance in local currency was impacted by financial market effects, and in 2008 one-time benefits and favorable claims experience, partially offset in 2009 by reduced amortization of deferred acquisition costs and intangible assets as a result of assumption changes. In Germany, the result was in line with prior year on a local currency basis and in Ireland, the result decreased due to investments in the European Hub operating infrastructure. In Italy, included in the Rest of the World, and in Spain, the business operating profit before interest, depreciation and amortization improved significantly, with costs of financing and amortization of intangible assets from recent acquisitions adversely impacting the overall business operating profit.

Insurance deposits increased by USD 2.5 billion or 23 percent in U.S. dollar terms to USD 13.6 billion and by 35 percent on a local currency basis, primarily driven by the businesses acquired in Spain in the third quarter of 2008 and by the newly formed private banking client solutions business in Luxembourg.

Gross written premiums and policy fees increased by USD 1.6 billion or 15 percent in U.S. dollar terms to USD 12.4 billion and by 22 percent on a local currency basis. The increase on a local currency basis was due to the businesses acquired in Spain in the third quarter of 2008 and growth in Americas, partially offset by decreases in Germany and Switzerland due to lower single premium business in 2009.

Net reserves increased USD 25.4 billion or by 16 percent in U.S. dollar terms to USD 180.1 billion and by 10 percent in local currency, compared with December 31, 2008. On a local currency basis, the increase was primarily driven by financial market recovery flowing through to unit-linked insurance and investment contracts, as well as growth in traditional reserves. **Assets under management** increased by 19 percent in U.S. dollar terms and by 12 percent on a local currency basis, compared with December 31, 2008. Assets under management benefited from policyholder net inflows of USD 5.4 billion for the full year 2009 driven by new business as well as focused efforts on in-force management.

APE by distribution and proposition pillar and product

in USD millions, for the years ended December 31	Unit-linked[1]		Protection		Other[2]		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Bank Distribution	538	432	67	57	494	257	1,099	746
IFA/Brokers	480	517	144	146	300	279	924	942
Agents	164	236	124	128	215	174	503	537
Corporate Life & Pensions	–	–	190	105	413	310	603	414
International/Expats	255	323	3	–	–	–	258	323
Private Banking Client Solutions	182	1	–	–	3	–	186	1
Direct and Central Initiatives	8	–	19	6	67	292	94	298
Total	**1,627**	**1,509**	**548**	**441**	**1,492**	**1,311**	**3,667**	**3,261**

[1] Unit-linked includes insurance and investment contracts.
[2] Other includes primarily group and individual savings products.

Bank Distribution increased by USD 353 million or by 47 percent in U.S. dollar terms, to USD 1.1 billion and by 55 percent on a local currency basis. The new businesses acquired in Spain contributed USD 369 million through successful development of the business post acquisition including protection and savings campaigns. The UK business grew from the sale of newly introduced investment products.

IFA/Brokers distribution reduced by USD 18 million or by 2 percent in U.S. dollar terms, to USD 924 million while increasing 11 percent on a local currency basis. Strong pension sales in the UK and successful sales campaigns by the Finanza e Futuro distribution channel in Italy acquired in 2008 were partially offset by lower sales of unit-linked pension products in Germany resulting from the market conditions earlier in the year.

Agents distribution reduced by USD 34 million or by 6 percent in U.S. dollar terms, to USD 503 million and by 3 percent on a local currency basis. Sales in many countries proved resilient to the financial crisis mainly as a result of several customer and distributor focused programs. Growth continues in Latin America, Germany, Switzerland and Italy. These positive developments were offset by a decline in unit-linked sales in our Hong Kong domestic business driven by the reduced customer confidence as a result of the financial market environment, particularly in the first half of 2009.

Corporate Life & Pensions distribution increased by USD 189 million or by 46 percent in U.S. dollar terms, to USD 603 million and by 60 percent on a local currency basis. The pillar experienced growth in both protection and pension business with the main contributions arising from ZIS, the UK and Latin America.

International/Expats pillar decreased by USD 65 million or 20 percent in U.S. dollar terms, to USD 258 million and by 28 percent on a local currency basis. The lower sales, predominantly of investment products, reflected reduced consumer confidence caused by the market conditions earlier in the year.

Private Banking Client Solutions achieved sales of USD 186 million through a convincing start for the newly formed operational Private Banking Client Solutions hub in Luxembourg with a first product launch into Italy and by placing several tranches of an investment bond through a bank partner in the UK.

Direct and Central Initiatives decreased by USD 203 million or 68 percent in U.S. dollar terms, to USD 94 million and by 64 percent on a local currency basis, mainly attributable to the effect of a major customer offer initiative in the UK in June 2008.

Farmers

Farmers business operating profit was USD 1.6 billion compared with USD 1.4 billion for the year ended December 31, 2008. Farmers Management Services contributed USD 1.3 billion compared with USD 1.2 billion in the prior year and Farmers Re contributed USD 228 million compared with USD 154 million in the prior year.

Farmers has moved aggressively to restructure and integrate the acquired 21st Century businesses which consequently added a substantial contribution to the Farmers Management Services and Farmers Exchanges, which the Group manages but does not own, results for the year 2009.

Farmers Management Services

in USD millions, for the years ended December 31	**2009**	2008	Change
Management fees and other related revenues	2,690	2,458	9%
Management and other related expenses	(1,399)	(1,317)	(6%)
Gross management result	1,291	1,142	13%
Other net income	35	60	(43%)
Business operating profit	**1,326**	**1,202**	**10%**
Managed gross earned premium margin	7.2%	6.9%	0.3 pts

Business operating profit increased by USD 124 million or 10 percent to USD 1.3 billion. This increase was driven by USD 81 million from 21st Century, which was acquired in July 2009, as well as disciplined expense management and an improvement of USD 10 million from Small Business Solutions, for which the rights to renew policies were acquired by the Farmers Exchanges, from Zurich North America in June 2008.

Management fees and other related revenues increased by 9 percent to USD 2.7 billion driven by an 8 percent increase in gross earned premiums in the Farmers Exchanges. 21st Century contributed USD 214 million of the increase in revenues while Small Business Solutions generated an increase in revenue of USD 31 million compared with the prior year.

Management and other related expenses increased by 6 percent, or USD 81 million. The additional business from 21st Century and Small Business Solutions resulted in an increase of USD 133 million which was offset by a decrease of USD 52 million compared with 2008 reflecting the continued strict expense discipline and the benefits of ongoing operational transformation.

As a result of these changes and underlying improvements, the **gross management result** increased by USD 151 million, or 13 percent, while the **managed gross earned premium margin** improved by 0.3 percentage points to 7.2 percent from 6.9 percent.

Farmers Re

in USD millions, for the years ended December 31	2009	2008	Change
Gross written premiums and policy fees	6,615	3,381	96%
Net underwriting result	58	59	(3%)
Business operating profit	**228**	**154**	**48%**
Loss ratio	68.2%	68.2%	–
Expense ratio	30.8%	29.3%	(1.5 pts)
Combined ratio	**99.0%**	**97.5%**	**(1.5 pts)**

Business operating profit increased by USD 74 million, or 48 percent, to USD 228 million. The All Lines quota share reinsurance treaty with the Farmers Exchanges was increased in various steps from 5 percent to 37.5 percent for the second half of 2009 in connection with the acquisition of 21st Century. Effective December 31, 2009, the participation was reduced to 35 percent. As a result of these changes, overall **gross written premiums and policy fees** increased by USD 3.2 billion to USD 6.6 billion compared with the prior year. The **net underwriting result** remained flat as the impact from increased cessions at a stable loss ratio was offset by an increase in the ceding commission on the All Lines quota share reinsurance treaty, as a result of changes to the underlying business mix in the Farmers Exchanges, which caused the increase of 1.5 percentage points in the expense ratio.

Farmers Exchanges

in USD millions, for the years ended December 31	2009	2008	Change
Gross written premiums	17,620	16,710	5%
Gross earned premiums	17,885	16,541	8%

Gross earned premiums in the Farmers Exchanges, which the Group manages but does not own, increased by USD 1.3 billion, of which USD 1.2 billion related to 21st Century and USD 217 million related to Small Business Solutions, acquired from Zurich North America in June 2008.

Other Operating Businesses

in USD millions, for the years ended December 31	2009	2008	Change
Business operating profit:			
Holding and financing	(438)	(656)	33%
Headquarters	(141)	(90)	(57%)
Alternative investments	(32)	(25)	(26%)
Total business operating profit	**(611)**	**(772)**	**21%**

Holding and financing business operating loss improved by USD 219 million to a loss of USD 438 million. This was primarily driven by gains of USD 210 million resulting from the repurchases of subordinated debt and a favorable impact from movements in foreign currencies. **Headquarters** reported a business operating loss of USD 141 million compared with USD 90 million in the prior year due largely to lower revenues from reduced charges to our operating businesses.

Non-Core Businesses

in USD millions, for the years ended December 31	2009	2008	Change
Business operating profit:			
Centre	160	(106)	nm
Banking activities	(182)	53	nm
Centrally managed businesses	(279)	(496)	44%
Other run-off	10	126	(92%)
Total business operating profit	**(290)**	**(423)**	**31%**

Centre business operating result improved by USD 266 million to a profit of USD 160 million, driven by positive impacts from interest rate and credit spread developments on an insurance portfolio where both assets and liabilities are carried at fair value. **Banking activities** decreased by USD 235 million to a loss of USD 182 million predominantly driven by an increase in loan loss provisions compared with the prior year, primarily reflecting adverse developments in the Irish property market. **Centrally managed businesses,** which comprise portfolios that the Group manages with the intention to achieve a profitable run-off over time, decreased its loss by USD 218 million to a loss of USD 279 million, primarily due to the effect of the recovering capital markets on both investments and policyholders' liabilities. The overall loss for the year 2009 resulted primarily from an increase of certain life insurance reserves addressing policyholders' behavior. **Other run-off** experienced one-off benefits in 2008 which were not repeated in 2009.

Investment position and performance

Breakdown of investments

in USD millions, as of December 31	Group investments		Unit-linked investments	
	2009	2008	**2009**	2008
Cash and cash equivalents	11,631	12,428	5,840	4,460
Equity securities:	12,450	14,303	78,311	60,154
Common stocks, including equity unit trusts	8,839	8,957	69,004	51,276
Unit trusts (debt securities, real estate and short-term investments)	2,477	3,930	9,307	8,879
Common stock portfolios backing participating with-profit policyholder contracts	673	630	–	–
Trading equity portfolios in capital markets and banking activities	461	786	–	–
Debt securities	136,344	118,287	10,194	9,510
Real estate held for investment	7,789	7,524	3,897	4,077
Mortgage loans	12,736	12,820	–	–
Policyholders' collateral and other loans	15,077	13,988	924	2
Equity method accounted investments	232	220	–	–
Total	**196,258**	**179,570**	**99,167**	**78,203**

Group investments have increased by 9 percent or USD 16.7 billion to USD 196 billion since December 31, 2008. In local currency terms, Group investments increased by 5 percent, driven by positive revaluations on debt and equity securities reflecting positive market developments and investments of new cash flows. The quality of the Group's investment portfolio remains high. Investment grade securities comprise 98.4 percent of our debt securities. The Group's investment policy remains conservative and it continues to selectively reduce those risks for which it is believed that no appropriate compensation is received or which incur high regulatory capital costs.

Unit-linked investments increased by USD 21.0 billion or 27 percent in U.S. dollar terms to USD 99.2 billion since December 31, 2008. In local currency terms, unit-linked investments increased by 18 percent, primarily as a result of higher equity valuations following the recovery of markets overall in 2009 compared with the position at the end of 2008 but particularly since the low point in the market in April 2009. This increase is mirrored in higher unit-linked insurance and investment contract liabilities.

Performance of Group investments

in USD millions, for the years ended December 31	2009	2008	Change
Net investment income	7,505	8,698	(14%)
Net capital gains/(losses) on investments and impairments	(1,423)	(2,893)	51%
of which: net capital gains/(losses) on investments and impairments attributable to shareholders	*(1,375)*	*(2,110)*	*35%*
Net investment result	6,082	5,805	5%
Net investment return on Group investments	**3.2%**	**3.1%**	**0.1 pts**
Movements in net unrealized gains/(losses) on investments included in total equity	5,674	(3,902)	nm
Total investment result, net of investment expenses[1]	**11,756**	**1,903**	**nm**
Average Group investments[2]	187,579	185,558	1%
Total return on Group investments	**6.3%**	**1.0%**	**5.2 pts**

[1] After deducting investment expenses of USD 243 million and USD 261 million for the years ended December 31, 2009 and 2008, respectively.
[2] Excluding average cash received as collateral for securities lending of USD 335 million and USD 1.0 billion for the years ended December 31, 2009 and 2008, respectively.

Total return, net of investment expenses, on average Group investments was positive 6.3 percent, largely from the improvements in the value of debt securities. Debt securities, which are invested to match the Group's insurance liability profiles, returned positive 7.1 percent. Equity securities returned positive 12.6 percent. Other investments, mainly real estate and mortgages, returned a positive 2.7 percent.

Total **net investment income** decreased by USD 1.2 billion, or 14 percent in U.S. dollar terms to USD 7.5 billion. Translating local currency income at stronger average U.S. dollar rates in 2009, contributed USD 376 million of this decrease. Net investment income yield was 4.0 percent, a decrease of 69 basis points compared with the prior year. This decrease was driven by cash balances yielding lower rates and lower income from equity securities.

Total **net capital losses on investments and impairments** were USD 1.4 billion, comprising net realized losses of USD 91 million, impairments of USD 1.4 billion and net positive revaluations of USD 62 million. The impairments arose mainly from USD 590 million attributable to equity securities, USD 573 million attributable to debt securities and USD 233 million attributable to mortgages and other investments. Net positive revaluations on securities booked as fair value through profit and loss added gains of USD 60 million, driven by gains on equity securities of USD 476 million, on real estate of USD 130 million and on debt securities of USD 5 million, which were mostly offset by losses from derivatives of USD 543 million.

Net unrealized gains have improved by USD 5.7 billion since December 31, 2008, due to a USD 1.6 billion decrease in net unrealized losses on equity securities as a result of the improvement in major global equity markets, as well as a USD 4.1 billion decrease in net unrealized losses on debt securities primarily as a result of narrowing credit spreads.

Performance of unit-linked investments

in USD millions, for the years ended December 31	2009	2008	Change
Net investment income	1,638	3,185	(49%)
Net capital (losses)/gains on investments and impairments	10,837	(24,916)	nm
Net investment result, net of investment expenses[1]	12,475	(21,731)	nm
Average investments	88,685	100,148	(11%)
Total return on unit-linked investments[2]	**14.1%**	**(21.7%)**	**35.8 pts**

[1] After deducting investment expenses of USD 426 million and USD 581 million for the for the years ended December 31, 2009 and 2008, respectively.
[2] Total return is not annualized.

Total return on unit-linked investments improved by 35.8 percentage points to a positive return of 14.1 percent compared with a negative return of 21.7 percent in the prior year. **Net investment income** on unit-linked investments declined by 49 percent compared with 2008. Net capital gains of USD 10.8 billion increased significantly compared with 2008 as a result of improved capital markets.

Insurance and investment contract liabilities
Reserves for losses and loss adjustment expenses

in USD millions	Total Group		of which General Insurance	
	2009	2008	**2009**	2008
As of January 1				
Gross reserves for losses and loss adjustment expenses	65,218	67,890	61,396	63,383
Reinsurers' share	(12,232)	(13,179)	(10,867)	(11,448)
Net reserves for losses and loss adjustment expenses	**52,986**	**54,712**	**50,530**	51,935
Net losses and loss adjustment expenses incurred	24,639	24,145	20,590	22,388
Current year	25,698	25,416	21,663	23,696
Prior years	(1,059)	(1,271)	(1,074)	(1,308)
Total net losses and loss adjustment expenses paid	(23,689)	(22,150)	(20,235)	(20,333)
Acquisitions/(divestments)	104	77	(158)	129
Foreign currency translation effects	1,863	(3,797)	1,787	(3,589)
As of December 31				
Net reserves for losses and loss adjustment expenses	**55,903**	**52,986**	**52,514**	50,530
Reinsurers' share	(12,182)	(12,232)	(10,962)	(10,867)
Gross reserves for losses and loss adjustment expenses	68,086	65,218	63,476	61,396

As of December 31, 2009, the Group's net reserves for loss and loss adjustment expenses increased by USD 2.9 billion to USD 55.9 billion compared with December 31, 2008. Of this increase, USD 1.9 billion was due to the effects of foreign currency translation. The remaining increase included the effects from the increased participation in the All Lines quota share reinsurance treaty with the Farmers Exchanges.

The increase in the total net reserves during the year included USD 1.1 billion favorable development emerging from reserves established in prior years, after allowing for asbestos charges in the third quarter of 2009 of USD 539 million. This favorable development is primarily attributable to the General Insurance business and breaks down into many individual movements by Business Division, country, line of business, and accident year. In the Global Corporate segment, favorable development of USD 257 million was approximately equally shared between North America and the rest of the world. North America Commercial favorable development of USD 146 million arose mostly from program and surety business. Europe General Insurance favorable development of USD 487 million arose from several European countries besides Italy where the Group experienced negative development of USD 100 million. The remaining favorable development came from Group Reinsurance, International Markets, and the assumed business from Farmers Re; this was somewhat offset by adverse development at Centre.

Development of cumulative net loss ratio

	2001	2002	2003	2004	2005	2006	2007	2008	**2009**
In the year	81.4%	70.6%	67.1%	68.3%	73.3%	69.6%	72.7%	74.6%	72.3%
One year later	85.7%	72.0%	66.1%	64.2%	68.1%	66.2%	71.7%	74.1%	
Two years later	85.8%	72.3%	65.4%	63.5%	66.6%	64.8%	70.6%		
Three years later	87.4%	74.5%	65.5%	63.7%	65.0%	63.3%			
Four years later	88.5%	74.7%	65.7%	62.9%	63.8%				
Five years later	90.2%	73.4%	65.0%	62.2%					
Six years later	90.2%	74.3%	64.6%						
Seven years later	90.3%	74.1%							
Eight years later	90.6%								

This table represents the loss ratio development for individual accident years for the Group, with General Insurance segment being the primary driver. Individual accident years are affected by the level of large catastrophe losses which had the following impact on the loss ratios: the 2004 and 2005 hurricanes impacted the loss ratios by 2.8 and 4.6 percentage points, the winter storm Kyrill and the UK floods in 2007 impacted the loss ratio by 2.5 percentage points, and in 2008 the impact of hurricanes Gustav and Ike was 1.8 percentage points. The development of 2003 and subsequent years demonstrates the Group's philosophy of taking a prudent initial view on reserving with the expectation of achieving a favorable development over time.

Reserves for life insurance contracts and liabilities for investment contracts

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

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

in USD millions	Global Life	Other segments	Total Group
Net reserves as of January 1, 2009	154,700	17,278	171,978
Movements in net reserves	25,445	(181)	25,264
Net reserves as of December 31, 2009	**180,145**	**17,096**	**197,242**

The following provides further detail on the development and composition of reserves and liabilities in our **Global Life** business.

Global Life – Development of reserves and liabilities

in USD millions	Unit-linked insurance and investment contracts[1]		Other life insurance liabilities[2]		Total reserves and liabilities	
	2009	2008	**2009**	2008	**2009**	2008
As of January 1						
Gross reserves	71,299	109,072	85,393	91,678	156,692	200,750
Reinsurers' share[3]	–	–	(1,992)	(9,551)	(1,992)	(9,551)
Net reserves	**71,299**	**109,072**	**83,401**	**82,127**	**154,700**	**191,199**
Premiums and claims[4]	2,968	(1,485)	(2,796)	(3,469)	172	(4,954)
Interest and bonuses credited to policyholders	11,403	(18,615)	3,330	1,927	14,734	(16,689)
Change in assumptions	–	–	(59)	(202)	(59)	(202)
Acquisitions/(Divestments)	587	1,623	(495)	6,466	91	8,089
Decreases recorded in shareholders' equity	28	9	909	177	937	187
Foreign currency translation effects	6,556	(19,305)	3,014	(3,625)	9,570	(22,931)
As of December 31						
Net reserves	**92,841**	**71,299**	**87,304**	**83,401**	**180,145**	**154,700**
Reinsurers' share	–	–	(2,148)	(1,992)	(2,148)	(1,992)
Gross reserves	92,841	71,299	89,452	85,393	182,293	156,692

[1] Includes reserves for unit-linked contracts, the net amounts of which were USD 46.5 billion and USD 35.1 billion, and liabilities for investment contracts, the net amounts of which were USD 46.4 billion and USD 36.2 billion as of December 31, 2009 and 2008, respectively.
[2] Includes reserves for future life policyholders' benefits, the net amounts of which were USD 72.7 billion and USD 70.9 billion and policyholders' contract deposits and other funds, the net amounts of which were USD 14.6 billion and USD 12.5 billion as of December 31, 2009 and 2008, respectively.
[3] As of January 1, 2008, reinsurers' share of reserves for insurance contracts included USD 7.1 billion related to the reinsurance of a UK annuity portfolio. Subsequent to the approval from the UK High Court on June 30, 2008, the underlying contracts were transferred to the reinsurer, resulting in a reduction of gross reserves for insurance contracts and the related reinsurers' share.
[4] Premiums and claims include all balance sheet policyholder cash flows, fund deductions and profit and loss experience.

Total reserves and liabilities for insurance and investment contracts, net of reinsurance, increased by USD 25.4 billion or 16 percent in U.S. dollar terms compared with December 31, 2008 and by 10 percent in local currency. The increase in local currency was primarily driven by the interest and bonuses credited to policyholders for unit-linked insurance and investment contracts as well as traditional reserves. The improvement in net premiums and claims in 2009 compared with the prior year was primarily driven by the change from net policyholder outflows to net policyholder inflows in the unit-linked businesses in the UK, Spain, Germany and Luxembourg.

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

in USD millions, for the years ended December 31	Unit-linked insurance and investment contracts		Other life insurance liabilities		Total reserves and liabilities	
	2009	2008	**2009**	2008	**2009**	2008
Americas	1,233	926	6,730	6,258	7,964	7,184
of which:						
United States	*789*	*685*	*5,002*	*4,944*	*5,791*	*5,629*
Latin America	*444*	*241*	*1,729*	*1,314*	*2,173*	*1,555*
United Kingdom	51,968	42,655	4,394	4,033	56,363	46,688
Germany	9,467	6,387	42,645	40,879	52,111	47,266
Switzerland	1,842	1,676	15,678	15,044	17,520	16,720
Ireland	8,484	5,985	1,337	1,418	9,821	7,403
Spain	4,411	2,669	9,670	8,775	14,080	11,444
Emerging Markets in Asia	7,486	4,981	1,115	1,501	8,601	6,482
of which:						
ZIS	*7,121*	*4,749*	*252*	*696*	*7,373*	*5,446*
Hong Kong	*365*	*232*	*852*	*805*	*1,218*	*1,036*
Rest of the world	7,951	6,021	5,735	5,490	13,686	11,511
Eliminations	–	–	(2)	3	(2)	3
Total	**92,841**	**71,299**	**87,304**	**83,401**	**180,145**	**154,700**

Unit-linked insurance and investment contracts, net of reinsurance, increased by 30 percent, and by 20 percent in local currency terms, compared with December 31, 2008. The increase in local currency was mainly driven by the overall positive performance of the unit-linked funds in 2009 that benefited from the improvement in financial markets during the year, the new Private Banking Client Solutions hub in Luxembourg and by net positive policyholder cash flows.

Other life insurance liabilities, net of reinsurance, increased by 5 percent or by 2 percent in local currency terms, compared with December 31, 2008. The growth arose from higher interest and bonuses credited to policyholders for traditional products.

Indebtedness

in USD millions, as of December 31	2009							
	Repurchase agreements	Collateralized loans	Capital markets and banking	Senior debt[1]	Subordinated debt	2009	2008	Change
Operational debt	3,976	1,102	814	1,047	–	6,940	6,188	12.2%
Financial debt	–	–	25	5,230	5,167	10,422	9,633	8.2%
Total operational and financial debt	**3,976**	**1,102**	**839**	**6,277**	**5,167**	**17,362**	15,821	9.7%

[1] Of which USD 750 million currently classified as operational debt are under review for such qualification by Standard & Poor's.

Operational debt increased by USD 752 million or 12 percent in U.S. dollar terms. The increase arose primarily from the requirements of the Group's banking activities and an increase in obligations to repurchase securities. The change in the operational debt of banking activities was effected through the issuance, in September 2009, of USD 750 million of senior debt, through the Euro Medium Term Notes Programme (EMTN Programme), which was loaned directly to the Group's banking activities, which then repaid USD 450 million of existing operational debt.

Financial debt increased by USD 789 million or 8 percent in U.S. dollar terms. Approximately USD 200 million were due to foreign exchange fluctuations and the remainder was the result of several factors: the Group raised, in addition to the USD 750 million raised and then loaned to banking activities, a further USD 2.8 billion of which USD 2.0 billion was senior debt and USD 806 million was subordinated debt. This was partially offset by a USD 2.2 billion debt reduction, of which USD 1.4 billion was realized through the repayment of financial debt held by capital markets and banking activities and USD 871 million through the repurchase of subordinated debt instruments. The repurchase generated gains of USD 210 million, which are included in the result of Other Operating Businesses.

Details of the debt issuances and repurchases are set out in note 22 of the audited Consolidated Financial Statements.

Capitalization

in USD millions	Shareholders' equity	Non-controlling interests	Total equity
As of December 31, 2008	**22,103**	**1,678**	**23,781**
Proceeds from issuance of share capital	929	–	929
Proceeds from treasury share transactions	367	–	367
Dividends	(1,408)	(17)	(1,426)
Share-based payment transactions	59	–	59
Total comprehensive income	7,628	85	7,714
Net income after taxes	3,215	21	3,236
Net other recognized income and expenses	4,413	64	4,478
Net changes in capitalization and minority interests	–	54	54
As of December 31, 2009	**29,678**	**1,800**	**31,478**

Total equity increased by USD 7.7 billion or 32 percent to USD 31.5 billion compared with USD 23.8 billion as of December 31, 2008. The main drivers were net income after taxes for the year ended December 31, 2009 of USD 3.2 billion as well as net other recognized income of USD 4.5 billion. Net other recognized income before non-controlling interests consisted primarily of net unrealized gains on investments of USD 3.3 billion, largely as a result of narrowing credit spreads and falling yields on debt securities, and favorable currency translation adjustments of USD 1.0 billion.

The Group received proceeds of USD 1.3 billion through capital transactions. USD 1.2 billion of this arose from the placement of shares with institutional investors through the accelerated book building transaction announced on April 17, 2009, to support the capital requirements for the increase in the All Lines quota share reinsurance treaty with the Farmers Exchanges. The remainder of USD 145 million related to other treasury share transactions.

The Annual General Meeting approved a gross dividend of CHF 11.00 per share on April 2, 2009. This gross dividend was recognized through shareholders' equity during the second quarter of 2009.

The Board of Zurich Financial Services Ltd will propose for approval at the Annual General Meeting on March 30, 2010 a gross dividend of CHF 16.00.

Cash flows

Summary of cash flows

in USD millions, for the years ended December 31	2009	2008
Net cash provided by operating activities	(2,470)	7,350
Net cash used in investing activities	(581)	(1,443)
Net cash from (used in) financing activities	2,448	(2,551)
Foreign currency translation effects on cash and cash equivalents	870	(1,896)
Change in cash and cash equivalents excluding change in cash received as collateral for securities lending	267	1,460
Cash and cash equivalents as of January 1[1]	16,711	15,251
Cash and cash equivalents as of December 31[1]	16,978	16,711
Change in cash received as collateral for securities lending	316	(1,700)
Cash and cash equivalents as of January 1[2]	16,888	17,128
Cash and cash equivalents as of December 31[2]	**17,471**	**16,888**

[1] Excluding cash received as collateral for securities lending.
[2] Including cash received as collateral for securities lending.

Net cash provided by operating activities, which includes cash movements in and out of and within total investments as well as movements of debt attributable to our capital markets and banking activities, was a negative USD 2.5 billion for the year ended December 31, 2009. Net cash used in investing activities was USD 581 million, primarily related to the purchase of the management services business retained by the Group as a result of the 21st Century acquisition (see note 5 of the audited Consolidated Financial Statements). Net cash from financing activities of USD 2.4 billion was the net result of debt issuances and debt repurchases of USD 2.6 billion, proceeds from capital transactions of USD 1.3 billion and the payment of dividends of USD 1.4 billion (see Capitalization section).

Currency translation impact

The Group operates worldwide in multiple currencies and seeks to match foreign exchange exposures on an economic basis.

Differences arise when functional currencies are translated into the presentation currency (U.S. dollar). The table below shows the effect of foreign currency rates on the translation of selected line items.

Selected Group income statement line items

variance over the prior period, for the year ended December 31, 2009	in USD millions	in %
Gross written premiums and policy fees	(2,212)	(4%)
Insurance benefits and losses, gross of reinsurance	1,680	4%
Net income attributable to shareholders	(14)	–
Business operating profit	(147)	(3%)

The income statements are translated at average exchange rates. Throughout 2009, the U.S. dollar has on average been stronger against the Swiss franc and the euro and significantly against the British pound compared with 2008. The result has been a reduction in U.S. dollar terms in gross written premium which was partially compensated by a favorable impact on insurance benefits and losses.

Selected Group balance sheet line items

variance over December 31, 2008, as of December 31, 2009	in USD millions	in %
Total investments	13,507	5%
Reserves for insurance contracts, gross	9,034	4%
Cumulative translation adjustment in shareholders' equity	944	3%

The balance sheets are translated at end-of-period rates. The U.S. dollar has weakened against the euro and Swiss franc and especially against the British pound as of December 31, 2009 compared with December 31, 2008, resulting in an increase in U.S. dollar terms in most balance sheet line items.

Risk Review

Risk management is our business. We help our customers manage their risks, and are accountable for managing our own. In 2009 our robust, well-established risk management practices helped maintain a strong and stable foundation for the Group despite continued turmoil in our economic and operating environment.

The Risk Review is an integral part of the Consolidated Financial Statements (except for Economic Capital Adequacy on pages 134–135).

Contents

Mission and objectives of risk management

The mission of Zurich's Enterprise Risk Management is to promptly identify, measure, manage, report and monitor risks that affect the achievement of our strategic, operational and financial objectives. This includes adjusting the risk profile in line with the Group's stated risk tolerance to respond to new threats and opportunities in order to optimize returns.

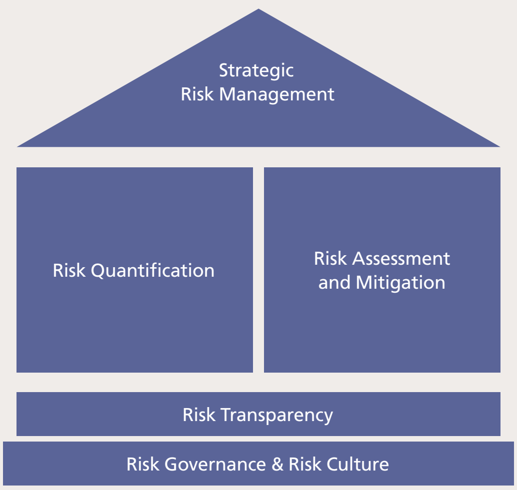
Our major Enterprise Risk Management objectives are to:

- Protect the capital base by monitoring that risks are not taken beyond the Group's risk tolerance
- Enhance value creation and contribute to an optimal risk-return profile by providing the basis for an efficient capital deployment
- Support the Group's decision-making processes by providing consistent, reliable and timely risk information
- Protect our reputation and brand by promoting a sound culture of risk awareness and disciplined and informed risk taking

Risk management framework

In order to achieve our mission and objectives, the Group relies on its risk management framework.

Risk management framework



At the heart of the risk management framework is a robust governance process with clear responsibilities for taking, managing, monitoring and reporting risks. We articulate the roles and responsibilities for risk management throughout the organization, from the Board of Directors and the Chief Executive Officer to our businesses and functional areas, thus embedding risk management in the business (see Risk Governance and Risk Management Organization on page 101).

To support the governance process, the Group relies on documented policies and guidelines. The Zurich Risk Policy is the Group's main risk governance document; it specifies risk limits and authorities, reporting requirements, procedures to approve any exceptions and procedures for referring risk issues to senior management and the Board of Directors. Limits are specified per risk type, reflecting the Group's willingness and ability to take risk, considering earning stability, economic capital adequacy, financial flexibility and liquidity, franchise value and reputation, the Group's strategic direction and operational plan, and a reasonable balance between risk and return, aligned with economic and financial objectives. We regularly enhance the Zurich Risk Policy to reflect new insights and changes in our environment and to reflect changes to the Group's risk tolerance. In 2009, the Zurich Risk Policy was updated and strengthened for various areas, including asset/liability management, life insurance, reinsurance and operational risks. Related procedures and risk controls were strengthened or clarified for these areas and others, including post-merger integration and information security.

One of the key elements of the Group's risk management framework is to foster risk transparency by establishing risk reporting standards throughout the Group. We regularly report on our risk profile, current risk issues, adherence to our risk policies and improvement actions both at a local and on a Group level. The Group has solid procedures in place for the timely referral of risk issues to senior management and the Board of Directors.

Various governance and control functions coordinate to help ensure that objectives are being achieved, risks are identified and appropriately managed and internal controls are in place and operating effectively. This coordination is referred to as "integrated assurance."

Risk management is not only embedded in our business but is also aligned with the Group's strategic and operational planning process. We assess risks systematically and from a strategic perspective through our proprietary Total Risk Profiling™ (TRP) process, which allows us to identify and then evaluate the probability of a risk scenario occurring, as well as the severity of the consequences should it occur. We then develop, implement and monitor appropriate improvement actions. The TRP process is integral to how we deal with change, and is particularly suited for evaluating strategic risks as well as risks to our reputation. At Group level this process is performed annually, reviewed regularly and closely tied to the planning process.

In addition to this qualitative approach the Group regularly measures and quantifies material risks to which it is exposed. Our Risk-Based Capital model provides a key input into the Group's strategic planning process as it allows an assessment as to whether the Group's risk profile is in line with the Group's risk tolerance. In particular, our Risk-Based Capital model forms the basis for optimizing the Group's risk-return profile by providing consistent risk measurement across the Group.

An important element of our sound risk culture is a well-balanced and effectively managed compensation program. This includes a Group-wide compensation philosophy, robust short-and long-term incentive compensation plans, strong governance and links to the business planning and risk policies of the Group. By defining the remuneration principles, the Board establishes the structure and design of the compensation arrangements so that they do not encourage risk taking that could jeopardize the financial position of the Group. For more information on our remuneration system, refer to the Remuneration Report (unaudited).

Through these processes, responsibilities and policies, we embed a culture of disciplined risk taking across the Group. We continue to consciously take risks for which we expect an adequate return. This approach requires sound judgment and an acceptance that certain risks can and will materialize in the future.

External perspectives

Various external stakeholders, among them regulators, rating agencies, investors and accounting bodies, are placing increasing emphasis on the importance of sound risk management in our industry.

New and emerging regulatory regimes, such as the Swiss Solvency Test and Solvency II in the European Union, emphasize a risk-based and economic approach, based on comprehensive quantitative and qualitative assessments and reports.

Rating agencies are increasingly interested in risk management as a factor in evaluating companies. Standard & Poor's, a rating agency with a separate rating for Enterprise Risk Management, confirmed our Group's Enterprise Risk Management rating as "strong" in 2009. Reinsurance risk, credit risk and asset/liability management and market risk controls were upgraded from "strong" to "excellent." Reserving risk, catastrophe risk and operational risk controls were upgraded from "adequate" to "strong." Strategic and emerging risk management remain "strong." After this latest review, Zurich is now rated either "strong" or "excellent" in all of Standard & Poor's dimensions for Enterprise Risk Management.

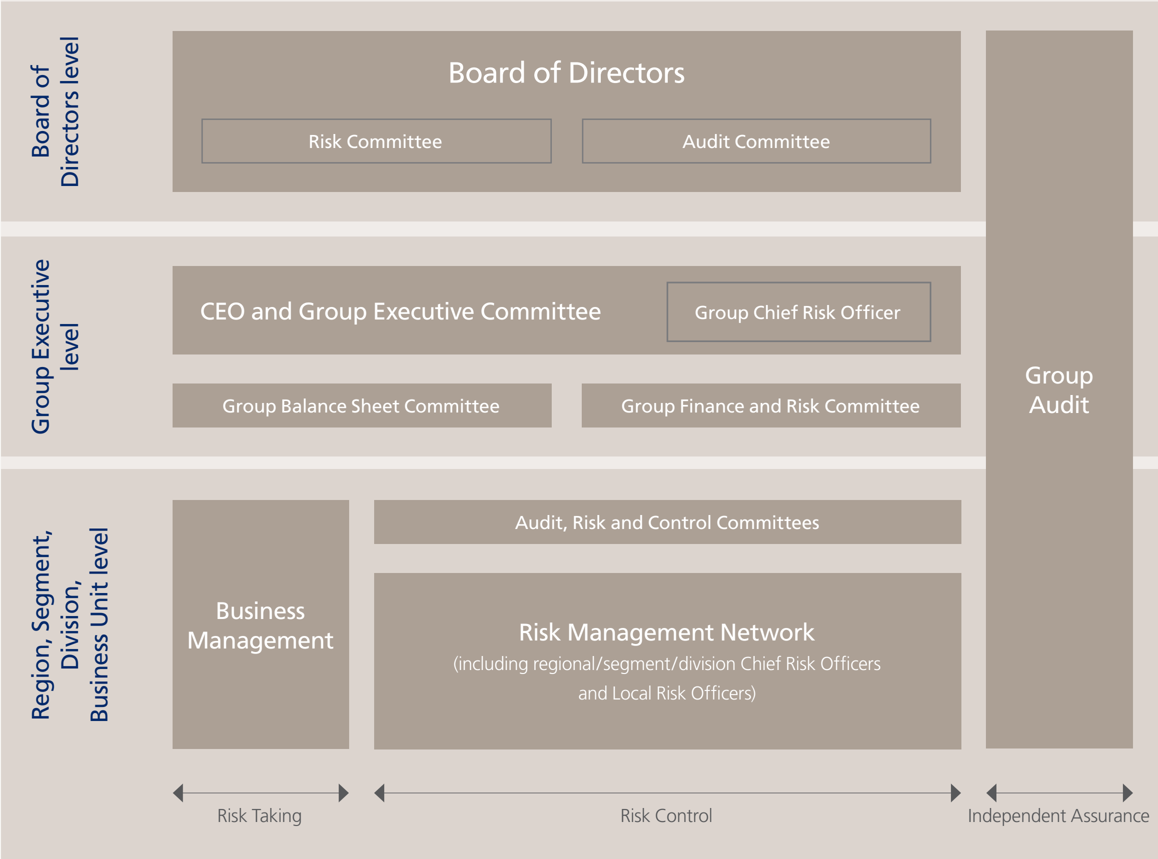
We also seek external expertise from our International Advisory Council, Natural Catastrophe Advisory Council and Climate Change Advisory Council to better understand and assess our risks, particularly regarding areas of complex change. For discussion of these councils, refer to the Corporate Governance Report (unaudited). In addition, the Investment Management Advisory Council provides feedback to Investment Management on achieving superior risk-adjusted returns versus liabilities for the Group's invested assets.

We are also involved in a number of international industry organizations engaged in advancing the regulatory dialogue pertaining to insurance and financial services. In 2009, Zurich senior executives contributed to the drafting of key papers issued by the CRO Forum (an organization composed of the chief risk officers of major European insurance companies and financial conglomerates that focuses on developing and promoting industry best practices in risk management). Zurich contributed to the drafting of the paper "Insurance Risk Management Response to the Financial Crisis" (April 2009), in addition to papers on internal model admissibility and operational risk management. In 2010, Zurich's Chief Risk Officer serves as vice chair of the CRO Forum. In addition, at the end of 2009, Zurich's Chief Financial Officer assumed the chair of the CFO Forum (an organization composed of the chief financial officers of major European insurance companies and financial conglomerates particularly active in contributing to the development of new accounting and regulatory standards). Zurich is also a contributing partner to the annual report on global risks, a collaborative effort under the auspices of the World Economic Forum (WEF) and produced in conjunction with the WEF Global Risk Network.

Risk governance and risk management organization

The section below gives an overview of the Group's risk governance and risk management organization.

Risk governance overview



The overview above highlights only key elements of the governance framework that specifically relate to risk management.

Board of Directors level

The Board of Directors of Zurich Financial Services Ltd has ultimate oversight responsibility for the Group's risk management. It establishes the guidelines for the Group's risk management framework and key principles, particularly as articulated in the Zurich Risk Policy, and decides on changes to such guidelines and key principles, as well as transactions reaching specified thresholds.

The Risk Committee of the Board serves as a focal point for oversight regarding the Group's risk management, in particular the Group's risk tolerance, including agreed limits that the Board regards as acceptable for Zurich to bear, the aggregation of these limits across the Group, the measurement of adherence to risk limits, and the Group's risk tolerance in relation to anticipated capital levels. The Risk Committee further oversees the Group-wide risk governance framework, including risk management and control, risk policies and their implementation, as well as risk strategy and the monitoring of operational risks. The Risk Committee also reviews the methodologies for risk measurement and the Group's adherence to its risk limits. The Risk Committee further reviews, with business management and the Group Risk Management function, the Group's general policies and procedures and satisfies itself that effective systems of risk management are established and maintained. It receives periodic reports from Group Risk Management and assesses whether significant issues of a risk management and control nature are being appropriately addressed by management in a timely manner. The Risk Committee assesses the independence and objectivity of the Group Risk Management function, approves its terms of reference, reviews the activities, plans, organization and quality of the function, and reviews key risk management principles and procedures.

To facilitate information exchange between the Audit Committee of the Board and the Risk Committee of the Board, the chairperson of the Audit Committee is a member of the Risk Committee and vice-versa. The Risk Committee met six times in 2009.

Group Executive level

The Chief Executive Officer (CEO), together with the Group Executive Committee (GEC), oversees the Group's performance with regard to risk management and control, strategic, financial and business policy issues of Group-wide relevance. This includes monitoring adherence to and further development of the Group's risk management policies and procedures. The Group Finance and Risk Committee and the Group Balance Sheet Committee regularly review and make recommendations on the Group's risk profile and significant risk-related issues.

The Group Chief Risk Officer is a member of the GEC and reports directly to the CEO and the Risk Committee of the Board. He is a member of each of the management committees listed below, in order to provide a common and integrated approach to risk management, to allow for appropriate quantification and, where necessary, mitigation of risks identified in these committees.

At a Group level the management committees dealing with risks are:

- Group Balance Sheet Committee (GBSC) – acts as a cross-functional body whose main function is to control the activities that materially affect the balance sheets of the Group and its subsidiaries. The GBSC is charged with setting the annual capital and balance sheet plans for the Group based on the Group's strategy and its financial plans, as well as recommending specific transactions or unplanned business changes to the Group's balance sheet. The GBSC has oversight of all main levers of the balance sheet. It assesses the Group's capital adequacy, reinsurance, level of return, and desired growth. The GBSC reviews and recommends the Group's overall risk tolerance. It is chaired by the CEO.
- Group Finance and Risk Committee (GFRC) – acts as a cross-functional body for financial and risk management matters in the context of the strategy and the overall business activity of the Group. The GFRC oversees financial implications of business decisions and the effective management of the Group's overall risk profile, including risks related to insurance, financial markets and asset/liability, credit and operational risks as well as their interactions. The GFRC proposes remedial actions based on regular briefings from Group Risk Management on the risk profile of the Group. It reviews and formulates recommendations for future course of action with respect to potential merger and acquisition (M&A) transactions, changes to the Zurich Risk Policy, internal insurance programs for the Group, material changes to the Group's Risk-Based Capital methodology and the overall risk tolerance. The GFRC is chaired by the Group Chief Financial Officer, while the Group Chief Risk Officer acts as deputy.

The management committees rely on output provided by technical committees, including:

- Asset/Liability Management and Investment Committee (ALMIC) – deals with the Group's asset/liability exposure and investment strategies and is chaired by the Group Chief Investment Officer.
- Global Underwriting Committee (GUC) – acts as a focal point for underwriting policy and related risk controls for General Insurance and is chaired by the Global Chief Underwriting Officer.
- Group Reinsurance Committee (GRC) – oversees the purchase of reinsurance on a global basis. This committee also oversees the Group´s natural catastrophe exposure and is chaired by the Global Head of Group Reinsurance.

Representatives of Group Risk Management are members of all these technical committees.

Group Risk Management organization

The Group Chief Risk Officer leads the Group Risk Management function, which develops methods and processes for identifying, measuring, managing, reporting and monitoring risks throughout the Group. Group Risk Management proposes changes to the risk management framework and the Group's risk policies; it makes recommendations on the Group's risk tolerance and assesses the risk profile. The Group Chief Risk Officer is responsible for the oversight of risks across the Group; he regularly reports risk matters to the Chief Executive Officer, senior management committees and the Risk Committee of the Board.

The Group Risk Management organization consists of central functions at Corporate Center and a decentralized risk management network at regional, segment, business division, business unit and functional levels.

At Corporate Center there are two centers of expertise: risk analytics and risk operations. The risk analytics department quantitatively assesses insurance, financial market and asset/liability, credit and operational risks and is the Group's center of excellence for risk quantification and modeling. The risk operations department comprises operational risk management, the Internal Control Framework, IT risk management, Business Continuity Management and Disaster Recovery. It serves as the link between the risk management network (regions, segments, business divisions, business units and functions) and risk management at Corporate Center.

The decentralized risk management network consists of the Chief Risk Officers (CROs) of the Group's regions, segments and business divisions, and the Local Risk Officers (LROs) of the business units and functions and their staff. While their primary focus is on operational and business-related risks, they are responsible for providing a holistic view of risk for their area. The CROs and LROs are part of the respective business' management teams. While the LROs have a matrix reporting line to the regional, segment or business division CROs, the latter have a matrix reporting line to the Group Chief Risk Officer. The CROs of the Group's major regions, segments and business divisions are members of the Group CRO's executive leadership team.

In addition to the risk management network, the Group has a set of audit, risk and control committees that encompass the major business reporting areas and business units. Each committee has terms of reference tailored to its specific business area and local requirements. In particular, the committees are responsible for providing oversight of activities, organization and quality of the risk management and control functions. This includes monitoring adherence to policies and periodic risk reporting. Risk reporting to regional management and audit committees is coordinated in the context of Zurich's integrated assurance approach with other assurance, governance and control, technical and business functions to provide a holistic view of risks.

Risk types

In order to enable a consistent, systematic and disciplined approach to risk management, we categorize our main risks as follows:

- Strategic – the unintended risk that can result as a by-product of planning or executing a strategy
- Insurance – risk associated with the inherent uncertainty regarding the occurrence, amount or timing of insurance liabilities
- Market – risk associated with the Group's balance sheet positions where the value or cash flow depends on financial markets
- Credit – risk associated with a loss or potential loss from counterparties failing to fulfill their financial obligations
- Liquidity – risk that the Group does not have sufficient liquidity to meet its obligations when they fall due, or would have to incur excessive costs to do so
- Operational – risk associated with the people, processes and systems of the Group and external events
- Reputation – risk that an act or omission by the Group or any of its employees could result in damage to the Group's reputation or loss of trust among our stakeholders

Strategic risk

Strategic risk corresponds to the unintended risk that can result as a by-product of planning or executing the strategy. A strategy is a long term plan of action designed to allow the Group to achieve its goals and aspirations. Strategic risks can arise from:

- Inadequate assessment of strategic plans
- Improper implementation of strategic plans
- Unexpected changes to assumptions underlying strategic plans

Risk considerations are a key element in the strategic decision-making process. The Group assesses the implications of strategic decisions on Risk Based Return Measures (RBRM) and Risk-Based Capital in order to optimize the risk-return profile and to take advantage of economically profitable growth opportunities as they arise.

The Group works on reducing the unintended risks of strategic business decisions through our risk assessment processes and tools, including the Total Risk Profiling™ process. The Group Executive Committee regularly assesses key strategic risk scenarios for the Group as a whole, including scenarios for emerging risks and their strategic implications.

We specifically evaluate the risks of M&A transactions both from a quantitative and a qualitative perspective. We conduct risk assessments of M&A transactions to evaluate risks specifically related to the integration of acquired businesses. In 2009, we strengthened our risk controls related to post-merger integration. The Group has, for example, specifically assessed the capital and risk implications associated with the 21st Century acquisition and has reacted accordingly by selling ordinary shares and issuing capital notes from the EMTN program at the acquisition; integration of the acquired business into the Group's framework for managing risk continues.

In 2009, the Group specifically assessed the risk implications of the strategic decision to outsource management of data centers and information technology infrastructure to a third party. Mitigating actions were planned and implemented as appropriate.

Insurance risk

Insurance risk is the inherent uncertainty regarding the occurrence, amount or timing of insurance liabilities. The exposure is transferred to the Group through the underwriting process. We actively seek to write those risks we understand and that provide a reasonable opportunity to earn an acceptable profit. As we assume certain customer risks, we aim to manage that transfer of risk, and minimize unintended underwriting risks, through such means as:

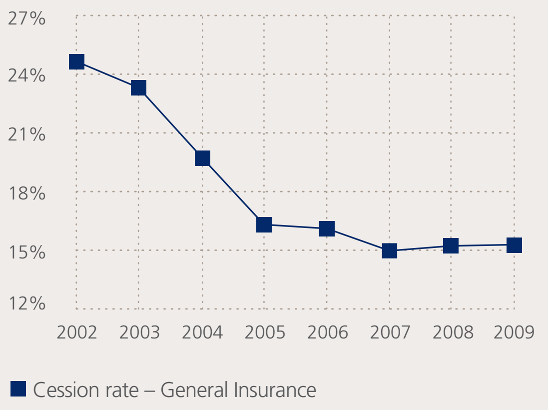
- Establishing limits for underwriting authority
- Requiring specific approvals for transactions involving new products or where established limits of size and complexity may be exceeded
- Using a variety of reserving and modeling methods to address the various insurance risks inherent in our insurance business
- Ceding insurance risk through proportional, non-proportional and specific risk reinsurance treaties. The Group centrally manages reinsurance treaties.

Reinsurance for General Insurance and Life Insurance

Our objectives for purchasing reinsurance are to provide market-leading capacity for our customers while protecting the balance sheet and optimizing the Group's capital efficiency. We follow a centralized purchasing strategy for both General Insurance and Life Insurance, and bundle programs where appropriate to benefit from diversification and economies of scale. We continue to use traditional reinsurance markets and other alternatives, such as catastrophe bonds, to protect Zurich against extreme single events and increased frequency of events. We are able to use our global reach in particular for catastrophe protection, where we have in place a combination of per event and annual aggregate covers, which protects our business both per event and by region, and also for multiple events across regions. This helps to reduce the risks posed by the frequency of catastrophes, as well as their severity.

Due to our strong balance sheet, we are able to structure and align our reinsurance programs to achieve an optimum risk/reward ratio. We are able to manage our risks so that we can retain a significant and stable portion of premium, as shown in the illustration below for General Insurance.

Ceded premium – trend
(% of General Insurance premium ceded to reinsurers)



General Insurance risk

General Insurance risk includes the reasonable possibility of significant loss due to uncertainty in the frequency of the occurrence of the insured events as well as in the severity of the resulting claims. The following provides an overview of the Group's main lines of business:

- Motor includes automobile physical damage, loss of the insured vehicle and automobile third party liability insurance.
- Property includes fire risks (for example fire, explosion and business interruption), natural perils (for example earthquake, windstorm and flood), engineering lines (for example boiler explosion, machinery breakdown and construction) and marine (cargo and hull).
- Liability includes general/public and product liability, excess and umbrella liability, professional liability including medical malpractice, directors and officers liability and errors and omissions liability.
- Special lines include credit and surety, crime and fidelity, accident and health, and crop.
- Worker injury includes workers compensation and employers liability.

The Group's underwriting strategy is to take advantage of the diversification of general insurance risks across industries and geographic regions in which the Group operates. The Group seeks to optimize shareholder value by achieving its mid-term return on equity goals. Doing so necessitates a prudent, stable underwriting philosophy that aims to take advantage of our competitive strengths while avoiding risks with disruptive volatility. At the core of the Group's underwriting is a robust governance process. Our four major processes for underwriting governance – underwriting strategy, authorities, referrals and reviews – are implemented at Group and local levels.

A fundamental component of managing our risks is underwriting discipline. We set limits on underwriting capacity, and cascade authority to individuals based on their specific expertise. Through The Zurich Way, we set appropriate pricing guidelines with a focus on consistent technical pricing across the organization. As part of these guidelines the Group requires the setting of a technical price according to common standards. The technical price is set in a way that allows producing a return on Risk-Based Capital in line with the Group's target. The ratio of actual premium to technical price is a key performance metric, which is monitored continuously. Technical reviews confirm whether underwriters perform within authorities and adhere to our underwriting philosophies and policies. Our global line of business networks share best practices across the globe, providing additional guidance and governance. We have governance procedures to review and approve potential new products to evaluate whether the risks are well understood and justified by the potential rewards.

The Group faces the risk that actual losses emerging on claims provisions may be higher than anticipated. Because of this uncertainty, General Insurance reserves are regularly measured, reviewed and monitored. The total loss and loss adjustment expense reserves are calculated based on work performed locally by qualified and experienced actuaries. To arrive at their reserve estimates, the actuaries take into consideration, among other things, the latest available facts, historical trends and patterns of loss payments, exposure growth, court decisions, economic conditions and public attitudes that may affect the ultimate cost of settlement. In most instances these analyses are made throughout the year according to locally developed and agreed timetables. Analyses are performed by product line, type and extent of coverage and year of occurrence. The Group total loss and loss adjustment expense reserves are the consolidation of the locally calculated reserves which are then discussed and approved by Corporate Center actuaries and Group management. As with any projection there is an inherent uncertainty in the estimation of claim reserves due to the fact that the ultimate liability for claims will be impacted by trends as yet unknown including future changes in the likelihood of claimants bringing suit, the size of court awards, and the attitudes of claimants toward settlement of their claims.

The Group closely monitors potential new emerging risk exposures. Zurich has an Emerging Risk Group, with cross-functional expertise to identify, assess and recommend actions for such risks on a Group level. Emerging risks are phenomena whose full nature and effects are not yet known. They may affect the financial results of our underwriting operations now, or in the future. Examples of such risks are the possible consequences of nanotechnology, electromagnetic fields, and genetically modified organisms. In addition, the Group is engaged in the report on global risks with the World Economic Forum, where risks are considered from a broad macro-economic perspective. Zurich is also a standing member, and in 2010 chairs, the Emerging Risk Initiative of the CRO Forum.

In addition to the specific risks insured, each line of business could expose the Group to losses that could arise from natural and man-made catastrophes. The main concentrations of risks arising from such potential catastrophes are regularly reported to senior management. The most important peril regions and risks are European windstorm, California earthquake, U.S. and Caribbean windstorm and UK river flood, as well as potential terrorism exposures.

The table below shows the Group's concentration of risk within the General Insurance business by region and line of business based on direct written premiums before reinsurance. The Group's exposure to general insurance risks varies significantly by geographic region and may change over time. Premiums ceded to reinsurers (including retrocessions) amounted to USD 5,222 million and USD 5,646 million for the years ended December 31, 2009 and 2008, respectively. Reinsurance programs such as catastrophe covers are managed on a global basis, and therefore, net premium after reinsurance is monitored on an aggregated basis.

Table 1.a

General Insurance – Direct written premiums and policy fees by line of business and by region

in USD millions, for the year ended December 31, 2009	Motor	Property	Liability	Special lines	Worker injury	Total
North America	1,473	2,799	3,566	1,489	2,158	11,485
Europe & Africa	7,382	5,463	2,514	2,186	516	18,062
International Markets[1]	1,035	875	313	669	78	2,970
Total	**9,890**	**9,137**	**6,393**	**4,345**	**2,752**	**32,516**

[1] Including intercompany eliminations

Table 1.b

General Insurance – Direct written premiums and policy fees by line of business and by region

in USD millions, for the year ended December 31, 2008	Motor	Property	Liability	Special lines	Worker injury	Total
North America	1,690	3,291	4,289	1,445	2,342	13,056
Europe & Africa	8,187	5,771	2,701	2,308	655	19,622
International Markets[1]	1,046	826	311	422	74	2,679
Total	**10,923**	**9,888**	**7,301**	**4,174**	**3,071**	**35,357**

[1] Including intercompany eliminations

Sensitivities analysis for General Insurance risk

The following table shows the sensitivity of net income before tax and the sensitivity of net assets, using the Group effective income tax rate, as a result of adverse development in the net loss ratio by one percentage point. Such an increase could arise from either higher frequency of the occurrence of the insured events or from an increase in the severity of resulting claims or from a combination of frequency and severity. The sensitivities do not indicate a probability of such an event and do not consider any non-linear effects of reinsurance. Based on the assumptions applied in the presentation of the sensitivity analysis in the table below, each additional percentage point increase in the loss ratio would lead to a linear impact on net income before tax and net assets applying the assumptions as for this table. In addition, the Group monitors insurance risk by evaluating extreme scenarios, taking into account non-linear effects of reinsurance contracts.

Table 2.a

Insurance risk sensitivity for the General Insurance business

in USD millions, for the year ended December 31, 2009	Global Corporate	North America Commercial	Europe General Insurance	International Markets
+1% in net loss ratio				
Net income before tax	(47)	(83)	(139)	(21)
Net assets	(37)	(65)	(109)	(16)

Table 2.b

Insurance risk sensitivity for the General Insurance business

in USD millions, for the year ended December 31, 2008	Global Corporate	North America Commercial	Europe General Insurance	International Markets
+1% in net loss ratio				
Net income before tax	(48)	(93)	(148)	(20)
Net assets	(39)	(75)	(120)	(16)

Modeling natural catastrophes

Understanding the potential effects of natural catastrophes is a critical component of our risk management for General Insurance. While specific catastrophes are unpredictable, modeling helps to determine potential losses should catastrophes occur. We use a combination of third party and in-house models to manage our underwriting and accumulations in modeled areas so that we stay within intended exposure limits and to guide the levels of reinsurance we buy.

We model at the local and Group level to assess and aggregate our exposures. We centrally oversee our modeling for consistency in approach and from a global perspective on our accumulations. We have technical centers embedded within the business which help to improve the overall quality of our data. We model potential losses from our property policies located in the most hazard-prone areas and adjust for non-property related losses. These assessments principally address climate-induced perils such as windstorms, river floods, tornadoes, and hail, and geo-risk perils such as earthquakes. We constantly seek to improve our modeling, fill in gaps in models with additional assessments and increase the granularity of our data collection in order to increase the accuracy and utility of our information.

The models cover the major peril regions where we face potential exposure and therefore we now make incremental additions; in 2009, we added another climate-induced peril region (Mexico wind). Also, we continued our effort to extend our assessments by evaluating potential correlations between property and other lines of business such as engineering or marine for our major peril regions.

Peril regions assessed for 2009

Georisks (earthquake)
Climate-induced (includes one or more of windstorm, river flood, tornado/hail)
Georisks and climate induced

Our Group-wide catastrophe modeling is annual, and quarterly for significantly exposed regions.

Risks from man-made catastrophes

Man-made catastrophes include such risks as industrial accidents and all types of terrorism attacks. Zurich's experience in monitoring potential exposures from natural catastrophes is also applicable to threats posed by man-made catastrophes, particularly terrorism. Due to the high degree of uncertainty about what events might actually occur, our accumulation monitoring and analyses contain a number of assumptions about the potential characteristics of such threats.

We review and aggregate workers' injury and property exposures to identify areas of significant concentration. We also assess other lines of business, such as liability and auto, although the potential exposure is not as significant. The resulting data allows our underwriters to evaluate how insuring a particular customer's risk might affect Zurich's overall exposure. In North America, we use a vendor-provided catastrophe model to evaluate our potential exposures in every major U.S. city. We undertake more detailed and frequent analytics for cities in which we have greater exposure. In 2009, we continued to use a multi-disciplinary team to examine the vendor tool and make adjustments based on our own experience, expertise and view of the potential risks.

For other areas, our analysis has shown that our exposures are significantly lower, due in large part to government provided pools. We periodically monitor accumulation limits for those areas.

Life Insurance risk

The risks associated with life insurance include:

- Mortality risk is the risk that actual policyholder death experience on life insurance policies is higher than expected.
- Longevity risk is the risk that annuitants live longer than expected.
- Morbidity risk is the risk that policyholder health-related claims are higher than expected.
- Policyholder behavior risk is the risk that policyholder's behavior in discontinuing and reducing contributions or withdrawing benefits prior to the maturity of the contract is worse than expected. Poor persistency rates may lead to fewer policies remaining on the books to defray future fixed expenses and reduce the future positive cash flows from the business written potentially impacting our ability to recover deferred acquisition expenses.
- Expense risk is the risk that expenses incurred in acquiring and administering policies are higher than expected.
- Market risk is the risk associated with the Group's balance sheet positions where the value or cash flow depends on financial markets, which are managed as part of market risk.
- Credit risk is the risk associated with a loss or potential loss from counterparties failing to fulfill their financial obligations, which are managed as part of credit risk.

A more diversified portfolio of risks is less likely to be affected across the board by a change in any subset of the risks. As a result, the offsetting effects of Life and General Insurance, as well as between unit-linked and traditional business, reduce some of the risk associated with Life Insurance business.

We have formal local product development committees and a Group-level product approval committee, under the leadership of the Global Life Chief Risk Officer, for potential new Life products that could significantly increase or change the nature of our risks. Such reviews allow us to manage new risks inherent in our new business propositions. We regularly review the continued suitability and the potential risks of existing products. Global Life has a financial management committee that further refines the identification, monitoring and mitigation of risks to the balance sheets of the Life entities.

Our use of market-consistent embedded value reporting principles allows us to further understand and report on the risk profile of our Life products and how risks would change in differing market conditions. Embedded value is the measure that markets use to value life businesses; we are using a market-consistent approach, which is considered industry best practice. For more information, refer to the Embedded Value Report.

The following table shows the Group's concentration of risk within the Life business by region and line of business based on reserves for Life Insurance on a net basis. The Group's exposure to life insurance risks varies significantly by geographic region and line of business and may change over time.

Reserves, net of reinsurance, by region

Table 3

in USD millions, as of December 31	Unit-linked insurance contracts		Other life insurance liabilities		Total reserves	
	2009	2008	**2009**	2008	**2009**	2008
Global Life						
Americas	854	557	6,730	6,258	7,584	6,815
United Kingdom	28,126	23,097	4,394	4,033	32,520	27,130
Germany	8,690	5,774	42,645	40,879	51,334	46,653
Switzerland	590	491	15,678	15,044	16,268	15,536
Ireland	131	80	1,337	1,418	1,469	1,498
Spain	4,411	2,669	9,670	8,775	14,080	11,444
Emerging Markets in Asia	1,960	826	1,115	1,501	3,075	2,327
Rest of the world	1,707	1,576	5,735	5,490	7,442	7,066
Eliminations	–	–	(2)	3	(2)	3
Subtotal	**46,468**	35,069	**87,304**	83,401	**133,772**	118,470
Other segments	11,736	12,228	5,610	5,301	17,346	17,529
Total	**58,204**	47,297	**92,914**	88,702	**151,118**	135,999

From a risk-management perspective, unit-linked products have been designed in order to reduce much of the market and credit risk associated with traditional business for the Group. The risks inherent in these products are largely passed on to the policyholder, although a portion of our management fees are linked to the value of funds under management and hence are at risk if the fund values decrease. Unit-linked products carry mortality risk and market risk to the extent that there are guarantees in the product design. Contracts may have minimum guaranteed death benefits where the sum at risk depends on the fair value of the underlying investments. For certain contracts these risks are mitigated by explicit mortality and morbidity charges.

Other life insurance liabilities include traditional life insurance products, which include protection products and life annuity products. Protection products carry mortality, longevity and morbidity risk as well as market and credit risk. The most significant factors that could increase the frequency of mortality claims are epidemics, such as strains of influenza, or lifestyle changes such as eating, drinking and exercise habits, resulting in earlier or more claims than expected. Morbidity claims experience would not only be affected by the factors mentioned above, but because disability is defined in terms of the ability to perform an occupation, it could also be affected by economic conditions. In order to reduce cross-subsidies in the pricing basis, premiums are differentiated for example by product, age, gender and smoker status. The policy terms and conditions and the disclosure requirements contained in insurance applications are designed to mitigate the risk arising from non-standard and unpredictable risks that may result in severe financial loss.

In the life annuity business, the most significant insurance risk is continued medical advances and improvement in social conditions that lead to increases in longevity. Annuitant mortality assumptions include allowance for future mortality improvements.

In addition to the specific risks listed above, the Group is exposed to policyholder behavior and expense risks. Policyholder behavior risk is mitigated by product designs that match revenue and expenses associated with the contract as closely as possible. Expense risk is mitigated by careful control of expenses and by regular expense analyses and allocation exercises.

Other segments includes certain life insurance contracts, which contain guarantees for which liabilities have been recorded for additional benefits and minimum guarantees. These arise primarily in the subsidiary Kemper Investors Life Insurance Company (KILICO) which in the past wrote variable annuity contracts that provide policyholders with certain guarantees related to minimum death and income benefits. After 2001, KILICO no longer issued new policies with such features. New Life products developed with guaranteed financial benefits are subject to review and approval by the Group-level product approval committee.

Refer to note 8 of the Consolidated Financial Statements for additional information on reserves for insurance contracts, and KILICO liabilities.

Sensitivities analysis for life insurance risk

The Group reports sensitivities of Life Insurance business on Embedded Value and New Business Value to changes in economic and operating risk factors. The operating factors include discontinuance rates, expenses, mortality and morbidity. The embedded value methodology adopted by the Group is based on a "bottom up" market-consistent approach to allow explicitly for market risks. Refer to the Embedded Value Report for more information on the sensitivities of Life Insurance business to economic and operating risk factors.

Market risk

Market risk is the risk associated with the Group's balance sheet positions where the value or cash flow depends on financial markets. Fluctuating risk drivers resulting in market risk include:

- Equity market prices
- Real estate market prices
- Interest rates and credit spreads
- Currency exchange rates

The Group manages the market risk of assets relative to liabilities on an economic total balance sheet basis. It strives to maximize the economic risk adjusted excess return of assets relative to the liability benchmark taking into account the Group's risk tolerance as well as local regulatory constraints.

The Group has policies and limits to manage market risk. We align our strategic asset allocation to our risk-taking capacity. We centralize management of certain asset classes to control aggregation of risk, and provide a consistent approach to constructing portfolios and selecting external asset managers. We also diversify portfolios, investments and asset managers. We regularly measure and manage market risk exposure. We have established limits on our concentration in investments by single issuers and certain asset classes as well as deviations of asset interest rate sensitivities from liability interest rate sensitivities, and we limit investments that are illiquid. The Group's Balance Sheet Committee reviews and recommends the Group's capital allocation to market risk, while the Asset/Liability Management and Investment Committee reviews and monitors the Group's strategic asset allocation and its tactical boundaries and monitors the Group's asset/liability exposure. The Group oversees the activities of local Asset/Liability Management and Investment committees and regularly assesses market risks both at a Group and at a local business level. Risk assessment includes quantification of the contributions to financial market risk from major risk drivers. The economic effect of potential extreme market moves is regularly examined and considered when setting the asset allocation.

Risk assessment reviews include the analysis of the management of interest rate risk for each major maturity bucket and adherence to the aggregated positions with risk limits.

In 2009, we strengthened our market and credit risk models to reflect the turbulence of the financial crisis. In line with its strategic asset allocation, the Group reduced its equity holdings in favor of fixed income securities. We continue to diligently apply processes to manage market risk scenarios to test and analyze market hotspots, and risk mitigation actions have been taken to manage fluctuations affecting asset/liability management and Risk-Based Capital.

The Group uses derivative financial instruments to limit market risks arising from changes in currency exchange rates, interest rates, equity prices and credit quality of our assets and liabilities and our commitments to third parties. The Group enters into derivative financial instruments mostly for economic hedging purposes and, in limited circumstances, the instruments may also meet the definition of an effective hedge for accounting purposes. The latter include cross-currency interest rate swaps in fair value hedges and cross-currency swaps in cash flow hedges of our borrowings, in order to mitigate our exposure to foreign currency and interest rate risk. In compliance with Swiss insurance regulation, the Group's policy prohibits speculative trading in derivatives, meaning a pattern of 'in and out' activity without reference to an underlying position. Derivatives are complex financial transactions; therefore, the Group addresses the risks arising from derivatives through a stringent policy that requires approval of a derivative program before transactions are initiated, and by subsequent regular monitoring of open positions and annual reviews of derivative programs by Group Risk Management.

For more information on the Group's investment result, including impairments and the treatment of selected financial instruments, refer to note 6 of the Consolidated Financial Statements. For more information on derivative financial instruments and hedge accounting, refer to note 7 of the Consolidated Financial Statements.

Risk from equity securities and real estate

The Group is exposed to various risks resulting from price fluctuations on equity securities, real estate and capital markets. Risks arising from equity securities and real estate could affect the Group's liquidity, reported income, surplus and regulatory capital position. The exposure to equity risk includes, but is not limited to, common stocks, including equity unit trusts; common stock portfolios backing participating with-profit policyholder contracts, and equities held for employee benefit plans. The exposure to real estate risk includes direct holdings in real estate, listed real estate company shares and funds, as well as real estate debt securities such as commercial and residential mortgages, commercial and residential mortgage-backed securities and mezzanine debt. Returns on unit-linked contracts, whether classified as insurance or investment contracts, may be exposed to risks from equity and real estate, but these risks are borne by policyholders. However, the Group is indirectly exposed to market movements from unit-linked contracts both with respect to earnings and with respect to economic capital. On the one hand they impact the amount of fee income earned when the fee income level is dependent on valuation of the asset base. On the other hand, the value of in-force business for unit-linked business can be negatively impacted by adverse movements in equity and real estate markets.

The Group manages its risks from equity securities and real estate as part of the overall investment risk management process, and applies limits as expressed in our policies and guidelines. Specifically, we have established limits for holdings in equities, real estate and alternative investments.

For additional information on equity securities and real estate held for investment, refer to note 6 of the Consolidated Financial Statements.

Interest rate risk

Interest rate risk is the risk of loss resulting from changes in interest rates, including changes in the shape of yield curves. The Group is exposed to interest rate risk including from debt securities, reserves for insurance contracts, liabilities for investment contracts, employee benefit plans and loans and receivables. Changes in interest rates affect the Group's held-to-maturity floating rate debt securities and unhedged floating rate borrowings through fluctuations in interest income and interest expense. Changes in interest rates affect the Group's held-for-trading debt securities and fair value hedged borrowings through periodic recognition of changes in their fair values through the income statement. Changes in interest rates affect the Group's available-for-sale debt securities through periodic recognition of changes in their fair values through shareholders' equity. We also manage the spread risk, which describes the sensitivity of the values of assets and liabilities due to changes in the level or the volatility of credit spreads over the risk-free interest rate yield curves.

Returns on unit-linked contracts, whether classified as insurance or investment contracts, are at the risk of the policyholder; however, the Group is exposed to fluctuations in interest rates in so far as they impact the amount of fee income earned if the fee income level is dependent on the valuation of the asset base.

Analysis of market risk sensitivities

Basis of presentation – General Insurance and rest of the business

The tables in the following section show the estimated economic market risk sensitivities of Group investments, including real estate for own use, liabilities, including insurance and financial liabilities, and the net impact for General Insurance and the rest of the business. Positive values represent an increase of the balance, whereas values in parentheses represent a decrease of the balance. Increases in the value of liabilities and decreases in the value of assets represent an economic risk for the Group. The net impact is the difference between the impact on Group investments and liabilities. The net impact represents the economic risk the Group faces related to changes in market risk factors, which is in line with management's monitoring of the Group's investment and liabilities base. As mentioned above, we have established limits on holdings in real assets and deviations of asset interest rate sensitivities from liability interest rate sensitivities, which limit the economic impact of interest rate, equity and real estate risk.

The basis of the presentation below is an economic valuation represented by the fair value for Group investments, IFRS insurance liabilities discounted at market rates to reflect the present value of insurance liability cash flows and other liabilities, for example own debt. Own debt does not include subordinated debt, which we consider available to protect policyholders in a worst-case situation. For determining the sensitivities, investments and liabilities are fully re-valued in the given scenarios. Each instrument is re-valued separately taking the relevant product features into account. Non-linear effects, where they exist, are fully reflected in the model. The sensitivities are shown before tax. They do not include impact of Group-internal transactions.

The following tables on sensitivities for the rest of the businesses include Farmers, Other Operating Businesses and Non-Core Businesses. Where Non-Core Businesses includes business with Life characteristics, the analysis is based on market-consistent embedded value market risk sensitivities. Refer to the Embedded Value Report for more details on the market risk sensitivities specifications.

Limitations of the analysis:

- The sensitivity analysis does not take into account actions that might be taken to mitigate losses, as we use an active strategy to manage these risks. This strategy may involve changing the asset allocation, for example through selling and buying assets.
- The sensitivities show the effects of a change of certain risk factors, while other assumptions remain unchanged.
- The interest rate scenarios assume a parallel shift of all interest rates in the respective currencies. They do not take into account the possibility that interest rate changes might differ by rating class (credit spread risk).
- The equity market scenarios assume a concurrent movement of all stock markets.
- The sensitivities are reasonably possible as of the balance sheet date, but do not indicate a probability of such events occurring in the future. They do not necessarily represent our view of expected future market changes. In addition to the sensitivities, management uses stress scenarios to assess the impact of more severe market movements on the Group's financial condition.

Basis of presentation – Global Life

The tables in the following section show the estimated economic sensitivity of the Embedded Value of the Global Life business to financial market movements. In modeling these exposures, where appropriate, allowance has been made for dynamic actions that would be taken by management or by policyholders. For contracts with financial options and guarantees, such as some participating business, movements in financial markets can change the nature and value of these benefits. The dynamics of these liabilities are captured so that this exposure is quantified, monitored, managed and where appropriate, mitigated.

Limitations of the analysis:

- The sensitivities show the effects of a change in certain risk factors, while other assumptions remain unchanged, except where they are directly affected by the revised conditions.
- The market risk scenarios assume a concurrent movement of all stock markets and an unrelated parallel shift of all interest rates in different currencies.
- In 2008, the scenario of a 10 percent stock market decline included a 10 percent fall in property market values. In 2009, the scenarios of a 10 percent stock market decline and a 10 percent fall in property market are calculated on a stand-alone basis. For 2009, the total impact is estimated as the simple sum of both scenarios.
- The assumptions on policyholder behavior, such as lapses, included in the sensitivity analysis for Global Life may be different from actual behavior. Therefore, the actual impact may deviate from the analysis.

Refer to the Embedded Value Report for more information.

Analysis of economic sensitivities for interest rate risk

The tables below show the estimated impacts of a one percentage point increase/decrease in yield curves of the major currencies U.S. dollar (USD), Euro (EUR), British pound (GBP), Swiss franc (CHF) and 'other currencies' after consideration of hedges in place, as of December 31, 2009 and 2008, respectively. The impact is shown in USD.

Table 4.a

Economic interest rate sensitivities for the Group's General Insurance business

in USD millions, as of December 31, 2009	USD	EUR	GBP	CHF	Other currencies	Total
100 basis points increase in the interest rate yield curves						
Group investments	(1,153)	(588)	(275)	(264)	(143)	**(2,424)**
Liabilities	(918)	(380)	(286)	(303)	(73)	**(1,960)**
Net impact	(235)	(209)	11	39	(70)	**(464)**
100 basis points decrease in the interest rate yield curves						
Group investments	1,045	622	293	241	140	**2,340**
Liabilities	962	401	300	328	70	**2,061**
Net Impact	82	221	(8)	(86)	70	**279**

Table 4.b

Economic interest rate sensitivities for the Group's General Insurance business

in USD millions, as of December 31, 2008	USD	EUR	GBP	CHF	Other currencies	Total
100 basis points increase in the interest rate yield curves						
Group investments	(885)	(567)	(182)	(278)	(124)	**(2,038)**
Liabilities	(1,011)	(341)	(233)	(237)	(69)	**(1,890)**
Net impact	125	(227)	50	(42)	(55)	**(148)**
100 basis points decrease in the interest rate yield curves						
Group investments	802	603	189	277	125	**1,996**
Liabilities	1,027	365	237	256	69	**1,954**
Net impact	(225)	238	(48)	21	56	**42**

Economic interest rate sensitivities for the Group's Global Life business

Table 5.a

in USD millions, as of December 31, 2009	USD	EUR	GBP	CHF	Other currencies	Total
100 basis points increase in the interest rate yield curves						
Total impact on Embedded Value	(242)	(234)	18	3	(69)	**(525)**
100 basis points decrease in the interest rate yield curves						
Total impact on Embedded Value	235	(675)	(55)	(40)	56	**(479)**

Economic interest rate sensitivities for the Group's Global Life business

Table 5.b

in USD millions, as of December 31, 2008	USD	EUR	GBP	CHF	Other currencies	Total
100 basis points increase in the interest rate yield curves						
Total impact on Embedded Value	(109)	76	(15)	139	(60)	**31**
100 basis points decrease in the interest rate yield curves						
Total impact on Embedded Value	(43)	(1,056)	(6)	(179)	51	**(1,233)**

Economic interest rate sensitivities for the rest of the businesses

Table 6.a

in USD millions, as of December 31, 2009	USD	EUR	GBP	CHF	Other currencies	Total
100 basis points increase in the interest rate yield curves						
Group investments	(802)	84	(254)	11	(3)	**(964)**
Liabilities	(634)	(153)	(35)	(43)	–	**(864)**
Net impact	(169)	237	(219)	54	(3)	**(100)**
100 basis points decrease in the interest rate yield curves						
Group investments	884	(97)	291	(1)	2	**1,079**
Liabilities	765	160	44	30	–	**1,000**
Net impact	119	(257)	247	(32)	2	**79**

Table 6.b

Economic interest rate sensitivities for the rest of the businesses

in USD millions, as of December 31, 2008	USD	EUR	GBP	CHF	Other currencies	Total
100 basis points increase in the interest rate yield curves						
Group investments	(582)	26	(211)	(1)	(47)	**(815)**
Liabilities	(831)	(93)	(70)	(60)	(1)	**(1,055)**
Net impact	249	119	(141)	59	(46)	**240**
100 basis points decrease in the interest rate yield curves						
Group investments	641	48	256	1	51	**997**
Liabilities	959	99	86	59	1	**1,204**
Net impact	(318)	(51)	169	(59)	50	**(208)**

Analysis of economic sensitivities for equity risk

The table below shows the estimated impacts from a 10 percent decline in stock markets, after consideration of hedges in place, as of December 31, 2009 and 2008, respectively. For Global Life, the analysis also includes the impact from a 10 percent decline in property market values.

Table 7

Economic equity price sensitivities for the General Insurance business

in USD millions, as of December 31	2009	2008
10% decline in stock markets		
Group investments	(362)	(437)
Liabilities	na	na
Net impact	(362)	(437)

Table 8

Economic equity price sensitivities for the Global Life business

in USD millions, as of December 31	2009	2008
10% decline in stock and property market values		
Impact of a decline in stock market values	(233)	na
Impact of a decline in property market values	(240)	na
Total impact on Embedded Value	(473)	(630)

Table 9

Economic equity price sensitivities for the rest of the businesses

in USD millions, as of December 31	2009	2008
10% decline in stock markets		
Group investments	(145)	(332)
Liabilities	139	61
Net impact	(284)	(393)

Currency risk

Currency risk is the risk of loss resulting from changes in exchange rates. The Group operates internationally and therefore is exposed to the financial impact arising from changes in the exchange rates of various currencies. The Group's presentation currency is the U.S. dollar (USD), but its assets, liabilities, income and expenses are denominated in many currencies, with significant amounts in the Euro, Swiss franc, British pound, as well as USD.

As the Group has chosen USD as its presentation currency, differences arise when functional currencies are translated into the presentation currency.

Using constant exchange rates from one year to the next, the Group's 2009 net income attributable to shareholders would have been higher by USD 14 million (applying 2008 exchange rates to the 2009 result). In 2008 the result would have been lower by USD 26 million (applying 2007 exchange rates to the 2008 results).

Net income after tax before non-controlling interests, by major functional currencies

Table 10

in USD millions, for the years ended December 31	**2009**	2008
USD	2,056	290
EUR	580	1,285
GBP	47	822
CHF	274	287
others	279	432
Total	**3,236**	**3,116**

The table above shows the net income after tax (NIAT) before non-controlling interests, by major functional currencies. The table, therefore, gives an indication of the Group's exposure to changes in currency exchange rates with respect to their impact on the Group's NIAT expressed in USD.

On local balance sheets there is the risk that a currency mismatch may lead to fluctuations in a balance sheet's net asset value, either through income or directly through equity. The Group manages this risk by matching foreign currency positions on local balance sheets within prescribed limits. The Group does not take speculative positions on foreign currency market movements. Currency risk is centrally managed, with hedging coordinated by Group Treasury. As a result, the monetary currency risk exposure on local balance sheets is considered immaterial.

Refer to notes 1 and 3 of the Consolidated Financial Statements for additional information on foreign currency translation and transactions.

Credit risk

Credit risk is the risk associated with a loss or potential loss from counterparties failing to fulfill their financial obligations. The Group's exposure to credit risk is derived from the following main areas:

- Debt securities
- Reinsurance assets
- Mortgage loans and mortgage loans given as collateral
- Other loans
- Receivables
- Derivatives

The Group manages individual exposures as well as concentrations of credit risk. Our objective in managing credit risk exposures is to maintain them within parameters that reflect our strategic objectives and the Group's risk tolerance. Sources of credit risk are assessed and monitored, and the Group has policies to manage the specific risks within the various subcategories of credit risk. To assess counterparty credit risk, the Group uses the ratings assigned by external rating agencies, qualified third parties, such as asset managers, and internal rating assessments. When there is a difference among external rating agencies, we apply the lowest of the external ratings, and we assess the external ratings for inconsistencies and consider other indicators of downward rating pressure, applying an internal rating when necessary. The Group maintains counterparty credit risk databases, recording external and internal sources of credit intelligence.

In 2009, further differentiation occurred between stronger and weaker credits, with fairly stable investment-grade default rates, while speculative-grades reached levels last seen in the 1991 recession. Zurich's portfolio maintained its high average credit quality throughout 2009 and is well positioned to continue this.

The Group regularly tests and analyzes credit risk scenarios. Beginning at the end of 2008 and continuing in 2009, the Group expanded the number and the specificity of scenarios tested, and prepared possible contingency measures, which might become necessary should the credit risk environment worsen. From the expanded set of scenarios, the Group has selected and standardized those most relevant to the Group to continue to test and regularly report about to senior management. The Group can adjust the scenarios if market conditions warrant.

Credit risk concentration

The Group regularly monitors and limits credit exposures by individual counterparty and related counterparties by the aggregated exposure across the various types of credit risk for that counterparty. The Group's exposure to counterparties' parent companies and subsidiaries across sources of credit risk is aggregated to include reinsurance assets, investments, certain insurance products and derivatives. Best estimates, based on statistical data and own assessment, are used to assign loss-given-default percentages and loss dependency factors reflecting, for example, double default events. The aggregated exposure information is compared with the Group's limits. The limits vary based on the underlying rating category of the counterparty. There was no material exposure in excess of the limits at December 31, 2009. The Group Chief Risk Officer routinely reports the largest exposures by rating category to the Risk Committee of the Board.

The maximum exposure to credit risk consists mainly of on-balance sheet exposures. Off-balance sheet exposures are primarily related to collateral (e.g. letters of credit) used to protect the underlying credit exposures on the balance sheet. We also have off-balance sheet exposures related to undrawn loan commitments of Zurich Bank of USD 310 million and USD 561 million as of December 31, 2009 and 2008, respectively. Refer to note 26 of the Consolidated Financial Statements for undrawn loan commitments.

Credit risk related to debt securities

The Group is exposed to credit risk from third party counterparties where the Group holds securities issued by those entities. The table below shows the credit risk exposure on debt securities, by issuer credit rating.

Table 11

Debt securities by rating of issuer

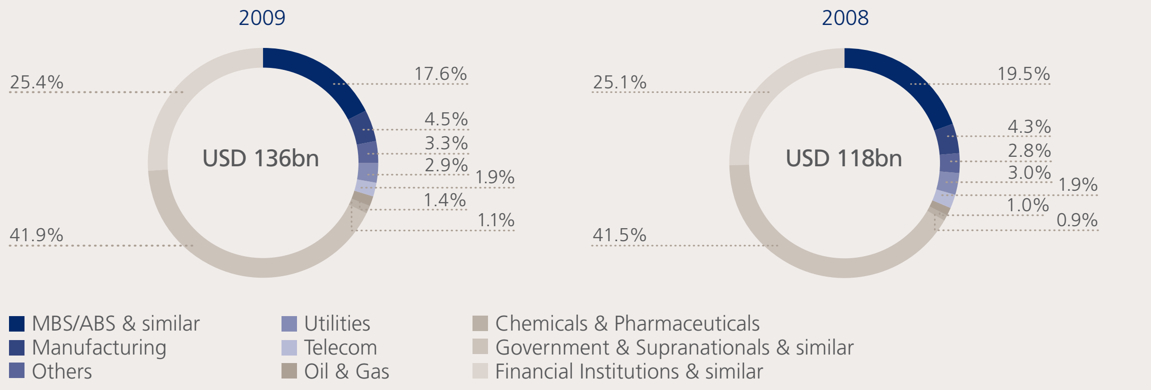
as of December 31	2009		2008	
	USD millions	**% of total**	USD millions	% of total
Rating				
AAA	71,031	52.1%	70,000	59.2%
AA	17,766	13.0%	13,229	11.2%
A	36,090	26.5%	27,316	23.1%
BBB	9,263	6.8%	6,752	5.7%
BB and below	1,906	1.4%	573	0.5%
Unrated	288	0.2%	417	0.4%
Total	**136,344**	**100.0%**	**118,287**	**100.0%**

The risk-weighted average issuer credit rating of the Group's debt securities portfolio is AA- (2008: AA). Applying the previously published linear average, the average rating would be AA, one notch lower than the AA+ reported in 2008. In order to better reflect inherent credit risks, we moved in 2009 from a linear to a risk-weighted scale, estimating the average credit quality of the debt securities portfolio calibrated to historical default statistics.

As of December 31, 2009 the largest concentration in the Group's debt securities portfolio is in government and supranational debt securities at 41.9 percent. A total of USD 43,260 million or 54.6 percent of the non-government and non-supranational debt securities are secured. As of December 31, 2008, 41.5 percent of the Group's debt portfolio was invested in governments and supranationals and a total of USD 38,187 million or 55.2 percent of the non-government and non-supranational debt securities were secured.

Debt securities – credit risk concentration by industry

(%, as of December 31)



As of December 31, 2009, investment grade securities comprise 98.4 percent of the Group's debt securities, and 52.1 percent are rated AAA. These percentages are within the limits in the Group's risk policy. As of December 31, 2008, investment grade securities comprised 99.2 percent of our debt securities, and 59.2 percent were rated AAA. The Group's investment policy prohibits speculative grade investments, unless specifically authorized and under exceptional circumstances. The Group identifies and implements appropriate corrective action on investments expected to be downgraded to below investment grade.

Credit risk related to reinsurance assets

As part of our overall risk management strategy, the Group cedes insurance risk through proportional, non-proportional and specific risk reinsurance treaties. While these cessions mitigate insurance risk, the recoverables from reinsurers and receivables arising from ceded reinsurance expose the Group to credit risk.

Our Corporate Reinsurance Security Committee manages the credit quality of our cessions and reinsurance assets. The Group typically cedes new business to authorized reinsurers with a minimum rating of BBB. As of December 31, 2009, 74% of the business ceded to reinsurers that fall below BBB or are not rated are collateralized. 51% of this business is ceded to captive insurance companies.

Reinsurance assets include reinsurance recoverables of USD 18,715 million and USD 18,684 million as of December 31, 2009 and 2008, respectively, which are the reinsurers' share of reserves for insurance contracts, and receivables arising from ceded reinsurance, gross of allowance for impairments, of USD 1,092 million and USD 1,166 million as of December 31, 2009 and 2008, respectively. Reserves for potentially uncollectible amounts of reinsurance assets amount to USD 268 million and USD 296 million as of December 31, 2009 and 2008, respectively. The Group's policy on impairment charges takes into account both specific charges for known situations (e.g. financial distress or litigation) and a general, prudent provision for unanticipated impairments.

Reinsurance assets in the table below are shown before taking into account the fair value of credit default swaps, bought by the Group to mitigate credit risks of the reinsurance exposure, and other collateral such as cash or letters of credit from banks rated at least 'A,' which can be converted into cash and deposits received under ceded reinsurance contracts.

The risk-weighted average credit quality of reinsurance assets (including receivables, but after deduction of collateral) was 'A' as of December 31, 2009 and 2008, respectively. Credit factors to determine the risk-weighted average credit quality of reinsurance assets are based on historical insurance impairment statistics, consistent with the prior year. For credit risk assessment purposes, collateral has been taken into account at nominal value as an approximation for fair value. For collateral we apply minimum requirements, such as a minimum rating for the issuers of letters of credit and guarantees, and for pledged assets a minimum coverage ratio of 100 percent.

The following table shows reinsurance premiums ceded and reinsurance assets split by rating. Due to the downgrade of large counterparties, there was a shift of reinsurance assets from the 'AA' category to the 'A' category.

Table 12

Reinsurance premiums ceded and reinsurance assets by rating of reinsurer and captive

as of December 31	**2009**				2008			
	Premiums ceded		**Reinsurance assets**		Premiums ceded		Reinsurance assets	
	USD millions	**% of total**	**USD millions**	**% of total**	USD millions	% of total	USD millions	% of total
Rating								
AAA	107	1.8%	85	0.4%	189	3.0%	417	2.1%
AA	1,209	20.7%	6,395	32.7%	1,495	24.0%	9,106	46.6%
A	2,401	41.1%	9,402	48.1%	2,465	39.6%	6,368	32.6%
BBB	693	11.9%	1,244	6.4%	706	11.3%	1,291	6.6%
BB	268	4.6%	410	2.1%	172	2.8%	280	1.4%
B	49	0.8%	87	0.4%	70	1.1%	96	0.5%
Unrated	1,117	19.1%	1,915	9.8%	1,129	18.1%	1,996	10.2%
Total	**5,844**	**100.0%**	**19,538** [1]	**100.0%**	**6,226**	**100.0%**	**19,554** [1]	**100.0%**

[1] The value of the collateral received amounts to USD 8,446 million and USD 8,662 million as of December 31, 2009 and 2008, respectively.

Credit risk related to mortgage loans and mortgage loans given as collateral

Mortgage loans and mortgage loans given as collateral expose the Group to credit risk. The mortgage business is dependent on local property market conditions and local legislation. Investment portfolio allocations made to mortgages consider these factors and are within the framework of the strategic asset allocation defined by the Group Asset/Liability Management Investment Committee and adapted and approved by local investment committees (except for the activities of Zurich Bank, which has its own policies that are aligned with the Group's policies). Conservative lending criteria and the diversification of loans across many single borrowers help reduce potential loss. Loans are secured by first mortgages only and maximum mortgage loan to property value ratios are applied. Furthermore, business units are required to clearly state criteria for determining borrower and collateral quality in their local mortgage policies. The Group specifies requirements for the local policies and sets monitoring and reporting standards. The Group closely monitors the performance of the portfolios in terms of impairments and losses.

The Group's largest mortgage loan portfolios are in Germany (USD 7,193 million, including mortgage loans given as collateral) and in Switzerland (USD 4,000 million); these are predominantly secured against residential property. The next largest portfolio comprises loans granted by Zurich Bank (including the UK property lending activity of Dunbar Bank) of USD 2,264 million in the UK and Ireland. They concern residential and commercial property development financing or investment loans, secured as either property under development or completed developments. Deteriorating economic conditions and decreases in property values in the UK and Ireland have led to a significant worsening of property loan performance at Zurich Bank, where impaired mortgage loans increased by USD 549 million over the year to amount to USD 611 million as of December 31, 2009. Similarly, past due but not impaired loans at Zurich Bank also increased by USD 47 million to USD 213 million as of December 31, 2009.

Mortgage loans given as collateral concern German mortgages that are subject to repurchase agreement, but where Zurich still retains the credit risk of the underlying mortgages. See note 16 of the Consolidated Financial Statements.

Credit risk related to other loans

The credit risk arising from other loans is assessed and monitored together with the fixed income securities portfolio. 69.1 percent of the reported loans are to government or supranational institutions, of which 99.5 percent are to the German Central Government or the German Federal States. The table below shows the composition of the loan portfolio by rating class. As of December 31, 2009, a total of USD 10,655 million or 70.7 percent of loans are secured. As of December 31, 2008, a total of USD 10,083 million or 72.1 percent of loans were secured.

Other loans by rating of issuer

Table 13

as of December 31	2009		2008	
	USD millions	**% of total**	USD millions	% of total
Rating				
AAA	7,934	52.6%	7,642	54.6%
AA	2,540	16.8%	2,369	16.9%
A	2,431	16.1%	1,258	9.0%
BBB	16	0.1%	2	0.0%
Unrated	2,156	14.3%	2,717	19.4%
Total	**15,077**	**100.0%**	**13,988**	**100.0%**

Credit risk related to receivables

The Group's largest credit risk exposure to receivables is from third party agents, brokers and other intermediaries; the risk arises where they collect premiums from customers to be paid to the Group or pay claims to customers on behalf of the Group. The Group has policies and standards to manage and monitor credit risk from intermediaries with a focus on day-to-day monitoring of the largest positions. As part of these standards, the Group requires that intermediaries maintain segregated cash accounts for policyholder money. Additionally, the Group requires intermediaries to satisfy minimum requirements in terms of their capitalization, reputation and experience as well as providing short-dated business credit terms.

Past due but not impaired receivables should be regarded as unsecured, but some of these receivable positions may be offset by collateral. The Group reports internally on Group past-due receivable balances and strives to keep the balance of past-due positions as low as possible, while taking into account customer satisfaction. In 2009, the Group continued efforts to reduce past-due receivables through both short- and long-term initiatives to improve our processes and systems. Longer-dated past-due receivable balances often relate to positions in dispute or subject to litigation.

Receivables from ceded reinsurance form part of the reinsurance assets and are managed accordingly.

Refer to note 15 of the Consolidated Financial Statements for additional information on receivables.

Credit risk related to derivatives

The positive replacement value of outstanding derivatives, such as interest rate, currency, total return and equity swaps, forward contracts and purchased options represents a credit risk to the Group. In addition there is a potential exposure arising from possible changes in replacement value. The Group regularly monitors credit risk exposures arising from derivative transactions. Outstanding positions with external counterparties are managed through an approval process embedded in derivative programs.

To limit credit risk, derivative financial instruments are typically executed with counterparties rated A- or better by an external rating agency. In addition, it is the Group standard to only transact derivatives with counterparties where we have an ISDA Master Agreement with a Credit Support Annex in place. This mitigates credit exposures from OTC transactions due to close-out netting and requires the counterparty to post collateral when the derivative position is beyond an agreed threshold. We mitigate credit exposures from derivative transactions further by using exchange-traded instruments whenever possible.

Analysis of financial assets

The table below provides an analysis, for non unit-linked businesses, of the age of financial assets that are past due but not impaired and of financial assets that are individually determined to be impaired.

Analysis of financial assets – current year

Table 14.a

in USD millions, as of December 31, 2009	Debt securities	Mortgage loans	Mortgage loans given as collateral	Other loans	Receivables and other financial assets	Total
Neither past due nor impaired financial assets	**135,717**	**12,105**	**1,090**	**15,076**	**15,504**	**179,493**
Past due but not impaired financial assets. Past due by:						
1 to 90 days	–	137	–	1	1,188	1,325
91 to 180 days	–	34	–	–	274	309
181 to 365 days	–	24	–	–	254	278
> 365 days	–	68	9	–	448	525
Past due but not impaired financial assets	**–**	**263**	**9**	**1**	**2,164**	**2,437**
Financial assets impaired	**758**	**641**	**5**	**1**	**226**	**1,630**
Gross carrying value	**136,476**	**13,010**	**1,103**	**15,079**	**17,893**	**183,560**
Less: impairment allowance						
Impairment allowances on individually assessed financial assets	132	239	1	1	160	534
Impairment allowances on collectively assessed financial assets	–	34	–	–	277	311
Net carrying value	**136,344** [1]	**12,736**	**1,102**	**15,077**	**17,456**	**182,715**

[1] Available-for-sale debt securities are included net of USD 510 million of impairment charges recognized during the year.

Analysis of financial assets – prior year

Table 14.b

in USD millions, as of December 31, 2008	Debt securities	Mortgage loans	Mortgage loans given as collateral	Other loans	Receivables and other financial assets	Total
Neither past due nor impaired financial assets	**117,982**	**12,587**	**1,219**	**13,961**	**13,784**	**159,534**
Past due but not impaired financial assets. Past due by:						
1 to 90 days	5	106	–	1	1,473	1,584
91 to 180 days	–	17	–	1	341	359
181 to 365 days	7	35	–	1	318	361
> 365 days	1	50	11	13	489	564
Past due but not impaired financial assets	**13**	**207**	**11**	**16**	**2,621**	**2,868**
Financial assets impaired	**357**	**77**	**3**	**16**	**187**	**640**
Gross carrying value	**118,352**	**12,871**	**1,234**	**13,994**	**16,592**	**163,042**
Less: impairment allowance						
Impairment allowances on individually assessed financial assets	65	30	1	6	171	273
Impairment allowances on collectively assessed financial assets	–	21	–	–	286	307
Net carrying value	**118,287** [1]	**12,820**	**1,233**	**13,988**	**16,135**	**162,462**

[1] Available-for-sale debt securities are included net of USD 1,142 million of impairment charges recognized during 2008.

The table below shows how the allowances for impairments of financial assets shown in tables 14a and 14b have developed over the 2008 and 2009 financial years.

Development of allowance for impairments – current year

Table 15.a

in USD millions	Debt securities held-to-maturity	Mortgage loans	Mortgage loans given as collateral	Other loans	Receivables
As of January 1, 2009	65	51	1	6	457
Increase/(Decrease) in allowance for impairments	63	231	1	(4)	(25)
Amounts written-off	–	(6)	(1)	(1)	(6)
Foreign currency translation effects	4	(3)	–	–	12
As of December 31, 2009	**132**	**273**	**1**	**1**	**437**

Development of allowance for impairments – prior year

Table 15.b

in USD millions	Debt securities held-to-maturity	Mortgage loans	Mortgage loans given as collateral	Other loans	Receivables
As of January 1, 2008	–	34	1	1	554
Increase/(Decrease) in allowance for impairments	69	24	(1)	6	(5)
Amounts written-off	–	–	1	–	(68)
Foreign currency translation effects	(4)	(8)	–	(1)	(24)
As of December 31, 2008	**65**	**51**	**1**	**6**	**457**

Liquidity risk

Liquidity risk is the risk that the Group may not have sufficient liquid financial resources to meet its obligations when they fall due, or would have to incur excessive costs to do so. Zurich's policy is to maintain adequate liquidity and contingent liquidity to meet its liquidity needs under both normal and stressed conditions. To achieve this, the Group assesses, monitors and manages its liquidity needs on an ongoing basis.

The Group has Group-wide liquidity management policies and specific guidelines as to how local businesses have to plan, manage and report their local liquidity. This includes regularly conducting stress tests for all major carriers within the Group. The stress tests use a standardized set of internally defined stress events, and are designed to provide an overview of the potential liquidity drain the Group would face if it had to recapitalize local balance sheets.

At the Group level, similar guidelines apply and detailed liquidity forecasts based on the local businesses' input and the Group's own forecasts are regularly performed. As part of its liquidity management, the Group maintains sufficient cash and cash equivalents to meet expected outflows including those for maturing debt obligations. In addition, the Group maintains internal liquidity sources that cover the Group's potential liquidity needs, including under stressed conditions. The Group takes into account the amount, permanence of availability and speed of accessibility of the sources. The Group centrally maintains committed borrowing facilities, as well as access to diverse funding sources to cover contingencies. Funding sources include asset sales, external debt issuances and use of Letters of Credit. The Group maintains a broad range of maturities for external debt securities. A possible concentration risk could arise from a downgrade of the Group's credit rating. This could impact the Group's commitments and guarantees, thus potentially increasing the Group's liquidity needs. These contingencies are also considered in the Group's liquidity management.

The Group limits the percentage of the investment portfolio that is not readily realizable, and regularly monitors exposures to take action if necessary to maintain an appropriate level of asset liquidity. During 2009, the Group was within its limits for asset liquidity. The Fair Value Hierarchy tables disclosed in note 27 to the Consolidated Financial Statements segregate financial assets in three levels to reflect how their fair value was determined. These tables indicate the high liquidity of our investments.

Refer to note 22 of the Consolidated Financial Statements for additional information on our debt obligation maturities and on credit facilities and to note 26 of the Consolidated Financial Statements for information on commitments and guarantees.

The Group's regular liquidity monitoring includes monthly reporting to the Group Finance and Risk Committee and executive management and quarterly reporting to the Board Risk Committee, covering aspects such as the Group's actual and forecasted liquidity, possible adverse scenarios that could affect the Group's liquidity and possible liquidity needs from the Group's main subsidiaries, including under stressed conditions.

The table below provides an analysis of the maturity profile of reserves for insurance contracts, net of reinsurance, based on expected cash flows without considering the surrender values as of December 31, 2009 and 2008. Reserves for unit-linked insurance contracts amounting to USD 58,204 million and USD 47,297 million as of December 31, 2009 and 2008, respectively, are not included in the table below, as policyholders can generally surrender their contracts at any time, at which point the underlying unit-linked assets would be liquidated. Risks from the liquidation of unit-linked assets are borne by the policyholders of unit-linked contracts.

Table 16.a

Expected maturity profile for reserves for insurance contracts, net of reinsurance

in USD millions, as of December 31, 2009	Reserves for losses and loss adjustment expenses	Future life policy-holders' benefits	Policyholders' contract deposits and other funds	Total
< 1 year	14,778	5,715	1,397	21,890
1 to 5 years	22,169	21,613	1,908	45,690
6 to 10 years	8,065	16,281	2,482	26,828
11 to 20 years	6,836	17,522	2,617	26,974
> 20 years	4,056	15,383	7,996	27,435
Total	**55,903**	**76,514**	**16,400**	**148,817**

Table 16.b

Expected maturity profile for reserves for insurance contracts, net of reinsurance

in USD millions, as of December 31, 2008	Reserves for losses and loss adjustment expenses	Future life policy-holders' benefits	Policyholders' contract deposits and other funds	Total
< 1 year	15,507	5,874	1,387	22,767
1 to 5 years	22,966	20,061	1,759	44,786
6 to 10 years	7,626	17,444	1,773	26,843
11 to 20 years	4,643	15,549	2,301	22,494
> 20 years	2,245	15,416	7,136	24,798
Total	**52,986**	**74,345**	**14,357**	**141,688**

For additional information on reserves for insurance contracts, refer to note 8 of the Consolidated Financial Statements.

The table below provides an analysis of the maturity of liabilities for investment contracts based on expected cash flows as of December 31, 2009 and 2008. The undiscounted contractual cash flows for liabilities for investment contracts are USD 48,423 million and USD 38,753 million as of December 31, 2009 and December 31, 2008, respectively. Liabilities for unit-linked investment contracts amount to USD 40,143 million and USD 30,397 million as at December 31, 2009 and 2008, respectively. The policyholders of unit-linked investment contracts can generally surrender their contracts at any time at which point the underlying unit-linked assets would be liquidated. Risks from the liquidation of unit-linked assets are borne by the policyholders of unit-linked investment contracts.

Certain non-unit-linked contracts also provide for surrender of the contract by the policyholder at any time. Liabilities for such contracts amounted to USD 1,162 million and USD 2,417 million as of December 31, 2009 and 2008 respectively. The Group has established active management of the Global Life in-force business to improve persistency and retention.

Table 17.a

Expected maturity profile for liabilities for investment contracts

in USD millions, as of December 31, 2009	Liabilities related to unit-linked investment contracts	Liabilities related to investment contracts (amortized cost)	Liabilities related to investment contracts with discretionary participation features	Total
< 1 year	3,510	210	370	4,090
1 to 5 years	5,301	22	1,235	6,558
6 to 10 years	6,487	14	1,149	7,650
11 to 20 years	8,557	7	1,025	9,589
> 20 years	16,287	1	1,948	18,236
Total	**40,143**	**254**	**5,728**	**46,124**

Table 17.b

Expected maturity profile for liabilities for investment contracts

in USD millions, as of December 31, 2008	Liabilities related to unit-linked investment contracts	Liabilities related to investment contracts (amortized cost)	Liabilities related to investment contracts with discretionary participation features	Total
< 1 year	2,750	80	182	3,012
1 to 5 years	4,335	20	1,370	5,725
6 to 10 years	5,498	13	966	6,478
11 to 20 years	7,124	7	999	8,131
> 20 years	10,689	1	1,944	12,634
Total	**30,397**	**122**	**5,461**	**35,979**

Refer to notes 16 and 22 of the Consolidated Financial Statements for information on the maturities of collateralized loans and total debt issued, respectively. For more information on the Group's other financial liabilities, refer to note 20 of the Consolidated Financial Statements. Refer to note 6 of the Consolidated Financial Statements for information on the maturity of our debt securities for total investments.

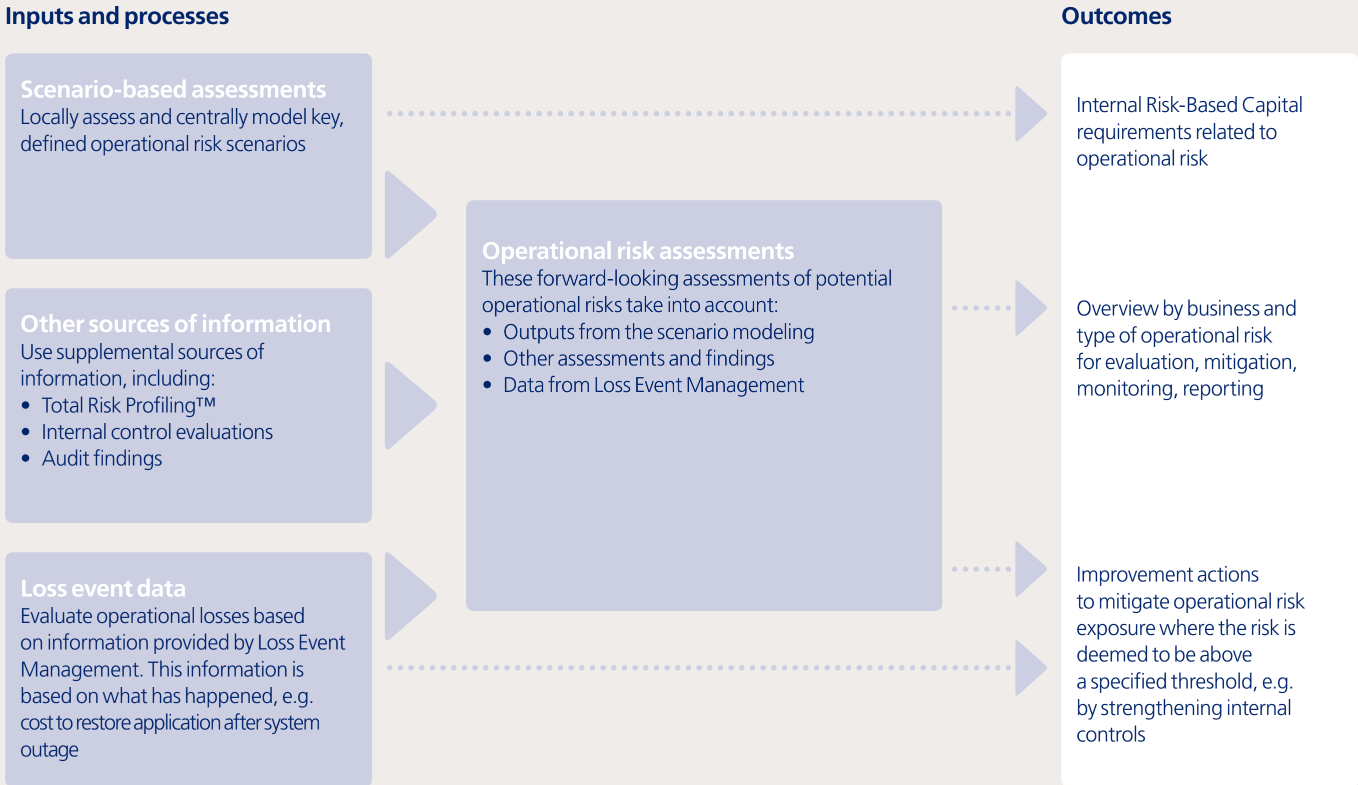
The Group has committed to contribute capital to subsidiaries and third parties that engage in making investments in direct private equity and private equity funds. Commitments may be called by the counterparty over the term of the investment (generally three to five years) and must be funded by the Group on a timely basis. See note 26 of the Consolidated Financial Statements.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events.

To support a common approach to managing operational risks throughout the Group, we have established a comprehensive framework to identify, assess, quantify, mitigate, monitor and report operational risks within the Group as summarized below.

Operational risk



Within this framework, the Group:

- Uses a scenario-based approach to quantify and allocate Risk-Based Capital for operational risk for all business units. This approach allows us to compare information across the Group.
- Documents and evaluates loss events above a threshold determined by the Zurich Risk Policy, in a Group-wide database. Improvement actions are put in place to avoid recurrence of such operational loss events.
- Conducts operational risk assessments through which operational risks are identified for our key business areas and are qualitatively assessed. Risks identified and assessed above a certain threshold must be mitigated, and escalated in specific reports at the Group level. Plans for improvement actions are documented and tracked on an ongoing basis. The Group uses a scoping exercise to determine which business units and Group-wide functional areas conduct operational risk assessments. A significant input to the scoping is Risk-Based Capital consumption for operational risk. In the assessments, we make use of such sources of information as Total Risk Profiling™, internal control assessments, and audit findings, as well as scenario modeling and loss event data.

In addition to our overall framework, we have specific processes and systems in place to focus continuously on high priority operational matters such as information security, managing business continuity, and combating fraud.

In the area of information security, we especially focused in 2009 on rolling out a global data classification and ownership awareness campaign, which helps our businesses to establish best-practice data protection measures for electronic and non-electronic information assets.

A key task is keeping our business continuity plans up-to-date, with an emphasis on recovery from unexpected events such as natural catastrophes and the possibility of a pandemic. In 2009, the Group rolled out a new testing standard for business continuity management. The new standard reduces testing complexity and helps improve testing of the recovery capabilities for business-critical processes. In response to the H1N1 flu outbreak in the spring of 2009, preparedness plans in the Group were reviewed and updated where appropriate to improve employee safety and business continuity.

The economic downturn increased the importance of addressing the risk of claims- and non-claims fraud. In 2009, the Group launched a global anti-fraud initiative in order to accelerate the Group's ability to prevent, detect and respond to fraud. While claims fraud is calculated as part of insurance risk and non-claims fraud is calculated as part of operational risk for Risk-Based Capital, both are part of our common framework for assessing and managing operational risks.

Generally, all business activities contain some aspect of operational risk. Therefore, ongoing initiatives such as The Zurich Way and Operational Transformation help us manage operational risks through standardization of processes. Projects with an expected budget over a defined threshold undergo a risk assessment.

We consider controls to be key instruments for monitoring and managing operational risk. Although primarily focused on important controls for financial reporting, our internal control effort also includes related operational and compliance controls. Therefore, we continue to strengthen the consistency, documentation and assessment of our internal controls for significant entities, processes and locations. Operational effectiveness of our key controls is assessed in various ways, including self assessment, management validation and independent testing. For more details, refer to the Risk Management and Internal Control Statement in the Corporate Governance Report (unaudited).

Risks to our reputation

Risks to our reputation include the risk that an act or omission by the Group or any of its employees could result in damage to the Group's reputation or loss of trust among our stakeholders. Every risk type has potential consequences for Zurich's reputation, and therefore, effectively managing each type of risk helps us reduce threats to our reputation.

Additionally, we endeavor to preserve our reputation by adhering to applicable laws and regulations, and by following the core values and principles of Zurich Basics, our company's code of conduct, which includes integrity and good business practice. We centrally manage certain aspects of reputation risk, for example, communications, through functions with the appropriate expertise.

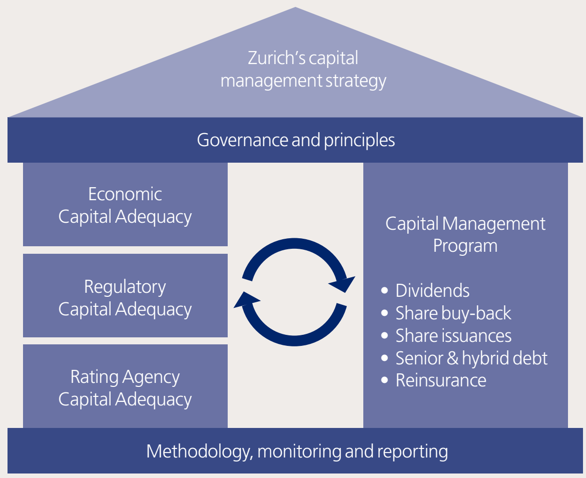
Capital management

The Group's capital management strategy is to maximize long term shareholder value by optimizing capital allocation while managing the balance sheet at 'AA' level and in accordance with regulatory, solvency and rating agency requirements. In particular, the Group endeavors to manage its capital such that the Group and all of its regulated entities are adequately capitalized according to the respective regulatory capital adequacy requirements.

Capital management framework

Our capital management framework forms the basis for actively managing the capital within Zurich.

Capital management framework



Zurich's policy is to manage our capital position by allocating capital to businesses earning the highest risk adjusted returns and pooling risks and capital as much as possible to operationalize our global risk diversification, subject to local and Group regulatory solvency requirements and rating agency capital adequacy constraints.

We manage capital and solvency through an integrated and comprehensive framework of principles and governance structures as well as methodology, monitoring and reporting processes. At a Group executive level, the Group Balance Sheet Committee defines the capital management strategy and sets the principles, standards and policies for the execution of the strategy. Group Treasury and Capital Management is responsible for the execution of the capital management strategy within the mandate set by the Group Balance Sheet Committee.

Within these defined principles, the Group manages its capital using a number of different capital models taking into account regulatory, economic and rating agency constraints. Our capital and solvency position is monitored and reported on a regular basis. Based on the results of the capital models and the defined standards and principles, Group Treasury and Capital Management has a set of measures and tools available to manage capital within the defined constraints. This tool set is referred to as the capital management program.

Capital management program

Our capital management program comprises various measures to optimize shareholders' return and to meet capital needs, while enabling Zurich to take advantage of growth opportunities as they arise. Such measures are used as and when required and include efficient balance sheet structuring as well as cash dividends, share buy-backs, special dividends, issuances of shares or senior and subordinated debt and purchase of reinsurance.

The Group seeks to maintain the balance between higher returns for shareholders on equity raised, which may be possible with higher levels of borrowing, and the security provided by a sound capital position. The payment of dividends, share buy-backs, and issuances and redemption of debt have an important influence on the capital levels.

In the financial year, Farmers Group, Inc. completed an acquisition of 100 percent of AIG's U.S. Personal Auto Group, which includes "21st Century Insurance" (comprising the former "AIG Direct" and "21st Century Insurance"), as well as AIG's "Agency Auto." In addition, Zurich has provided increased underwriting capacity to the Farmers Exchanges through an increase of the existing quota share reinsurance agreement from the Farmers Exchanges in various steps to 37.5%. Effective December 31, 2009 the participation was reduced to 35%. The resulting increase in Zurich's capital requirements to support the acquisition and the additional business assumed has been financed through the sale of Zurich ordinary shares in April 2009 in the equivalent amount of USD 1.1 billion, as well as the issuance of capital notes from the EMTN program in the equivalent amount of USD 0.2 billion.

Zurich Financial Services Ltd is not subject to legal restrictions on the amount of dividends it may pay to its shareholders other than under the Swiss Code of Obligations. The Swiss Code of Obligations provides that dividends may only be paid out of freely distributable reserves or retained earnings and that 5 percent of annual retained earnings must be allocated to a general legal reserve until such reserve in the aggregate has reached 20 percent of the paid-in share capital and therefore the earnings allocated to those reserves are restricted. As of December 31, 2009, the amount of the general legal reserve exceeded 20 percent of the paid-in share capital of the Group. Similarly, the company laws in many countries in which the Group's subsidiaries operate may restrict the amount of dividends payable by those subsidiaries to their parent companies.

Other than by operation of the restrictions mentioned above, the ability of the Group's subsidiaries to pay dividends may be restricted or, while dividend payments as such may be legally permitted, may be indirectly influenced by minimum capital and solvency requirements imposed by insurance, bank and other regulators in the countries in which the subsidiaries operate as well as by other limitations existing in some countries such as foreign exchange control restrictions.

In the U.S., restrictions on the payment of dividends that apply to insurance companies may be imposed by the insurance laws or regulations of an insurer's state of domicile. For general insurance subsidiaries, dividends are generally limited over a 12 month period to 10 percent of the previous year's policyholders' surplus or previous year's net income. For life, accident and health insurance subsidiaries, dividends are generally limited over a 12 month period to 10 percent of the previous year's policyholders' surplus or the previous year's net gain from operations. Dividends paid in excess of statutory limitations require prior approval from the Insurance Commissioner in the insurer's state of domicile.

The regulatory, rating agency and economic capital adequacy are major elements of our capital management framework.

For details on dividend payment, share buy-backs, and issuances and redemption of debt, refer to notes 22 and 23 of the Consolidated Financial Statements. For details on the 21st Century acquisition, refer to note 5 of the Consolidated Financial Statements. For details on the quota share reinsurance agreement provided to the Farmers Exchanges, refer to note 29 of the Consolidated Financial Statements.

Regulatory capital adequacy

The Group endeavors to manage its capital such that all of its regulated entities meet local regulatory capital requirements at all times.

In each country in which the Group operates, the local regulator specifies the minimum amount and type of capital that each of the regulated entities must hold in addition to their liabilities. The Group targets to hold, in addition to the minimum capital required to comply with the solvency requirements, an adequate buffer to ensure that each of its regulated subsidiaries meets the local capital requirements. The Group is subject to different capital requirements depending on the country in which it operates. The two main areas are Europe (in particular Switzerland and the European Union (EU) and European Economic Area (EEA) countries) and the U.S..

In EU countries, insurance entities are required to maintain minimum solvency margins according to the existing Solvency I legislation. Solvency I capital is calculated as a fixed percentage of premiums, claims, reserves and/or net amounts at risk. The required minimum solvency margin for general insurers is the greater of 16 percent of premiums written for the year or 23 percent of a three-year average of claims incurred, subject to the first tranche (EUR 50 million) of premiums being at 18 percent and the first tranche (EUR 35 million) of claims at 26 percent. In these calculations, premiums and claims for certain liability lines are increased by 50 percent. A reduction is given for reinsurance based on reinsurance claims recoveries over three years as a percentage of gross claims in those years, limited to a maximum of 50 percent. Life insurance companies are required to maintain a minimum solvency margin generally of 4 percent of insurance reserves, but reduced to 1 percent of insurance reserves for life insurance where the credit and market risks are carried by policyholders, plus 0.3 percent of the amount at risk under insurance policies. The same minimum capital requirements are applicable for insurance entities operating in Switzerland. In certain European countries, both EU and non-EU, further requirements have been imposed by regulators.

On November 25, 2009 the directive on Solvency II adopted earlier in 2009 by the European Parliament and the Ecofin Council was published in the Official Journal. Solvency II introduces a new solvency regime and reflects the latest developments in prudential supervision, actuarial methods and risk management. It includes economic risk-based solvency requirements, which are more risk sensitive and more sophisticated than Solvency I. Solvency II capital requirements also consider all material risks and their interactions. As part of the risk management system, all EU/EEA insurance and reinsurance entities will be required to conduct their own risk and solvency assessments, including the assessment of the overall solvency needs reflecting their specific risk profiles. As part of the disclosure provisions, companies will have to publicly report their solvency and financial condition. The directive requires transposition of the laws, regulations and administrative provisions across the EU/EEA by October 31, 2012, at the latest.

Some countries have already introduced, or are in the process of introducing, requirements for an economic risk-based capital assessment. In the UK, this is known as Pillar 2. In Switzerland, the Insurance Supervisory Law, which came into effect on January 1, 2006, introduces the Swiss Solvency Test (SST). Under SST, groups, conglomerates and reinsurers are required to use company-specific internal models to calculate risk-bearing and target capital. Models must be approved by the Swiss Financial Market Supervisory Authority (FINMA). In 2009, Zurich continued to further enhance and refine our internal model to meet evolving regulatory requirements. The model approval process continued with FINMA, and Zurich filed SST results as required.

In the U.S., required capital is determined to be the 'company action level risk-based capital' calculated with the risk-based capital model of the National Association of Insurance Commissioners. This method, which builds on regulatory accounts, measures the minimum amount of capital for an insurance company to support its overall business operations by taking into account its size and risk profile. The calculation is based on risk-sensitive factors that are applied to various asset, premium, claim, expense and reserve items.

The Group's banking operations, based in Europe, adopted Basel II as of January 1, 2008. Under Basel II, required capital is calculated on a risk-based approach.

At a Group level, we endeavor to pool risk and capital as much as possible and, in so doing, benefit in regimes where diversification benefits are recognized (e.g. U.S., UK and Switzerland).

The Group continues to be subject to Solvency I requirements based on the Swiss Insurance Supervisory Law. The following table sets out the Solvency I position as filed with FINMA for 2008 and as drafted for filing with the Swiss regulator for 2009.

The Group's solvency as of December 31

Table 18

in USD millions, as of December 31	2009	2008
Eligible equity		
Total equity	**31,478**	**23,781**
Net of intangibles and other assets	(7,546)	(6,217)
Free reserves for policyholders dividends	2,799	2,325
Subordinated debt[1]	4,153	3,683
Deferred policy acquisition costs non-life insurance	(3,054)	(2,793)
Dividends, share buy-back and nominal value reduction[2]	(2,226)	(1,411)
Total eligible equity	**25,604**	**19,369**
Total required solvency capital	**12,932**	**12,142**
Excess margin	**12,672**	**7,227**
Solvency I ratio	**198%**	**160%**

[1] Under guidelines issued by FINMA during 2007, dated subordinated debt issuances are admissible up to 25 percent of the capital requirement, undated issuances up to 50 percent of the capital requirement.
[2] Amount for dividend reflects the proposed dividend for the financial year 2009, not yet approved by the Annual General Meeting.

From the Group's perspective, local regulatory requirements for banking operations are aggregated with the requirement for insurance businesses. For some of the Group's holding companies, which do not have local regulatory requirements, the Group uses 8 percent of assets as a capital requirement.

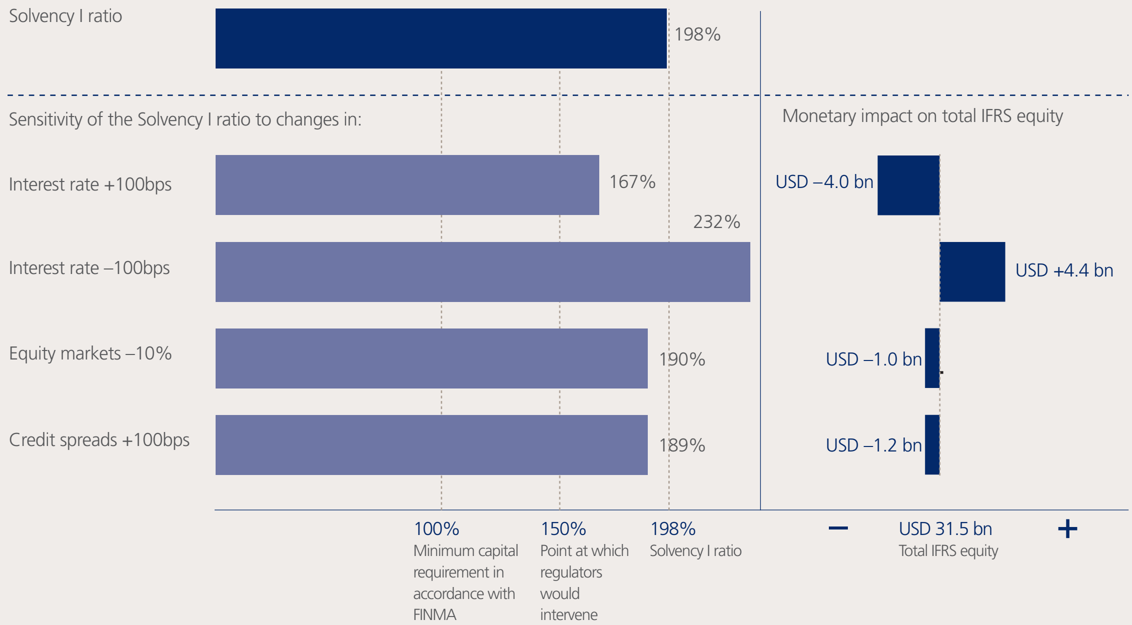
Throughout 2008 and 2009, the Group and all its material, regulated subsidiaries complied with the applicable regulatory minimum capital requirements.

The chart below shows the estimated impact on the Group's solvency position of a one percentage point increase/decrease in yield curves, a separate 10 percent decline in all stock markets, after consideration of hedges in place and a separate one percentage point change in credit spread, as of December 31, 2009 and 2008, respectively. The sensitivities are considered three separate but instantaneous scenarios.

Limitations of the analysis:

- The sensitivity analysis does not take into account actions that might be taken to mitigate losses. The Group uses an active strategy to manage these risks, which may involve changing the asset allocation, for example, through selling and buying assets.
- The sensitivities show the effects from a change of certain risk factors, while other assumptions, such as policyholder assumptions, remain unchanged.
- The interest rate scenarios assume a parallel shift of all interest rates.
- The equity market scenario assumes a concurrent movement of all stock markets.
- The impact on unit-linked business is not included, as policyholders bear the investment risk.
- The impact on changes to the required capital is not included in the sensitivities for the Solvency I ratio.
- The major markets in which the Group invests are the United States and Europe. The major interest rate exposures are to USD- and Euro-denominated assets and liabilities. The sensitivities do not indicate a probability of such events and do not necessarily represent the Group's view of expected future market changes. Debt securities are primarily exposed to interest rate risk, while equity securities are primarily exposed to equity market risk. Debt securities can be affected also by spread widening due to changes in credit quality.
- The Group internal tax rate is assumed to be 21.9 percent.

Sensitivities for Solvency I ratio and total IFRS equity
(As of December 31, 2009)



Rating agency capital adequacy

Rating agencies apply their own models to evaluate the relationship between the required risk capital for a company or Group and its available capital resources. We maintain a continuous dialogue with rating agencies regarding the assessment of our capital adequacy.

The financial strength ratings of the Group's main operating entities are an important element of our competitive position. Moreover, the Group's credit ratings derived from the financial strength ratings affect the cost of capital. As of December 31, 2009 the financial strength rating of Zurich Insurance Company Ltd and other key operating legal entities of the Group was rated by Standard and Poor's as 'AA-,' by A.M. Best as 'A,' by Fitch as 'A+' and by Moody's as 'A1.'

Economic capital adequacy
(unaudited)

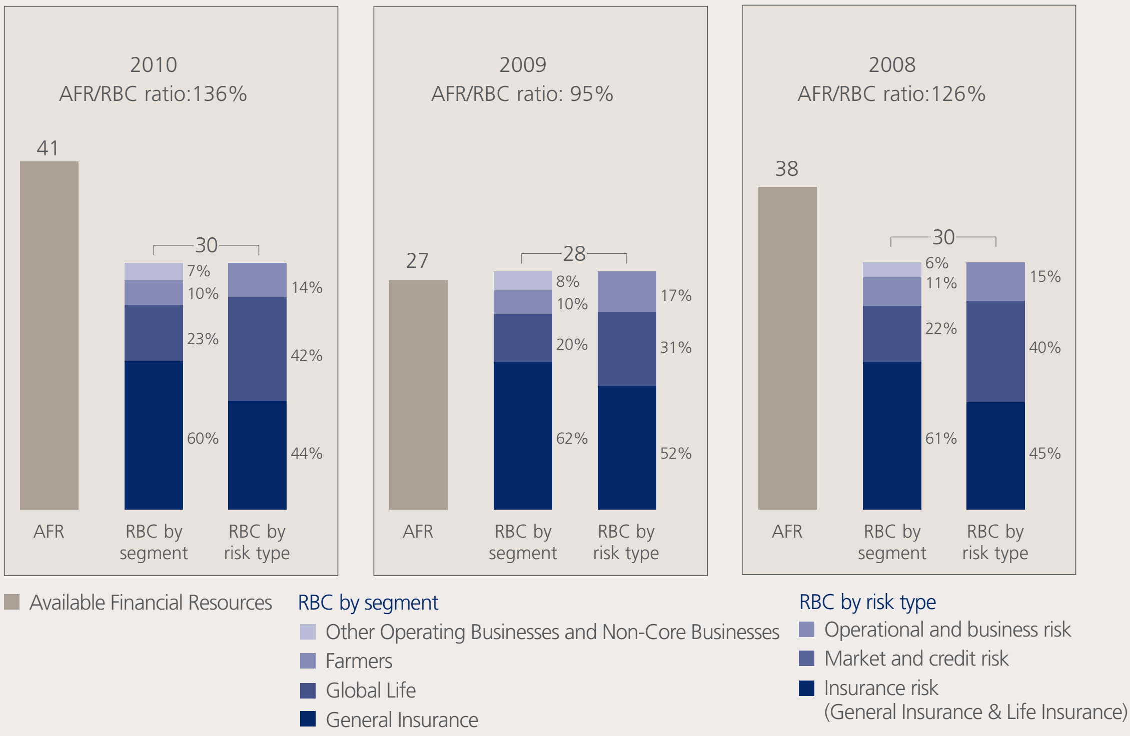
The Group uses an additional capital management tool, our internal Risk-Based Capital (RBC) model, which is calibrated to an "AA" financial strength target level. We define RBC as being the capital required to protect the Group's policyholders against any economic insufficiency to meet their claims over a one-year time horizon and at a confidence level of 99.95 percent.

We use RBC to assess the economic capital consumption of our business on a one-balance-sheet approach. The RBC framework is an integral part of how we manage the Group. It is embedded in our organization and decision making, and is used in capital allocation, business performance management, pricing, reinsurance purchasing, transaction evaluation, risk optimization, and regulatory and rating agency communication.

At the Group level, we compare RBC to the Group's Available Financial Resources (AFR) to derive Economic Capital Adequacy. AFR reflects financial resources available to cover policyholder liability claims in excess of their expected value. It is derived by adjusting the IFRS shareholders' equity to reflect the full economic capital base available to absorb any unexpected volatility in our business activities.

The chart below shows the estimated AFR at the beginning of the respective year (based on the IFRS balance sheet as of December 31 of the prior year) to cover the risks that could materialize during the year indicated. Zurich's estimated RBC is broken down by segment and risk types.

Analysis of Group's Available Financial Resources and Risk-Based Capital
(USD billions as of January 1)



As of January 1, 2010 AFR amounted to USD 41 billion, while the latest estimate of the internal RBC requirements for the year 2010 amounted to USD 30 billion, resulting in an estimated Economic Capital Adequacy ratio of 136 percent compared to 95 percent for 2009 and 126 percent for 2008. The increase in AFR over 2009 was driven by strengthened IFRS equity. In addition, USD 2 billion of capital was raised through the issuance of senior debt. AFR includes a deduction for the proposed dividend for the respective financial year, not yet approved by the Annual General Meeting. The increase in RBC is caused by the 21st Century acquisition as well as the strengthening of our market and credit risk models.

The largest proportion of RBC arises from Insurance Risk. Of the 44% allocated to Insurance Risk, 1% covers Life Insurance risk (biometric risks such as mortality and morbidity risk) and 43% covers General Insurance risk including natural catastrophe risk. The next largest proportion is market and credit risk at 42%.

The RBC split by segment for 2008 and 2009 has been reclassified between General Insurance and Other Operating Businesses and Non-Core Businesses, to reflect the current management structure.

Financial Information

Consolidated Financial Statements

Contents

Consolidated income statements

In USD millions, for the years ended December 31	Notes	2009	2008
Revenues			
Gross written premiums and policy fees		53,817	51,894
Less premiums ceded to reinsurers		(5,844)	(6,226)
Net written premiums and policy fees		47,973	45,667
Net change in reserves for unearned premiums	11	(746)	(1,560)
Net earned premiums and policy fees		47,227	44,107
Farmers management fees and other related revenues	14	2,690	2,458
Net investment result on Group investments	6	6,082	5,805
Net investment income on Group investments		7,505	8,698
Net capital gains/(losses) and impairments on Group investments		(1,423)	(2,893)
Net investment result on unit-linked investments	6	12,475	(21,731)
Net gain/(loss) on divestments of businesses	5	(5)	16
Other income		1,802	1,693
Total revenues		70,272	32,349
Benefits, losses and expenses			
Insurance benefits and losses, gross of reinsurance[1]	11	39,522	31,387
Less ceded insurance benefits and losses[1]	11	(3,261)	3,425
Insurance benefits and losses, net of reinsurance	11	36,261	34,811
Policyholder dividends and participation in profits, net of reinsurance	11	12,859	(21,514)
Underwriting and policy acquisition costs, net of reinsurance	11	8,254	8,287
Administrative and other operating expense	13	7,248	6,729
Interest expense on debt	22	586	599
Interest credited to policyholders and other interest		533	773
Total benefits, losses and expenses		65,741	29,685
Net income before income taxes		4,531	2,663
Income tax expense	21	(1,295)	452
attributable to policyholders	21	(387)	1,184
attributable to shareholders	21	(908)	(732)
Net income after taxes		**3,236**	3,116
attributable to non-controlling interests		21	77
attributable to shareholders		3,215	3,039
in USD			
Basic earnings per share	23	22.51	21.80
Diluted earnings per share	23	22.35	21.63
in CHF			
Basic earnings per share	23	24.39	23.53
Diluted earnings per share	23	24.21	23.35

[1] Effective June 30, 2008, the underlying contracts relating to a UK annuity portfolio reinsured in 2007 were transferred to the reinsurer. This transaction had no net impact on the consolidated income statement in 2008, but impacted each of these line items by USD 7.0 billion.

The notes to the Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

Consolidated statements of comprehensive income

in USD millions, for the years ended December 31	Net income attributable to shareholders	Net unrealized gains/(losses) on available-for-sale investments
2008		
Comprehensive income for the period	3,039	(3,159)
Details of movements during the period		
Change (before reclassification, tax and currency translation effects and after allocation to policyholders)		(6,317)
Reclassification to income statement (before tax and currency translation effects and after allocation to policyholders)		2,089
Deferred income tax (before currency translation effects)		947
Foreign currency translation effects		121
2009		
Comprehensive income for the period	3,215	3,292
Details of movements during the period		
Change (before reclassification, tax and currency translation effects and after allocation to policyholders)		3,395
Reclassification to income statement (before tax and currency translation effects and after allocation to policyholders)		1,014
Deferred income tax (before currency translation effects)		(1,110)
Foreign currency translation effects		(7)

The notes to the Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

	Cash flow hedges	Cumulative translation adjustment	Revaluation reserve	Net actuarial gains/(losses) on pension plans	Total other comprehensive income attributable to shareholders	Total comprehensive income attributable to shareholders	Comprehensive income attributable to non-controlling interests	Total comprehensive income
	87	(2,725)	16	(1,115)	(6,897)	(3,858)	6	(3,852)
	60	(2,707)	21	(1,690)	(10,635)			
	54	(18)	–	–	2,125			
	(20)	–	(5)	461	1,383			
	(7)	–	–	114	228			
	7	944	(1)	171	4,413	7,628	85	7,714
	119	944	(2)	288	4,745			
	(96)	–	–	–	918			
	(16)	–	–	(63)	(1,189)			
	–	–	–	(53)	(60)			

Consolidated balance sheets

Assets

in USD millions, as of December 31	Notes	2009	2008	Restated 2007
Investments				
Total Group investments		196,258	179,570	193,600
Cash and cash equivalents		11,631	12,428	14,111
Equity securities		12,450	14,303	20,496
Debt securities		136,344	118,287	125,535
Real estate held for investment		7,789	7,524	7,563
Mortgage loans		12,736	12,820	12,718
Other loans		15,077	13,988	12,941
Equity method accounted investments		232	220	238
Investments for unit-linked contracts		99,167	78,203	122,092
Total investments	6	295,425	257,773	315,693
Reinsurers' share of reserves for insurance contracts[1]	8	18,627	18,595	26,970
Deposits made under assumed reinsurance contracts		3,861	2,397	1,359
Deferred policy acquisition costs	12	16,181	14,323	14,941
Deferred origination costs	12	856	770	1,003
Accrued investment income		2,744	2,429	2,593
Receivables	15	13,182	13,229	12,846
Other assets	19	3,327	4,095	3,405
Mortgage loans given as collateral	16	1,102	1,233	2,243
Deferred tax assets	21	2,257	2,901	1,682
Assets held for sale[2]		67	–	–
Property and equipment	17	1,942	1,889	1,972
Goodwill	18	2,297	1,677	1,553
Other intangible assets	18	7,044	6,633	3,083
Total assets		**368,914**	**327,944**	**389,342**

[1] Effective June 30, 2008, the underlying contracts relating to a UK annuity portfolio ceded in 2007 for an amount of USD 7.1 billion were transferred to the reinsurer, resulting in a reduction of reinsurers' share of reserves for insurance contracts.

[2] As of December 31, 2009, assets held for sale include land and buildings held for own use reclassified in March and December 2009 as assets held for sale.

The notes to the Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

Liabilities and equity

in USD millions, as of December 31	Notes	2009	2008	Restated 2007
Liabilities				
Reserve for premium refunds		649	620	625
Liabilities for investment contracts	9	46,124	35,979	54,485
Deposits received under ceded reinsurance contracts		1,558	1,619	1,739
Deferred front-end fees		5,543	4,695	5,791
Reserves for insurance contracts[1]	8	241,412	222,179	252,740
Obligations to repurchase securities		3,976	3,608	5,370
Accrued liabilities		2,839	2,820	2,755
Other liabilities	20	17,485	16,944	20,257
Collateralized loans	16	1,102	1,233	2,243
Deferred tax liabilities	21	4,464	3,485	4,057
Debt related to capital markets and banking activities	22	839	2,527	1,663
Senior and subordinated debt	22	11,444	8,455	8,300
Total liabilities		**337,435**	**304,163**	**360,023**
Equity				
Share capital	23	10	10	10
Additional paid-in capital	23	11,400	10,131	10,289
Net unrealized gains/(losses) on available-for-sale investments		334	(2,957)	202
Cash flow hedges		(9)	(16)	(103)
Cumulative translation adjustment		(396)	(1,341)	1,385
Revaluation reserve		98	99	83
Retained earnings		17,680	15,616	16,406
Common shareholders' equity		29,117	21,542	28,273
Preferred securities	23	561	561	671
Shareholders' equity		29,678	22,103	28,945
Non-controlling interests		1,800	1,678	374
Total equity		**31,478**	**23,781**	**29,318**
Total liabilities and equity		**368,914**	**327,944**	**389,342**

[1] Effective June 30, 2008, the underlying contracts relating to a UK annuity portfolio ceded in 2007 for an amount of USD 7.1 billion were transferred to the reinsurer, resulting in a reduction of reserves for insurance contracts.

The notes to the Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

Consolidated statements of cash flows

in USD millions, for the years ended December 31	2009	2008
Cash flows from operating activities		
Net income attributable to shareholders	3,215	3,039
Adjustments for:		
Net (gain)/loss on divestments of businesses	5	(16)
Income from equity method accounted investments	(4)	(8)
Depreciation, amortization and impairments of fixed and intangible assets	892	654
Other non-cash items	554	1,377
Underwriting activities:	13,102	(24,588)
Reserves for insurance contracts, gross[1]	*8,882*	*(19,773)*
Reinsurers' share of reserves for insurance contracts[1]	*566*	*7,056*
Liabilities for investment contracts	*6,674*	*(9,486)*
Deferred policy acquisition costs	*(1,455)*	*(975)*
Deferred origination costs	*(16)*	*8*
Deposits made under assumed reinsurance contracts	*(1,453)*	*(1,308)*
Deposits received under ceded reinsurance contracts	*(97)*	*(110)*
Investments:	(19,844)	30,690
Net capital (gains)/losses on total investments and impairments	*(9,419)*	*27,808*
Net change in trading securities	*214*	*2,042*
Sales and maturities		
Debt securities	*209,776*	*80,270*
Equity securities	*49,510*	*66,830*
Other	*48,457*	*30,311*
Purchases		
Debt securities	*(218,147)*	*(82,002)*
Equity securities	*(50,007)*	*(63,314)*
Other	*(50,227)*	*(31,256)*
Proceeds from sale and repurchase agreements	(14)	(443)
Movements in receivables and payables	(60)	(3,173)
Net changes in debt for capital markets and banking activities	(1,745)	1,035
Net changes in other operational assets and liabilities	974	509
Deferred income tax, net	453	(1,725)
Net cash (used in)/provided by operating activities	(2,470)	7,350

[1] Effective June 30, 2008, the underlying contracts relating to a UK annuity portfolio ceded in 2007 for an amount of USD 7.1 billion were transferred to the reinsurer, resulting in a reduction of both the reinsurers' share of reserves for insurance contracts and gross reserves for insurance contracts.

The notes to the Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

in USD millions, for the years ended December 31	2009	2008
Cash flows from investing activities		
Sales of property and equipment	86	309
Purchase of property and equipment	(359)	(444)
Investments in equity method accounted investments, net	6	11
Acquisitions of companies, net of cash acquired	(307)	(1,319)
Divestments of companies, net of cash balances	(10)	(6)
Dividends from equity method accounted investments	5	5
Net cash used in investing activities	(581)	(1,443)
Cash flows from financing activities		
Dividends paid	(1,426)	(2,104)
Issuance of share capital	929	–
Net movement in treasury shares	367	(812)
Redemption of preferred securities and repayments to non-controlling interests	–	(124)
Issuance of debt	3,475	2,420
Repayments of debt outstanding	(898)	(1,930)
Net cash provided by/(used in) financing activities	2,448	(2,551)
Foreign currency translation effects on cash and cash equivalents	870	(1,896)
Change in cash and cash equivalents excluding change in cash held as collateral for securities lending[1]	267	1,460
Cash and cash equivalents as of January 1, excluding cash held as collateral for securities lending	16,711	15,251
Cash and cash equivalents as of December 31, excluding cash held as collateral for securities lending	**16,978**	**16,711**
Change in cash held as collateral for securities lending	316	(1,700)
Cash and cash equivalents as of January 1, including cash held as collateral for securities lending	16,888	17,128
Cash and cash equivalents as of December 31, including cash held as collateral for securities lending	**17,471**	**16,888**
of which:		
– cash and cash equivalents – Group Investments	11,631	12,428
– cash and cash equivalents – unit linked	5,840	4,460
Other supplementary cash flow disclosures		
Other interest income received	7,146	8,831
Dividend income received	1,644	2,943
Other interest expense paid	(1,146)	(1,478)
Income tax paid	(1,019)	(1,253)

As of December 31, 2009 and 2008, cash and cash equivalents held to meet local regulatory requirements were USD 1,715 million and USD 1,131 million, respectively.

Cash and cash equivalents

in USD millions, as of December 31	2009	2008
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	7,167	7,829
Cash equivalents	9,811	8,882
Cash held as collateral for securities lending	493	177
Total	**17,471**	**16,888**

The notes to the Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

Consolidated statements of changes in equity

in USD millions	Share capital	Additional paid-in capital	Net unrealized gains/(losses) on available-for-sale investments
Balance as of December 31, 2007	10	10,289	202
Issuance of share capital	–	1	–
Dividends to shareholders	–	–	–
Redemption of preferred shares	–	(14)	–
Share-based payment transactions	–	48	–
Treasury share transactions[3]	–	(194)	–
Total comprehensive income for the year, net of tax	–	–	(3,159)
Net income	–	–	–
Net unrealized gains/(losses) on available-for-sale investments	–	–	*(3,159)*
Cash flow hedges	–	–	–
Cumulative translation adjustment	–	–	–
Revaluation reserve	–	–	–
Net actuarial gains/(losses) on pension plans	–	–	–
Net changes in capitalization and non-controlling interests	–	–	–
Balance as of December 31, 2008	10	10,131	(2,957)
Balance as of December 31, 2008	10	10,131	(2,957)
Issuance of share capital[1, 2]	–	929	–
Dividends to shareholders	–	–	–
Share-based payment transactions	–	59	–
Treasury share transactions[3]	–	282	–
Total comprehensive income for the year, net of tax	–	–	3,292
Net income	–	–	–
Net unrealized gains/(losses) on available-for-sale investments	–	–	*3,292*
Cash flow hedges	–	–	–
Cumulative translation adjustment	–	–	–
Revaluation reserve	–	–	–
Net actuarial gains/(losses) on pension plans	–	–	–
Net changes in capitalization and non-controlling interests	–	–	–
Balance as of December 31, 2009	**10**	**11,400**	**334**

[1] Includes all transaction costs amounting to USD 41 million deducted from the proceeds related to the issuance of USD 1.2 billion (CHF 1.3 billion) of capital through the accelerated book building transaction (see note 23).
[2] The number of common shares issued as of December 31, 2009 was 147,473,068 (December 31, 2008: 142,122,620, December 31, 2007: 145,546,820).
[3] The number of treasury shares deducted from equity amounted to 3,269,338 and 5,219,803 as of December 31, 2009 and December 31, 2008, respectively (see note 23).

The notes to the Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

Cash flow hedges	Cumulative translation adjustment	Revaluation reserve	Retained earnings	Common shareholders' equity	Preferred securities	Shareholders' equity	Non-controlling interests	Total equity
(103)	1,385	83	16,406	28,273	671	28,945	374	29,318
–	–	–	–	1	–	1	–	1
–	–	–	(2,064)	(2,064)	(32)	(2,096)	(8)	(2,104)
–	–	–	–	(14)	(110)	(124)	–	(124)
–	–	–	–	48	–	48	–	48
–	–	–	(618)	(812)	–	(812)	–	(812)
87	(2,725)	16	1,892	(3,890)	32	(3,858)	6	(3,853)
–	–	–	*3,007*	*3,007*	*32*	*3,039*		
–	–	–	–	*(3,159)*	–	*(3,159)*		
87	–	–	–	*87*	–	*87*		
–	*(2,725)*	–	–	*(2,725)*	–	*(2,725)*		
–	–	*16*	–	*16*	–	*16*		
–	–	–	*(1,115)*	*(1,115)*	–	*(1,115)*		
–	–	–	–	–	–	–	1,307	1,307
(16)	(1,341)	99	15,616	21,542	561	22,103	1,678	23,781
(16)	(1,341)	99	15,616	21,542	561	22,103	1,678	23,781
–	–	–	–	929	–	929	–	929
–	–	–	(1,389)	(1,389)	(19)	(1,408)	(17)	(1,426)
–	–	–	–	59	–	59	–	59
–	–	–	86	367	–	367	–	367
7	944	(1)	3,367	7,609	19	7,628	85	7,714
–	–	–	*3,196*	*3,196*	*19*	*3,215*		
–	–	–	–	*3,292*	–	*3,292*		
7	–	–	–	*7*	–	*7*		
–	*944*	–	–	*944*	–	*944*		
–	–	*(1)*	–	*(1)*	–	*(1)*		
–	–	–	*171*	*171*	–	*171*		
–	–	–	–	–	–	–	54	54
(9)	**(396)**	**98**	**17,680**	**29,117**	**561**	**29,678**	**1,800**	**31,478**

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

Zurich Financial Services Ltd, a Swiss corporation, is the holding company of the Group and is listed on the SIX Swiss Exchange. Zurich Financial Services Ltd was incorporated on April 26, 2000, in Zurich, Switzerland. It is recorded in the Commercial Register of the canton of Zurich under its registered address at Mythenquai 2, 8002 Zurich. Due to a change in the Swiss Code of Obligations Zurich Financial Services was renamed to Zurich Financial Services Ltd effective April 2, 2009. Throughout this document the new name Zurich Financial Services Ltd is used consistently even if reference is made to facts that occurred prior to the renaming of the company.

On February 3, 2010 the Board of Directors of Zurich Financial Services Ltd authorized these Consolidated Financial Statements for issue. These financial statements will be submitted for approval to the Annual General Meeting of Shareholders to be held on March 30, 2010.

1. Basis of presentation

General information

The Consolidated Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law. Where IFRS does not contain clear guidance governing the accounting treatment of certain transactions including those that are specific to insurance products, IFRS permits reference to another comprehensive body of accounting principles that uses a similar conceptual framework. In these cases, the Group typically refers to accounting principles generally accepted in the United States of America (US GAAP) for guidance. In certain cases the Group may decide to maintain the local statutory treatment if this does not distort a fair presentation of the financial position of the Group. If significant, the impact of such cases is described elsewhere in the notes to these Consolidated Financial Statements.

The accounting policies applied by the reportable segments are the same as those applied by the Group. The Group accounts for inter-segment revenues and transfers as if the transactions were with third parties at current market prices, with the exception of dividends, realized capital gains as well as gains and losses on transfer of net assets, which are eliminated against equity. For the Consolidated Financial Statements inter-segment revenues and transfers are eliminated.

Disclosures under IFRS 4 "Insurance Contracts" and IFRS 7 "Financial Instruments: Disclosures" relating to the nature and extent of risks, and capital disclosures under IAS 1 "Presentation of Financial Statements" have been included in the "Risk Review" on pages 97 to 135, and they form an integral part of the Consolidated Financial Statements.

Significant Subsidiaries included in the scope of consolidation are disclosed on pages 266 to 268.

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

The Group erroneously classified certain products as traditional insurance and investment contracts that should have been classified as unit-linked contracts. The classification was corrected in the current period as the impact on the Group's income statement was not material. The reclassifications in the balance sheet from Group investments to Investments held for unit-linked contracts, from Reserves for future life policyholder benefits to Reserves for unit-linked contracts, and from Deferred policy acquisition costs to Deferred origination cost and Deferred front end fees are footnoted in notes 8 and 12.

As part of our process to improve the presentation of the Group's Consolidated Financial Statements, we have made certain changes regarding the presentation of "Other investments" in order to better reflect their nature and measurement basis. These changes in presentation have no effect on the previously reported net income or shareholders' equity. Comparative information has been amended to reflect this change.

"Short-term investments", previously reported under "Other investments" amounting to USD 2,307 million (out of which Group Investments represented USD 2,103 million) as of December 31, 2008, are now presented, depending on their nature and measurement basis, under "Cash and cash equivalents", "Debt securities – Available-for-sale", "Debt securities Fair value through profit and loss", "Debt securities – Trading" or "Other loans". Similarly, Group investments previously presented under "Other" within "Other investments" amounting to USD 61 million as of December 31, 2008, are now presented under "Equity securities – Trading". These changes in presentation are reflected in the consolidated balance sheets, consolidated statements of cash flows and notes 6 and 30.

As of December 31, 2008 an amount of USD 618 million previously reported under "Debt securities – Available-for-sale", is now presented under "Other loans" to better reflect the nature of the underlying investments.

Interest on reinsurance deposits previously presented under "Net Investment income" amounting to USD 28 million is now presented under "Other income" for the year ended December 31, 2008. This change in presentation is reflected in the consolidated income statements.

USD 169 million as of December 31, 2008, was erroneously presented under "Goodwill" but in substance comparable to distribution agreement intangible assets is now reported under "Other intangible assets". This is a change in presentation with no effect on the previously reported net income or shareholders' equity. Comparative amounts have been amended accordingly in the consolidated balance sheets and note 18.

The treatment of the elimination of inter-segment transactions has been changed to eliminate gross up effects on certain intercompany clearing accounts. This change results in an increase/(decrease) on the inter-segment revenue line for the year ended December 31, 2008 as follows: USD 724 million in General Insurance, USD (131) million in Global Life, USD (11) million in Farmers, USD (627) million in Other Operating Businesses and USD 45 million in Non-Core Businesses. The change has no impact on either segmental Business Operating Profit (BOP) or net income of the Group.

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

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

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

Maturity tables have been provided for the following balances: reserves for insurance contracts (tables 16a and 16b in "Risk Review"), liabilities for investment contracts (tables 17a and 17b in "Risk Review"), debt securities (table 6.4), derivative assets and derivative liabilities (tables 7.1 and 7.2), collateralized loans (table 16), other financial liabilities (table 20.2) and outstanding debt (table 22.3).

Changes related to operating segments are shown in note 30.

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

The table below summarizes the principal exchange rates that have been used for translation purposes. Net gains/(losses) on foreign currency transactions included in the consolidated income statements were USD (49) million and USD 26 million for the years ended December 31, 2009 and 2008, respectively. Foreign currency exchange forward and swap gains/(losses) included in these amounts were USD 118 million and USD (801) million for the years ended December 31, 2009 and 2008, respectively.

Principal exchange rates

Table 1

USD per foreign currency unit	Balance sheets		Income statements and cash flows	
	12/31/09	12/31/08	**12/31/09**	12/31/08
Euro	1.4333	1.3924	1.3935	1.4719
Swiss franc	0.9649	0.9371	0.9232	0.9265
British pound	1.6164	1.4620	1.5650	1.8556

Change in presentation in 2009

Reclassifications on consolidated income statement

Table 1.1

in USD millions, for the year ended December 31, 2008	As reported	Reclassifications	As revised
Revenues			
Gross written premiums and policy fees	51,894		51,894
Less premiums ceded to reinsurers	(6,226)		(6,226)
Net written premiums and policy fees	45,667		45,667
Net change in reserves for unearned premiums	(1,560)		(1,560)
Net earned premiums and policy fees	44,107		44,107
Farmers management fees and other related revenues	2,458		2,458
Net investment result on Group investments	5,832	(28)	5,805
Net investment income on Group investments	8,725	(28)	8,698
Net capital gains/(losses) and impairments on Group investments	(2,893)		(2,893)
Net investment result on unit-linked investments	(21,731)		(21,731)
Net gain/(loss) on divestments of businesses	16		16
Other income	1,665	28	1,693
Total revenues	32,349		32,349
Benefits, losses and expenses			
Insurance benefits and losses, gross of reinsurance	31,387		31,387
Less ceded insurance benefits and losses	3,425		3,425
Insurance benefits and losses, net of reinsurance	34,811		34,811
Policyholder dividends and participation in profits, net of reinsurance	(21,514)		(21,514)
Underwriting and policy acquisition costs, net of reinsurance	8,287		8,287
Administrative and other operating expense	6,729		6,729
Interest expense on debt	599		599
Interest credited to policyholders and other interest	773		773
Total benefits, losses and expenses	29,685		29,685
Net income before income taxes	2,663		2,663
Income tax expense	452		452
attributable to policyholders	1,184		1,184
attributable to shareholders	(732)		(732)
Net income after taxes	**3,116**		**3,116**
attributable to non-controlling interests	77		77
attributable to shareholders	3,039		3,039

Reclassification on consolidated balance sheet

Table 1.2

in USD millions, as of December 31, 2008	As reported	Reclassifications	As revised
Investments			
Total Group investments	179,570	–	179,570
Cash and cash equivalents	11,965	463	12,428
Equity securities	14,242	61	14,303
Debt securities	118,103	184	118,287
Real estate held for investment	7,524	–	7,524
Mortgage loans	12,820	–	12,820
Other loans	12,531	1,457	13,988
Equity method accounted investments	220	–	220
Other investments	2,165	(2,165)	–
Investments for unit-linked contracts	78,203	–	78,203
Total investments	257,773	–	257,773
Reinsurers' share of reserves for insurance contracts	18,595	–	18,595
Deposits made under assumed reinsurance contracts	2,397	–	2,397
Deferred policy acquisition costs	14,323	–	14,323
Deferred origination costs	770	–	770
Accrued investment income	2,429	–	2,429
Receivables	13,229	–	13,229
Other assets	4,095	–	4,095
Mortgage loans given as collateral	1,233	–	1,233
Deferred tax assets	2,901	–	2,901
Property and equipment	1,889	–	1,889
Goodwill	1,846	(169)	1,677
Other intangible assets	6,464	169	6,633
Total assets	**327,944**	**–**	**327,944**
Liabilities			
Reserve for premium refunds	620	–	620
Liabilities for investment contracts	35,979	–	35,979
Deposits received under ceded reinsurance contracts	1,619	–	1,619
Deferred front-end fees	4,695	–	4,695
Reserves for insurance contracts	222,179	–	222,179
Obligations to repurchase securities	3,608	–	3,608
Accrued liabilities	2,820	–	2,820
Other liabilities	16,944	–	16,944
Collateralized loans	1,233	–	1,233
Deferred tax liabilities	3,485	–	3,485
Debt related to capital markets and banking activities	2,527	–	2,527
Senior and subordinated debt	8,455	–	8,455
Total liabilities	**304,163**	**–**	**304,163**
Equity			
Shareholders' equity	22,103	–	22,103
Non-controlling interests	1,678	–	1,678
Total equity	**23,781**	**–**	**23,781**
Total liabilities and equity	**327,944**	**–**	**327,944**

2. Implementation of new accounting standards and amendments to published accounting standards

Standards published and effective as of January 1, 2009 and relevant for the Group's operations

The following new accounting standards or amendments to and interpretations of standards relevant to the Group have been implemented for the financial year beginning January 1, 2009 with no material impact on the Group's financial position or performance.

In November 2006, the IASB issued IFRS 8 "Operating Segments". IFRS 8 is effective for reporting periods beginning on or after January 1, 2009. The standard sets out the requirements for disclosure of an entity's operating segments on the same basis as internal reporting used by management for decision making, as well as disclosures of the entity's products and services, the geographical areas in which it operates, and its major customers. The segment disclosures reflect the implementation of this standard. Segment information is disclosed in the manner in which the business is managed. As a result, the Group has amended its segment structure and some reporting units have been allocated to a different reportable segment. Additionally, the Group now includes its internal performance measure, Business Operating Profit (BOP), in the segment disclosures. Comparative information has been amended accordingly. Note 30 provides detailed information on the new segmental structure.

In March 2007, the IASB issued amendments to IAS 23 "Borrowing Costs" that are effective for reporting periods beginning on or after January 1, 2009. The amendments eliminate the option to recognize all borrowing costs for eligible assets immediately as an expense.

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

In January 2008, the IASB issued amendments to IFRS 2 "Vesting Conditions and Cancellations". The amendments are effective for reporting periods beginning on or after January 1, 2009. The amended standard clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or the valuation thereof subsequent to the date of grant. All cancellations whether by the entity or by other parties, should receive the same accounting treatment.

In February 2008, the IASB issued amendments to IAS 32 "Financial Instruments: Presentation" and to IAS 1 "Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation". The amendments are effective for reporting periods beginning on or after January 1, 2009. The amended standards require entities to classify as equity all puttable financial instruments, and instruments or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, provided such financial instruments have particular features and meet specific conditions.

In March 2009, the IASB issued amendments to IFRS 7 "Improving Disclosures about Financial Instruments". The amendments are effective for reporting periods beginning on or after January 1, 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. These new disclosures have been included in note 27.

In March 2009, the IASB issued amendments to IFRIC 9 and IAS 39 "Embedded Derivatives". The amendments are effective for reporting periods ending on or after June 30, 2009. The amendments clarify the accounting for embedded derivatives in the case of a reclassification of a financial asset out of the 'fair value through profit or loss' category as permitted by the October 2008 amendments to IAS 39 "Financial Instruments: Recognition and Measurement".

Standards, amendments and interpretations issued that are not yet effective

The following standards, amendments and interpretations of existing published standards are not yet effective but will be relevant to the Group's operations. The Group is currently evaluating the impact of adopting these standards, amendments and interpretations.

In January 2008, the IASB issued the revised IFRS 3 "Business Combinations". The standard is effective for reporting periods beginning on or after July 1, 2009, prospectively. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent consideration that are classified as debt being subsequently re-measured at fair value through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed.

In January 2008, the IASB issued amendments to IAS 27 "Consolidated and Separate Financial Statements". The amendments are effective for reporting periods beginning on or after July 1, 2009. The amended standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer give rise to goodwill or gains and losses.

In July 2008, the IASB issued amendments to IAS 39 "Eligible Hedged Items". The amendments are mandatory for reporting periods beginning on or after July 1, 2009. The amendments clarify how the principles that determine whether a hedged risk or portion of cash flows is eligible for hedge designation should be applied in particular situations.

In November 2008, IFRIC 17 "Distributions of Non-cash Assets to Owners" was issued. IFRIC 17 is effective for reporting periods beginning on or after July 1, 2009. The interpretation clarifies when a dividend payable should be recognized and how distributions of assets other than cash should be measured when an entity pays dividends to its owners.

In April 2009, the IASB issued several minor amendments as part of the IASB's annual improvements project. The amendments are effective for reporting periods beginning on or after January 1, 2010 with the exception of amendments regarding IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", IAS 38 "Intangible Assets", IFRIC 9 "Reassessment of Embedded Derivatives" and IFRIC 10 "Interim Financial Reporting and Impairment" which are effective for reporting periods beginning on or after July 1, 2009.

In June 2009, the IASB issued amendments to IFRS 2 "Group Cash-settled Share-based Payment Transactions". The amendments are effective for reporting periods beginning on or after January 1, 2010. The amendments clarify the scope of IFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.

In October 2009, the IASB issued amendments to IAS 32 "Classification of Rights Issues". The amendments are effective for reporting periods beginning on or after February 1, 2010. The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. The amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated.

In November 2009, the IASB issued amendments to IAS 24 "Related Party Disclosures". The amendments are effective for reporting periods beginning on or after January 1, 2011. The amendment provides a partial exemption from the disclosure requirements for government-related entities and clarifies the definition of a related party.

In November 2009, the IASB issued IFRS 9 "Financial Instruments" which reconsiders the classification and measurement of financial assets. These requirements are effective for reporting periods beginning on or after January 1, 2013, with earlier adoption permitted. Under the new guidance the classification of financial assets is based on how the reporting entity manages these assets (business model) and on the contractual cash flow characteristics of the specific financial assets. The measurement of financial assets will be either amortized costs or fair value through profit or loss, whereby for equity instruments an irrevocable election can be made on an instrument-by-instrument basis to record fair value through Other Comprehensive Income (OCI). The Group plans to assess the impact of this standard on its financial statements in conjunction with the revised standard on IFRS 4 "Insurance Contracts" which is expected to be released in 2011 effective for reporting periods beginning on or after January 1, 2013. Changes to the IFRS timetable may have an impact on this approach.

3. Summary of significant accounting policies

The principal accounting policies applied in these Consolidated Financial Statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

a) Consolidation principles

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

Acquisition transactions with non-controlling interests are accounted for as transactions with parties external to the Group. Purchases from non-controlling interests result in goodwill, being the difference between any consideration paid and the relevant carrying value of non-controlling interest acquired.

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

The Consolidated Financial Statements are prepared as of December 31 based on individual company financial statements at the same date. In some cases information is included with a time lag of up to three months. The effects on the Group's Consolidated Financial Statements are not material.

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

IFRS does not provide specific guidance on all aspects of recognition and measurement of insurance and reinsurance contracts. The Group's accounting policies for insurance and reinsurance contracts are therefore based on those developed by the Group before the adoption of IFRS 4. At the time of adoption, the Group typically considered U.S. GAAP pronouncements issued by the Financial Accounting Standards Board (FASB) on insurance and reinsurance contracts in areas where IFRS 4 did not include specific requirements.

Classification

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

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

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

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

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

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

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

Once a contract has been classified as an insurance contract, no reclassification can be made subsequently.

Premiums

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

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

Amounts collected as premiums from investment type contracts such as universal life, unit-linked and unitized with-profits contracts are reported as deposits. Revenue from these contracts consists of policy fees for the cost of insurance, administration and surrenders during the period. Front-end fees are recognized over the estimated life of the contracts.

Cash flows from certain universal life-type contracts in our Spanish operations are recognized as gross written premiums and insurance benefits and losses instead of deposits.

Deferred policy acquisition costs (DAC)

The costs of acquiring new business, including commissions, underwriting and policy issue expenses, which vary with and are directly related to the production of new business, are deferred. Certain direct response marketing costs for efforts which solicit a direct response that is specific and quantifiable are also deferred, when it can be demonstrated that such marketing results in future economic benefits.

DAC for participating traditional life insurance contracts is amortized over the expected life of the contracts based on estimated gross margins expected to be realized over the life of the contract. Estimated gross margins are updated for historical and anticipated future experience using the latest revised interest rate for the remaining benefit period. Resultant deviations from estimated experience are reflected in income.

DAC for other traditional life insurance and annuity policies is amortized over the expected life of the contracts based on expected premiums. Expected premiums are estimated at the date of policy issue for application throughout the life of the contract, unless premium deficiency occurs.

DAC for contracts such as universal life, unit-linked and unitized with-profits contracts is amortized over the expected life of the contracts based on estimated gross profits expected to be realized over the life of the contract. Estimated gross profits are updated for historical and anticipated future experience using the latest revised interest rate for the remaining benefit period. Resultant deviations from estimated experience are reflected in income.

Unamortized DAC for life business accrues interest at a rate consistent with the related assumptions for reserves.

For certain products the DAC asset is adjusted for the impact of unrealized gains/(losses) on allocated investments that are recorded in equity (shadow accounting).

DAC for general insurance contracts is amortized over the period in which the related premiums written are earned.

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

Liability adequacy tests

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

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

Reserves for losses and loss adjustment expenses

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

Future life policyholders' benefits and policyholders' contract deposits

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

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

Future life policyholders' benefits for other traditional life insurance policies are calculated using a net level premium valuation method based on actuarial assumptions including mortality, persistency, expenses and investment return including a margin for adverse deviation. These assumptions are locked-in at inception and are regularly assessed as part of the related liability adequacy testing over the period of the contract.

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

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

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

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

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

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

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

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

For products containing guarantees in respect of minimum death benefits (GMDB), retirement income benefits (GRIB) and/or annuitization options (GAO), additional liabilities are recorded in proportion to the receipt of the contracted revenues coupled with a loss adequacy test taking into account policyholder behavior and current market conditions.

Reinsurance

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

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

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

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

c) Investment contracts (without DPF)

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

Liabilities for investment contracts (unit-linked)

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

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

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

The Group's main valuation techniques incorporate all factors that market participants would consider and are based on observable market data. If market data is not observable, the Group uses assumptions based on its own experience. The fair value of a unit-linked financial liability is determined using the current unit values that reflect the fair values of the financial assets contained within the Group's unitized investment funds linked to the financial liability, multiplied by the number of units attributed to the contract holder as of the balance sheet date.

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

Liabilities for investment contracts (amortized cost)

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

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

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

Deferred origination costs (DOC)

The costs of acquiring new investment contracts with investment management services, including commissions and other incremental expenses directly related to the issuance of each new contract, are capitalized and amortized in line with the revenue generated by the investment management service. DOC is tested for recoverability as of each reporting date.

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

d) Other revenue recognition

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

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

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

- Front-end fees charged to the customer at inception are used particularly for single premium contracts. The consideration received is deferred as a liability and recognized over the life of the contract on a straight-line basis.

- Regular fees charged to the customer periodically (monthly, quarterly or annually) either directly or by making a deduction from invested funds are billed in advance and recognized on a straight-line basis over the period in which the service is rendered. Fees charged at the end of the period are accrued as a receivable and are offset against the financial liability when charged to the customer.

e) Net investment income

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

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

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

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

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

Investment expenses consist of operating expenses for real estate held for investment and other investment expenses. These expenses are recognized on an accrual basis.

f) Investments

Investments include cash and cash equivalents, non-derivative financial instruments, real estate held for investment, and investments in associates and joint ventures.

Categories of non-derivative financial instruments

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

Financial assets at fair value through profit or loss include financial assets held for trading and those designated at fair value through profit or loss at inception.

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

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

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

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

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

Measurement of investments

General

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

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

Held-to-maturity financial assets

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

Financial assets carried at fair value through profit or loss

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

Investments backing certain life insurance policies with participation features are held as at fair value through profit or loss in order to reduce measurement inconsistencies. The change in fair value of these assets recognized in net investment result are offset by equivalent movements attributable to policyholders.

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are subsequently carried at fair value, with changes in fair values recognized directly in shareholders' equity until the securities are either sold or impaired.

The cumulative unrealized gains or losses recorded in shareholders' equity are net of cumulative deferred income taxes, certain life policyholder liabilities and deferred acquisition costs. When available-for-sale financial assets are sold, impaired or otherwise disposed of, the cumulative gains or losses previously recognized in shareholders' equity are recognized in income.

Dividends on available-for-sale equity instruments are recognized in income when the Group's right to receive payments is established. Dividends are included in the investment income line. Interest on available-for-sale debt instruments calculated using the effective interest method is recognized in the investment income line.

Other items
Cash and cash equivalents are short-term highly liquid investments that are readily convertible into cash. This includes cash in hand, deposits held at call with banks, other short-term investments with original maturities of three months or less. Cash and cash equivalents also includes cash received as collateral for securities lending. Cash and cash equivalents are stated at face value.

Real estate held for investment is initially recorded at cost (including transaction costs) and is subsequently measured at fair value with changes in fair value recognized in income. Fair value is based on active market prices, adjusted if necessary for differences in the nature, location or condition of the property. If active market prices are not available, alternative valuation methods are used, for example discounted cash flow projections. Valuations are performed annually by internal valuation specialists and generally at least once every three years by external valuers. No depreciation is recorded for real estate held for investment. The gain or loss on disposal of real estate held for investment is based on the difference between the proceeds received and the carrying value of the investment and is recognized in income when the disposal is completed.

Impairments of non-derivative financial instruments

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

a) significant financial difficulty of the issuer or debtor;

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

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

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

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

- adverse changes in the payment status of issuers or debtors in that group; or

- national or local economic conditions that correlate with defaults on the assets in that group.

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

Financial assets carried at amortized cost
For held-to-maturity financial assets as well as loans and receivables, impairment is considered to have occurred if it is probable that the Group will not be able to collect principal and/or interest due according to the contractual terms of the instrument. When impairment is determined to have occurred, the carrying amount of held-to-maturity financial assets, loans or receivables is reduced through the use of an allowance account, and the movement in the impairment allowance is recognized as an impairment loss in income. The impairment of financial assets carried at amortized cost is measured as the difference between the carrying amount of the assets and the present value of estimated future cash flows, using the original effective interest rate for the financial assets. The impairment for mortgage loans and receivables is determined using an analytical method based on knowledge of each loan group or receivable. The method is usually based on historical statistics, adjusted for known or anticipated trends in the group of financial assets or individual accounts. If the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through income. This reversal does not result in a carrying amount for the financial asset exceeding the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

Financial assets carried at fair value
When a decline in the fair value of an available-for-sale equity security has been recognized directly in shareholders' equity and there is objective evidence that the security is impaired, the cumulative loss already recognized directly in shareholders' equity, including any portion attributable to foreign currency changes, is recognized in income. Such impairment arises when the fair value of the security is below the weighted-average cost by a significant amount. Impairment thresholds are determined each quarter on the basis of the underlying price volatility of securities within the various equity markets in which the Group invests (such as North America, UK, Switzerland, Rest of Continental Europe, Asia Pacific). Additionally, the Group considers an available-for-sale equity security impaired when the fair value has been below the weighted-average cost for a prolonged period of 24 months or longer. The amount of the cumulative loss that is removed from shareholders' equity and recognized in current period income is the difference between weighted-average acquisition cost and current fair value, less any impairment loss on that security previously recognized in income. Impairment losses recognized in income on equity securities classified as available-for-sale are not reversed through income. When a previously impaired equity security increases in fair value, unrealized gains will be recognized through shareholders' equity. Any subsequent losses, including any portion attributable to foreign currency changes, are also reclassified from shareholders' equity to income as impairments until the equity instrument is derecognized.

When a decline in the fair value of an available-for-sale debt security has been recognized directly in shareholders' equity and there is objective evidence that the security is impaired, the cumulative loss already recognized directly in shareholders' equity is recognized in income. Available-for-sale debt securities are evaluated for impairment if a loss event that has an impact on future cash flows and that can be reliably estimated has occurred. The amount of the cumulative loss that is removed from shareholders' equity and recognized in income is the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that debt security previously recognized in income. If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period, and the increase can be objectively related to an event occurring after the impairment loss was recognized in income, the impairment loss is reversed through income. This reversal would be recognized in income only up to the amount of the previously recognized impairment loss, adjusted for any amortization already recognized in income. Any subsequent gains are recognized directly in shareholders' equity. Any subsequent losses, to the extent they do not represent impairment losses, are also recognized in shareholders' equity.

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

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

Derivative financial instruments, except those designated under a qualifying hedge relationship are classified as held for trading assets or liabilities and carried at fair value on the balance sheet with changes in fair value recognized in income.

Fair values are obtained from quoted market prices, dealer price quotations, discounted cash flow models and option pricing models, which use various inputs including current market and contractual prices for the underlying instrument, time to expiry, correlations, yield curves, prepayment rates and volatility of the underlying instrument. Such inputs used in pricing models are generally market observable or derived from market observable data.

Derivative financial instruments that qualify for hedge accounting

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

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

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

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

Discontinued hedges

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

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

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

When hedge accounting is discontinued for a cash flow hedge, the net gain or loss will remain in comprehensive income within shareholders' equity and be reclassified to income in the same period or periods during which the formerly hedged transaction is reported in income. When the Group discontinues hedge accounting because the forecast transaction is no longer expected to occur the hedging instrument will continue to be carried on the consolidated balance sheet at its fair value, and any related accumulated gains and losses that were previously recorded in comprehensive income from the period when the hedge was effective are recognized in income. The forecast transaction may still be expected to occur, but may no longer be highly probable, in which case the related cumulative gains and losses on the hedging instrument remain in comprehensive income within shareholders' equity until the forecast transaction occurs or is no longer expected to occur. At that point, the gains and losses will be treated as described above.

h) Derecognition of financial assets and liabilities

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

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

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

i) Offsetting of financial assets and financial liabilities

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

j) Securities lending

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

k) Repurchase and reverse repurchase transactions

Securities sold under agreements to repurchase at a certain later date (Repurchase agreements) and securities purchased under agreements to resell (Reverse repurchase agreements) are generally accounted for as collateralized financing transactions. The securities delivered under the repurchase agreement are not derecognized from the balance sheet, when all or substantially all of the risk and rewards are retained. The proceeds received are reported as a liability under Obligation to repurchase securities. Interest expense is charged to income using the effective interest rate method over the life of the agreement.

In a reverse repurchase agreement, the securities received are not recognized on the balance sheet, as long as the risk and rewards of ownership have not been obtained by the Group. The cash delivered is derecognized and a corresponding receivable is recorded. Interest income is recognized in income using the effective interest rate method over the life of the agreement.

In cases such as in events of default by a third party, it may be determined that the risks and rewards of ownership over the collateral have been obtained by the Group. At such point in time, the securities held under the reverse repurchase agreement are recognized on the balance sheet at fair value and the original receivable is derecognized. Any shortfall is recorded as a loss in income.

l) Borrowings

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

Preference shares, which are mandatory redeemable on a specific date are classified as liabilities. The dividends on these preference shares are recognized in the income statement as interest expense.

When fair value hedge accounting is applied to borrowings, the carrying value of borrowings are adjusted for changes in fair values related to the hedged exposure.

m) Interest expense

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

n) Goodwill

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use of that group of assets (the 'cash generating unit' (CGU)), and that is largely independent of the cash inflows of other assets or groups of assets. The Group's CGUs, on which impairment losses are assessed, represent the lowest level at which goodwill is monitored for internal management purposes. CGUs are not larger than an operating segment.

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

The recoverable amount of a CGU is the higher of its fair value less costs to sell and its value-in-use. Fair value less costs to sell is based on the best information available to reflect the amount that the Group could obtain, as of the balance sheet date, from the disposal of the CGU on an arm's length basis between knowledgeable, willing parties, after deducting the costs of disposal. Impairment losses on goodwill are not reversed.

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

o) Other intangible assets

Intangible assets include present value of future profits from acquired insurance contracts (PVFP), attorney-in-fact relationships (AIF), and other intangible assets, such as customer relationships and contracts, affinity partnerships, distribution agreements, computer software licenses and capitalized software development costs. Intangible assets acquired in a business combination are recognized separately from goodwill at the acquisition date if their fair values can be measured reliably, the assets are separable or arise from contractual or other legal rights, and they are controlled by the entity.

Costs incurred during the development phase of computer software are capitalized when the following recognition criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and to use it;
- the software is expected to generate future economic benefits;
- sufficient sources are available to complete the development of the software; and
- expenditures can be reliably measured.

Costs associated with research and maintenance of computer software are expensed as incurred.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

The useful lives of customer relationships and contracts, affinity partnerships and distribution agreements extend up to 30 years and are estimated based on the period of time over which they are expected to provide economic benefits and taking into account all relevant economic and legal factors such as usage of the assets, typical product life cycles, potential obsolescence, stability of the industry, competitive position and the period of control over the assets.

The useful lives of computer software licenses and capitalized software development costs generally do not exceed five years. In some exceptional circumstances, capitalized software development costs may be amortized over a period of up to ten years, taking into account the effects of obsolescence, technology, competition and other economic and legal factors.

Other intangible assets with finite lives are carried at cost less accumulated amortization and impairments. They are amortized using the straight-line method over their useful lives and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Other intangible assets with infinite lives are not subject to amortization but are tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

On the acquisition of life insurance businesses a customer contract intangible asset representing the PVFP is determined. This asset has a finite life and is amortized over the expected life of the policies acquired, based on a constant percentage of the present value of estimated gross profits (margins) expected to be realized, or over the premium recognition period, as appropriate.

Attorney-in-fact relationships (AIF)

The AIF reflects the ability of the Group to generate future revenues based on the Group's relationship with the Farmers Exchanges. In determining that these relationships have an indefinite useful life, the Group considered the organizational structure of inter-insurance exchanges, under which subscribers exchange contracts with each other and appoint an attorney-in-fact to provide certain management services, and the historical AIF between FGI and the Farmers Exchanges.

p) Income taxes

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

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

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

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

q) Employee benefits

Retirement benefits

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

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

Other post-employment benefits

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

r) Share-based compensation and cash incentive plans

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

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

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

Under the Group's cash-settled share-based payment compensation plan, the Group allows participants to take their option award in the form of Share Appreciation Rights (SAR). Hence, the Group incurs a liability which is measured at the fair value of the SAR. As the fair value of the options which the Group uses for its employee schemes cannot be compared with those in the market, the Group estimates the fair value using the Black-Scholes model. This model requires inputs such as share price, exercise price, implied volatility, risk-free interest rate, expected dividend rate and the expected life of the option. The liability is measured at initial recognition and at each balance sheet date until settled thereby taking into account the terms and conditions on which the SAR were granted, and the extent to which the participants have rendered service to date. The fair value of the participants' services received in exchange for the SAR is recognized as an expense in income over the vesting period and measured by reference to the fair value of the liability.

s) Property and equipment

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

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

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

Maintenance and repair costs are charged to income as incurred. The costs of IT systems purchased from third party vendors are capitalized and amortized over expected useful lives. Gains and losses on the disposal of property and equipment are determined by comparing the proceeds with the carrying amounts and are recorded in other income or administrative and other operating expense, respectively.

Assets that have an indefinite useful life, for example land, are not subject to amortization and are tested regularly for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying value of the asset exceeds its expected recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value-in-use. Assets are grouped on a CGU level if the recoverable amount cannot be separately determined.

t) Finance and operating leases
Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title, are classified as finance leases. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to income on a straight-line basis over the period of the lease, unless another systematic basis is representative of the time pattern of the user's benefit even if the payments are not on that basis.

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

Restructuring provisions comprise employee termination costs and costs related to onerous contracts. Restructuring provisions are recognized when the Group has a present obligation as a result of a detailed formal plan, which has been announced to those affected and the amount can be reasonably estimated.

v) Treasury shares
Zurich Financial Services Ltd shares held by the Group are classified as treasury shares and are deducted from share capital at nominal value. The difference between the nominal value and the amount paid to acquire, or received for the disposal of treasury shares, is recorded as an adjustment to additional paid-in capital, net of transaction costs and tax effects.

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

Foreign currency transactions and balances
Foreign currency transactions are translated into the functional currency using the spot exchange rate at the date of the transaction or, for practical reasons, a weighted average rate, if exchange rates do not fluctuate significantly.

Foreign currency monetary items and foreign currency non-monetary items, which are carried at fair value, are translated at end-of-period exchange rates. Foreign currency non-monetary items which are carried at historical cost are translated at historical exchange rates. The resulting foreign currency translation differences are recorded in income, except for the following:

- when the gain or loss on non-monetary items measured at fair value, such as available-for-sale equity securities, is recognized directly in shareholders' equity, any foreign currency component of that gain or loss is also recognized directly in shareholders' equity;

- changes in the fair value of monetary items denominated in foreign currency, such as debt securities, that are classified as available-for-sale, are analyzed between foreign currency translation differences resulting from changes in the amortized cost of the security and other fair value changes of the security. Foreign currency translation differences related to changes in amortized cost are recognized in income, and those related to other changes in fair value are recognized in shareholders' equity; and

- on consolidation, foreign currency translation differences arising on monetary items that form part of net investments in foreign operations are recognized directly in shareholders' equity.

Goodwill and any fair value adjustment to the carrying amounts of assets and liabilities on the acquisition of a foreign operation are expressed in the functional currency of the foreign operation and are translated at the end-of-period exchange rates, with any foreign currency translation differences recorded directly in shareholders' equity.

4. Critical accounting judgements and estimates

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

a) Reserves for losses and loss adjustment expenses

The Group is required to establish reserves for payment of losses and loss adjustment expenses that arise from the Group's general insurance products and the run-off of its former third party reinsurance operations. These reserves represent the expected ultimate cost to settle claims occurring prior to, but still outstanding as of, the balance sheet date. The Group establishes its reserves by product line, type and extent of coverage and year of occurrence. Loss reserves fall into two categories: reserves for reported losses and reserves for IBNR losses. Additionally, reserves are held for loss adjustment expenses, which contain the estimated legal and other expenses expected to be incurred to finalize the settlement of the losses.

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

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

The time required to learn of and settle claims is an important consideration in establishing the Group's reserves.

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

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

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

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

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

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

- The estimated number of deaths determines the value of the benefit payments. The main source of uncertainty arises because of the potential for pandemics and wide-ranging lifestyle changes, such as changes in eating, smoking and exercise habits, which could result in earlier deaths for age groups in which the Group has significant exposure to mortality risk.

- For contracts that insure the risk of longevity, such as annuity contracts, an appropriate allowance is made for people living longer. Continuing improvements in medical care and social conditions could result in further improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Group is exposed to longevity risk.

- Under certain contracts, the Group has offered product guarantees (or options to take up product guarantees), including fixed minimum interest rate or mortality rate returns. In determining the value of these options and/or benefits, estimates have been made as to the percentage of contract holders that may exercise them. Changes in investment conditions could result in significantly more contract holders exercising their options and/or benefits than has been assumed.

- Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

- Assumptions are determined with reference to current and historical client data, as well as industry data. Interest rate assumptions reflect expected earnings on the assets supporting the future policyholder benefits. The information used by the Group's qualified actuaries in setting such assumptions includes, but is not limited to, pricing assumptions, available experience studies and profitability analysis.

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

c) Fair value of financial assets and liabilities

As described in note 3, all financial assets and liabilities are recorded initially at fair value. Subsequently, derivative financial instruments, financial assets and liabilities classified as held for trading, designated at fair value, available-for-sale and financial liabilities designated at fair value are carried at fair value. While all the other financial instruments are carried at amortized cost, their fair values are disclosed in note 27.

The determination of fair value for financial assets and liabilities is based generally on quoted market prices or broker/dealer price quotations. If prices are not readily available, fair value is based on either internal valuation models (for example, discounted cash flow models) or management estimates of amounts that could be realized under current market conditions.

Fair values of debt and equity securities are based on quoted market prices when available. If such prices are not available, then fair values are estimated on the basis of pricing models, discounted cash flow models or other recognized valuation techniques or information from external pricing sources.

Discounted cash flow models are used for mortgage and other loans and long term receivables. The discount rates used in these models are either current interest rates charged by the Group on these instruments or a calculated rate that reflects the return a market participant would expect to receive on instruments with similar remaining maturity, cash flow pattern, currency, credit risk, collateral and interest basis.

Fair values of debt instruments issued by the Group are estimated using discounted cash flow models based upon the Group's current incremental borrowing rates for similar types of borrowings, with maturities consistent with those remaining for the debt instruments being valued.

Fair values of derivative instruments are obtained from quoted market prices, dealer price quotations, discounted cash flow models and option pricing models, which use various inputs including current market and contractual prices for underlying instruments, time to expiry, correlations, yield curves, prepayment rates and volatility of underlying instruments. Such inputs used in pricing models are generally market observable or derived from market observable data.

Fair value of liabilities related to unit-linked investment contracts are based on the fair value of financial assets backing these liabilities. Fair values of liabilities related to other investment contracts are determined using discounted cash flow models. A variety of factors are considered in the Group's valuation techniques, including credit risk, embedded derivatives (such as unit-linking features), volatility factors (including contract holder behavior), servicing costs and surrenders of similar instruments.

For certain financial instruments, the carrying amounts approximate to fair value because of the short term nature of the instruments. Such instruments include short-term investments, receivables, obligations to repurchase securities and other short term financial assets and liabilities.

The Group makes extensive use of third party pricing providers in determining fair values of invested assets and only in rare cases places reliance on prices that are derived from internal models. The Group's control environment and the process of selection of pricing providers confirms that fair values of invested assets are sourced only from independent, reliable and reputable third party pricing providers.

The Group employs third party asset managers who manage a significant percentage of assets on behalf of the Group, but are not responsible for determining the fair values used in the financial statements. Investment accounting and operations functions, are completely independent from those responsible for buying and selling the assets, and are responsible for receiving, challenging and verifying values provided by third parties to ensure that fair values are reliable and comply with the applicable accounting and valuation policies. The quality control procedures used depend on the nature and complexity of the invested assets and include regular reviews of valuation techniques and inputs used by pricing providers (for example, default rates of collateral for asset backed securities), variance and stale price analysis and comparisons with fair values of similar instruments and with alternative values obtained from asset managers and brokers.

In cases where significant reliance is placed on an independent price provider, the Group has engaged with that price provider to confirm that the control environment conforms to the high standards that the Group expects. In addition, the Group ensures that independently sourced prices are determined based on valuation techniques that incorporate all factors that market participants would consider in setting a price and are consistent with best practice methodologies for pricing financial instruments. Such models make maximum use of market inputs such as benchmark yields, reported trades and broker/dealer quotes. The Group holds certain asset classes that are not actively traded, in particular hedge funds and private equity investments. Fair values of such instruments are based on regular reports from the issuing hedge funds and private equity funds. Performance of these investments and determination of their fair value are monitored closely by the Group's in-house investment professionals.

Refer to notes 6, 7 and 27 for further information on the fair value of financial assets and liabilities.

d) Impairment of assets
Assets are subject to regular impairment reviews under the relevant IFRS standard.

A financial asset is considered impaired if there is objective evidence of impairment as a result of a loss event that has an impact on the estimated future cash flows of the financial asset.

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

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

For goodwill the recoverable amount is the higher of its fair value less costs to sell and its value-in-use. Fair value of CGUs is determined, considering quoted market prices, current share values in the market place for similar publicly traded entities, and recent sale transactions of similar businesses. Value-in-use is determined using the present value of estimated future cash flows expected to be generated from or used by the CGU. Cash flow projections are based on financial budgets, which are approved by management, typically covering a three-to-five-year period or if appropriate, a longer period. Cash flows beyond this period are extrapolated using amongst others estimated growth rates. The discount rates applied reflect the respective risk fee interest rate adjusted for the relevant risk factors to the extent not already considered in the underlying cash flows.

The recoverable amount of the intangible assets with an infinite live related to the Farmers segment (i.e. attorney-in-fact (AIF) relationships and goodwill) is determined on the basis of value-in-use calculations. These calculations use cash flow projections based on business plans and the surplus development in the Farmers Exchanges. Business plans are approved by management and typically cover a 5-year period. Cash flows beyond that five-year period are extrapolated for 20 years assuming zero growth.

Refer to notes 3, 6, 15, 17 and 18 for further information on impairments of assets.

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

Acquired businesses are accounted for using the purchase method of accounting which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values. Fair values of financial assets and liabilities and insurance liabilities are determined as described in the respective sections above.

Fair values of identifiable intangible assets are based on market-participant assumptions and applicable valuation techniques, depending on the nature of the assets valued. For customer relationship and contract intangibles, including banc-assurance agreements, the multi-period excess earnings or cash flow method is applied, using pre-tax future cash-flows expected to be generated from such assets and discounting at applicable market rates. For brand intangibles the relief from royalty method is generally applied and resulting cash-flows are discounted at applicable market rates. For information technology intangibles the replacement cost method is generally applied.

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

f) Deferred policy acquisition costs

Deferred policy acquisition costs generally consist of commissions, underwriting expenses and policy issuance costs. The amount of acquisition costs to be deferred is dependent on judgments as to which issuance costs are directly related to and vary with the acquisition. The related asset is amortized over the premium earning pattern for non-life and certain traditional life products. For most life products, amortization is based on the estimated profitability of the contract throughout its life. The estimation of profitability considers both historical and future experience as regards assumptions, such as expenses, lapse rates or investment income.

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

g) Deferred taxes

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

Refer to note 21 for further information on deferred taxes.

h) Employee benefits

The Group provides defined benefit pension plans and other post-employment plans. In assessing the Group's liability for these plans, critical judgments include estimates of mortality rates, rates of employment turnover, disability, early retirement, discount rates, expected long-term rates of return on plan assets, future salary increases, future pension increases and increases in long-term healthcare costs. The discount rate for the significant plans is based on a yield curve approach. The Group sets the discount rate by creating a hypothetical portfolio of high quality corporate bonds for which the timing and amount of cash outflows approximate the estimated payouts of the defined benefit plan. These assumptions may differ from actual results due to changing economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants. These differences may result in variability of pension income or expense recorded in future years.

Refer to note 24 for further information on employee benefits.

i) Share-based compensation and cash incentive plans

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

Refer to note 25 for further information on share-based compensation and cash incentives plans.

5. Acquisitions and divestments

Recent developments

On July 21, 2009, Caixa d'Estalvis de Sabadell ("Caixa Sabadell"), a savings bank based in Spain with which the Group entered into bank distribution agreements for the Spanish market in 2008, announced that it was developing plans for a merger between itself and two other Spanish savings banks. On September 10, 2009, Caixa Sabadell announced that a third Spanish savings bank had joined these merger preparations on September 7, 2009. The Group is reviewing the potential impact on its distribution agreements with Caixa Sabadell and its options resulting from such a merger.

On December 3, 2009, the Group reached an agreement with Royal Bafokeng Finance (Pty) Limited (RBF), an investment company based in South Africa and wholly owned by Royal Bafokeng Holdings (Pty) Limited, based in South Africa and responsible for the management and development of the commercial assets of the Royal Bafokeng Nation, to increase the RBF share holding in Zurich Insurance Company South Africa Limited, of which the Group owns 73.6 percent, by 15.1 percent from 10 percent to 25.1 percent with option rights to increase up to 50.1 percent or sell the entire stake back to the Group. Regulatory approval has been granted and the parties are preparing to close the transaction in February 2010.

Transactions in 2009

Acquisitions

Business combinations – current period

Table 5.1

in USD millions	21st Century[1]	Minas Brasil	Total
Book value of net assets prior to acquisition	147	9	156
Fair value of net tangible assets acquired	8	9	17
Identifiable intangible assets, net of deferred tax	91	19	110
Goodwill	440	114	553
Total acquisition costs	539	143	681
Cash consideration	320	135	455
Subordinated capital notes transferred	201	–	201
Transaction costs	18	3	21
Present value of deferred payments	–	4	4
Cash and cash equivalents acquired	–	47	47

[1] The 21st Century purchase price allocation is provisional.

On July 1, 2009, the Group completed the acquisition of 100 percent of the U.S. Personal Auto Group, primarily comprising the direct platform of 21st Century and consequently named "21st Century" going forward, from American International Group, Inc. The purchase price amounted to USD 1,893 million, of which USD 1,692 million was paid in cash and USD 201 million was met through the issue of Euro denominated Subordinated Capital Notes. As part of the transaction, the Group contemporaneously sold the regulated insurance businesses and certain other related net assets to the Farmers Exchanges, which the Group manages but does not own, for USD 1,372 million in cash, resulting in a net purchase price of USD 521 million for the management services business retained by the Group. Up to December 31, 2009, the Group has incurred transaction costs directly attributable to the business combination of USD 18 million, which are included in the total acquisition costs of USD 539 million. Based on the provisional purchase price allocation, net tangible assets of USD 8 million and capitalized software of USD 91 million were acquired. The residual goodwill of USD 440 million reflects the economic benefit of the retained management services business. Total revenues and business operating profit of the retained management services business for the six months starting July 1, 2009 and ending December 31, 2009 were USD 214 million and USD 81 million, respectively. The book value of net assets prior to acquisition amounted to USD 147 million. The purchase price allocation will be finalized in 2010.

"Minas Brasil" sets out the acquisition of 100 percent of Companhia de Seguros Minas Brasil (CSMB) and of 100 percent of Minas Brasil Seguradora Vida e Previdência S.A. (MBVP), a life insurer based in Brazil. On November 28, 2008 the Group acquired 87.35 percent of CSMB and 100 percent of MBVP from Banco Mercantil do Brasil S.A. (Banco Mercantil) and two private investors. As part of this transaction, the Group entered into an exclusive distribution agreement with Banco Mercantil for both life and general insurance products. Following price adjustments in accordance with the purchase agreement, total acquisition costs for CSMB, MBVP and the distribution agreement amounted to USD 121 million and included net tangible assets acquired of USD 9 million and identifiable intangible assets, net of deferred tax, of USD 19 million, mainly relating to the distribution agreement with Banco Mercantil. The residual goodwill of USD 93 million represents expected synergies and growth opportunities from the bank distribution agreement and the expansion of other sales channels. In addition, an earn-out component of up to USD 21 million based on future performance under the distribution agreement has been agreed. During the year ended December 31, 2009 the Group acquired the remaining 12.65 percent of the outstanding shares of CSMB for a total consideration of USD 22 million, resulting in total ownership for the Group of 100 percent of the share capital of CSMB and an increase of goodwill of USD 21 million. The amounts shown in table 5.1 under total acquisition costs of USD 143 million and goodwill of USD 114 million comprise MBVP and the distribution agreement, the acquisition of the 87.35 percent of CSMB in 2008 and of the remaining 12.65 percent of CSMB in 2009, respectively. Total revenues for the year ended December 31, 2009 of both, CSMB and MBVP combined were USD 216 million and the impact of this transaction on the income was immaterial.

Divestments

During the year ended December 31, 2009, the Group sold all of its shares in Paofoong Insurance Company (Hong Kong) Limited based in Hong Kong and in Constellation Reinsurance Company based in New York, recording a pre-tax loss on disposal in aggregate of USD 5 million. Total cash and net assets divested in 2009 were in aggregate USD 18 million and USD 12 million, respectively. The total consideration received in 2009, net of immaterial transaction costs, amounted in aggregate to USD 7 million.

Transactions in 2008

Acquisitions

During 2008, the Group completed several acquisitions that were accounted for as business combinations. The acquisitions indicated in the following table were individually significant to the Group and are therefore presented separately. The other acquisitions are presented in aggregate. The purchase price allocation has been finalized for all acquisitions completed during 2008.

Table 5.2

Business combinations – prior period

in USD millions	TEB Sigorta	Caixa Sabadell	Banco Sabadell[1]	Other	Total
Book value of net assets prior to acquisition	22	140	179	104	445
Fair value of net tangible assets acquired	35	140	167	102	444
Identifiable intangible assets, net of deferred tax	76	548	1,931	219	2,775
Goodwill	253	–	–	66	320
Non-controlling interests	–	(344)	(1,049)	(77)	(1,470)
Total acquisition costs	364	344	1,049	311	2,069
Cash consideration	363	343	1,041	254	2,001
Transaction costs	1	1	8	2	12
Present value of deferred payments	–	–	–	55	55
Cash and cash equivalents acquired	48	172	337	64	621

[1] The Banco Sabadell purchase price allocation comprises the purchase price adjustment completed during 2009.

"TEB Sigorta" sets out the acquisition of 100 percent of TEB Sigorta A.Ş., a general insurer based in Turkey, from TEB Mali Yatırımlar A.Ş. (TEB Mali), which the Group completed on March 31, 2008. Total acquisition costs amounted to USD 364 million and included net tangible assets acquired of USD 35 million and identifiable intangible assets, net of deferred tax, of USD 76 million (USD 94 million before tax, mainly relating to distribution arrangements with TEB Mali subsidiaries including Türk Ekonomi Bankası A.Ş. (TEB) for the distribution of general insurance products in Turkey on an exclusive basis). The residual goodwill of USD 253 million represented expected growth opportunities from the banc-assurance partnership with TEB and the expansion of other sales channels.

"Caixa Sabadell" sets out the acquisition of 50 percent of both the life and general insurance companies CaixaSabadell Vida, S.A. de Seguros y Reaseguros (CSV) and CaixaSabadell Companyia d'Assegurances Generals, S.A. (CSG), both of which are based in Spain, from Caixa d'Estalvis de Sabadell (Caixa Sabadell), which the Group completed on August 14, 2008. Total acquisition costs for CSV amounted to USD 300 million and included net tangible assets acquired of USD 128 million and identifiable intangible assets, net of deferred tax, of USD 472 million (USD 674 million before tax, mainly relating to the life insurance distribution agreement with Caixa Sabadell of USD 552 million and to the present value of profits of acquired insurance contracts of USD 122 million). Total acquisition costs for CSG amounted to USD 45 million and included net tangible assets acquired of USD 13 million and identifiable intangible assets, net of deferred tax, of USD 77 million (USD 109 million before tax, relating to the general insurance distribution agreement with Caixa Sabadell). 50 percent of net tangible assets acquired and of identifiable intangible assets, net of deferred tax, reflecting non-controlling interests in CSV and CSG, amounted in total to USD 344 million. The Group has management control of the jointly owned companies and fully consolidates them.

"Banco Sabadell" sets out the acquisition of 50 percent of life insurance, pension and general insurance operations of Banco Sabadell S.A. (Banco Sabadell), all based in Spain, which the Group completed on September 18, 2008. Following price adjustments during 2009 in accordance with the purchase agreement, total acquisition costs for BanSabadell Vida S.A. de Seguros y Reaseguros (BSV) and BanSabadell Pensiones E.G.F.P., S.A. (BSP) amounted to USD 905 million (initially USD 832 million) and included net tangible assets acquired of USD 157 million (initially USD 181 million) and identifiable intangible assets, net of deferred tax, of USD 1,652 million (initially USD 1,483 million). Identifiable intangible assets before tax amounted to USD 2,358 million (initially USD 2,117 million), mainly relating to the life insurance and pension distribution agreement with Banco Sabadell of USD 1,918 million (initially

USD 1,665 million) and the present value of profits of acquired insurance contracts of USD 437 million (initially USD 449 million). Total acquisition costs for BanSabadell Seguros Generales, S.A. de Seguros y Reaseguros (BSG) amounted to USD 145 million and included net tangible assets acquired of USD 10 million and identifiable intangible assets, net of deferred tax, of USD 280 million (USD 396 million before tax, mainly relating to the general insurance distribution agreement with Banco Sabadell). 50 percent of net tangible assets acquired and of identifiable intangible assets, net of deferred tax, reflecting non-controlling interests in BSV, BSP and BSG, amounted in total to USD 1,049 million (initially USD 976 million). The Group has management control of the three jointly owned companies and fully consolidates them.

"Other" sets out in aggregate the acquisition of 100 percent of the Italian life insurer DWS Vita S.p.A. (DWS Vita), completed on June 3, 2008, the acquisition of 50 percent of Can Soluciones Integrales S.A. (Can Soluciones), a general insurance company based in Spain, completed on June 20, 2008, and the acquisition of 100 percent of Baden-Badener Versicherung Aktiengesellschaft (Baden-Badener), an accident insurer based in Germany, completed on August 5, 2008. Further details of these acquisitions are given below.

Total acquisition costs for DWS Vita amounted to USD 138 million and included net tangible assets acquired of USD 64 million and identifiable intangible assets, net of deferred tax, of USD 75 million (USD 110 million before tax, relating to the present value of profits of acquired insurance contracts of USD 69 million and a distribution agreement of USD 41 million which DWS Vita entered into with Finanza & Futuro Banca S.p.A. for the distribution of life insurance products as part of the transaction).

Total acquisition costs for Can Soluciones amounted to USD 133 million, including the present value of an expected earn-out payment of USD 55 million, and included net tangible assets acquired of USD 14 million and identifiable intangible assets, net of deferred tax, of USD 140 million (USD 199 million before tax, relating to a distribution agreement with Caja de Ahorros y Monte de Piedad de Navarra). The residual goodwill of USD 56 million represented expected synergies from the efficiencies gained through a service level agreement with Can Soluciones relating to the management and administration of the business. 50 percent of net tangible assets acquired and of identifiable intangible assets, net of deferred tax, reflecting non-controlling interests in Can Soluciones, amounted to USD 77 million. The Group has management control of the jointly-owned company, which is therefore fully consolidated.

Total acquisition costs for Baden-Badener amounted to USD 40 million and included net tangible assets acquired of USD 25 million, identifiable intangible assets, net of deferred tax, of USD 5 million (USD 6 million before tax), and residual goodwill of USD 10 million, representing expected synergies and growth opportunities.

Table 5.2 does not include the acquisition of the remaining 34 percent of Zurich Retail Insurance Company Ltd., Russia, for USD 203 million which the Group completed on November 20, 2008. The acquisition had no material impact on the Group's financial statements and did not affect its scope of consolidation, as the present value of the estimated deferred consideration for the 34 percent had been recognized in 2007.

The acquisition of 87.35 percent of Companhia de Seguros Minas Brasil, of 100 percent of Minas Brasil Seguradora Vida e Previdência S.A. and the distribution agreement with Banco Mercantil do Brasil S.A. was completed on November 28, 2008. Initial accounting has been finalized during 2009 of which details are presented in section "Transactions in 2009" and in table 5.1. The initial purchase price for both companies including the consideration for the distribution agreement amounted to USD 127 million. As of December 31, 2008, the Group was still in the process of preparing the initial accounting and, therefore, the initial purchase price was recorded as an unconsolidated investment in other assets and is not included in table 5.2.

The impact of the acquisitions on the income statement of the year ended December 31, 2008 was immaterial.

Divestments

During the year ended December 31, 2008, the Group sold all of its shares in Financial Lifestyle Solutions Pty Ltd based in Australia, of Nova Scotia Company, a Canadian investment holding company, and of Zurich Insurance (Guam), Inc., recording in aggregate a pre-tax gain on disposal of USD 16 million. Total cash and net assets divested in 2008 were USD 19 million and USD 12 million, respectively. The total consideration received in 2008, net of transaction costs of USD 2 million, amounted to USD 13 million.

6. Investments

Investment result for total investments

Table 6.1a

in USD millions, for the years ended December 31	Net investment income		Net capital gains/(losses) on investments and impairments		Investment result	
	2009	2008	**2009**	2008	**2009**	2008
Cash and cash equivalents	175	647	94	(60)	269	588
Equity securities	1,601	2,971	10,536	(25,444)	12,138	(22,473)
Debt securities	5,861	6,652	(148)	(1,924)	5,712	4,728
Real estate held for investment	804	933	(352)	(1,596)	452	(664)
Mortgage loans	575	647	(235)	(29)	339	618
Other loans	724	646	22	2	746	648
Equity method accounted investment	4	8	(4)	(4)	–	4
Other investments[1]	68	220	(498)	1,246	(431)	1,467
Investment result, gross	9,812	12,725	9,414	(27,809)	19,226	(15,084)
Investment expenses	(669)	(842)	–	–	(669)	(842)
Investment result, net	**9,143**	**11,883**	**9,414**	**(27,809)**	**18,557**	**(15,926)**

[1] Including net capital gains/(losses) on derivative financial instruments of USD (499) million and USD 1,241 million for the years ended December 31, 2009 and 2008, respectively, of which net capital gains/(losses) on derivatives attributable to cash flow hedge ineffectiveness amounted to USD 33 million and USD 5 million for the years ended December 31, 2009 and 2008, respectively.

Rental operating expenses for real estate held for investment included in investment expenses for total investments amounted to USD 144 million and USD 179 million for the years ended December 31, 2009 and 2008, respectively.

Investment result for Group investments

Table 6.1b

in USD millions, for the years ended December 31	Net investment income		Net capital gains/(losses) on investments and impairments		Investment result	
	2009	2008	**2009**	2008	**2009**	2008
Cash and cash equivalents	103	493	6	1	109	494
Equity securities	346	604	(264)	(2,827)	82	(2,223)
Debt securities	5,527	6,066	(536)	(1,573)	4,991	4,494
Real estate held for investment	464	491	131	210	594	700
Mortgage loans	575	647	(235)	(29)	339	618
Other loans	718	645	22	2	740	648
Equity method accounted investment	4	8	(4)	(4)	–	4
Other investments[1]	12	5	(543)	1,327	(531)	1,331
Investment result, gross for Group investments	7,748	8,959	(1,423)	(2,893)	6,324	6,066
Investment expenses for Group investments	(243)	(261)	–	–	(243)	(261)
Investment result, net for Group investments	**7,505**	**8,698**	**(1,423)**	**(2,893)**	**6,082**	**5,805**

[1] Including net capital gains/(losses) on derivative financial instruments of USD (543) million and USD 1,352 million for the years ended December 31, 2009 and 2008, respectively, of which net capital gains/(losses) on derivatives attributable to cash flow hedge ineffectiveness amounted to USD 33 million and USD 5 million for the years ended December 31, 2009 and 2008, respectively.

For the years ended December 31, 2009 and 2008, respectively, impairment charges on Group investments included in net capital losses amounted to USD 1,394 million and USD 2,457 million, of which impairment charges on mortgage loans and other investments comprised USD 231 million and USD 49 million, respectively. For the year 2009 impairment charges on mortgage loans are primarily attributable to the Group's banking activities.

Investment result for unit-linked contracts

Table 6.1c

in USD millions, for the years ended December 31	Net investment income		Net capital gains/(losses) on investments		Investment result	
	2009	2008	**2009**	2008	**2009**	2008
Cash and cash equivalents	72	154	88	(60)	160	94
Equity securities	1,256	2,367	10,800	(22,617)	12,055	(20,250)
Debt securities	334	586	387	(351)	721	235
Real estate held for investment	341	442	(483)	(1,806)	(142)	(1,364)
Other loans	7	–	–	–	7	–
Other investments[1]	56	216	45	(80)	101	135
Investment result, gross for unit-linked contracts	2,064	3,766	10,837	(24,916)	12,901	(21,150)
Investment expenses for unit-linked contracts	(426)	(581)	–	–	(426)	(581)
Investment result, net unit-linked contracts	**1,638**	**3,185**	**10,837**	**(24,916)**	**12,475**	**(21,731)**

[1] Including net capital gains/(losses) on derivative financial instruments of USD 45 million and USD (111) million for the years ended December 31, 2009 and 2008, respectively.

Net capital gains, losses and impairments on equity and debt securities on total investments

Table 6.2

in USD millions, for the years ended December 31	Equity securities		Debt securities		Total	
	2009	2008	**2009**	2008	**2009**	2008
Securities at fair value through profit or loss:	11,273	(23,672)	392	(548)	11,666	(24,221)
Net capital gains/(losses) on Group investments						
Trading securities	*69*	(319)	*(2)*	(23)	*66*	(343)
Securities designated at fair value through profit or loss	*405*	(736)	*7*	(173)	*412*	(909)
Net capital gains/(losses) for unit-linked contracts	10,800	(22,617)	387	(351)	11,187	(22,968)
Available-for-sale securities:	(737)	(1,772)	(477)	(1,307)	(1,214)	(3,078)
Realized capital gains on Group investments	323	556	988	458	1,312	1,013
Realized capital losses on Group investments	(471)	(1,130)	(955)	(622)	(1,426)	(1,752)
Impairments on Group investments	(590)	(1,197)	(510)	(1,142)	(1,100)	(2,340)
Held-to-maturity securities[1]	–	–	(64)	(69)	(64)	(69)
Total net capital gains/(losses) and impairments	**10,536**	**(25,444)**	**(148)**	**(1,924)**	**10,388**	**(27,368)**

[1] Including impairments on held-to-maturity securities of USD 63 million and USD 69 million for the years ended December 31, 2009 and 2008, respectively.

Details of total investments by category

Table 6.3a

as of December 31	Total investments			
	2009		2008	
	USD millions	**% of total**	USD millions	% of total
Cash and cash equivalents	17,471	5.9	16,888	6.6
Equity securities:				
Fair value through profit or loss	83,329	28.2	65,150	25.3
of which: trading	*879*	*0.3*	*1,419*	*0.6*
of which: trading equity portfolios in capital markets and banking activities	*461*	*0.2*	*786*	*0.3*
Available-for-sale	7,432	2.5	9,307	3.6
Total equity securities	90,761	30.7	74,458	28.9
Debt securities:				
Fair value through profit or loss	17,037	5.8	16,801	6.5
of which: trading	*82*	*0.0*	*186*	*0.1*
Available-for-sale	124,358	42.1	105,752	41.0
Held-to-maturity	5,143	1.7	5,244	2.0
Total debt securities	146,538	49.6	127,797	49.6
Real estate held for investment	11,686	4.0	11,601	4.5
Mortgage loans	12,736	4.3	12,820	5.0
Other loans	16,001	5.4	13,990	5.4
Equity method accounted investments	232	0.1	220	0.1
Total investments	**295,425**	**100.0**	**257,773**	**100.0**

Details of Group investments by category

Table 6.3b

as of December 31	Group investments			
	2009		2008	
	USD millions	**% of total**	USD millions	% of total
Cash and cash equivalents	11,631	5.9	12,428	6.9
Equity securities:				
Fair value through profit or loss	5,018	2.6	4,996	2.8
of which: trading	*879*	*0.4*	*1,419*	*0.8*
of which: trading equity portfolios in capital markets and banking activities	*461*	*0.2*	*786*	*0.4*
Available-for-sale	7,432	3.8	9,307	5.2
Total equity securities	12,450	6.3	14,303	8.0
Debt securities:				
Fair value through profit or loss	6,843	3.5	7,291	4.1
of which: trading	*82*	*0.0*	*186*	*0.1*
Available-for-sale	124,358	63.4	105,752	58.9
Held-to-maturity	5,143	2.6	5,244	2.9
Total debt securities	136,344	69.5	118,287	65.9
Real estate held for investment	7,789	4.0	7,524	4.2
Mortgage loans	12,736	6.5	12,820	7.1
Other loans	15,077	7.7	13,988	7.8
Equity method accounted investments	232	0.1	220	0.1
Total Group investments	**196,258**	**100.0**	**179,570**	**100.0**

Cash and investments with a carrying value of USD 4,908 million and USD 5,235 million were deposited on behalf of regulatory authorities as of December 31, 2009 and 2008, respectively.

Securities under security lending and short-term sale and repurchase agreements

As of December 31, 2009 and 2008, investments included USD 5,073 million and USD 2,917 million, respectively, of loaned securities. These loaned securities were mainly debt securities. Cash and cash equivalents included USD 493 million and USD 177 million of cash received as collateral for loaned securities as of December 31, 2009 and 2008, respectively. Liabilities for cash collateral received for securities lending comprised USD 508 million and USD 182 million as of December 31, 2009 and 2008, respectively. Non-cash collateral received for loaned securities comprised mainly equity and debt securities and amounted to USD 5,046 million and USD 3,274 million as of December 31, 2009 and 2008, respectively. The Group can sell or repledge the collateral only in the event of a default by a counterparty.

As of December 31, 2009 and 2008, respectively, debt securities with a carrying value of USD 3,938 million and USD 3,608 million have been sold to financial institutions under short-term sale and repurchase agreements. These securities continue to be recognized as investments in the balance sheets. Obligations to repurchase these securities comprised USD 3,976 million and USD 3,608 million as of December 31, 2009 and 2008, respectively. The Group retains the rights to the risks and rewards of ownership of loaned securities and securities under short-term sale and repurchase agreements. These risks and rewards include changes in market values and income earned.

Table 6.3c

Details of investments held for unit-linked contracts

as of December 31	Investments for unit-linked contracts			
	2009		2008	
	USD millions	% of total	USD millions	% of total
Cash and cash equivalents	5,840	5.9	4,460	5.7
Equity securities	78,311	79.0	60,154	76.9
Debt securities	10,194	10.3	9,510	12.2
Real estate held for investment	3,897	3.9	4,077	5.2
Other loans	924	0.9	2	0.0
Total investments for unit-linked contracts	**99,167**	**100.0**	**78,203**	**100.0**

Investments held under unit-linked investments contracts are classified as designated at fair value through profit or loss.

Table 6.4

Debt securities maturity schedule (total investments)

in USD millions, as of December 31	Held-to-maturity		Available-for-sale		Fair value through profit or loss	
	2009	2008	2009	2008	2009	2008
Debt securities:						
< 1 year	357	571	9,973	7,790	1,403	2,665
1 to 5 years	1,517	1,190	42,911	34,156	5,098	3,297
5 to 10 years	1,189	1,220	26,243	21,924	4,158	4,632
> 10 years	2,081	2,263	22,941	19,854	4,848	4,769
Subtotal	5,143	5,244	102,068	83,722	15,508	15,363
Mortgage and asset-backed securities:						
< 1 year	–	–	1,288	759	69	68
1 to 5 years	–	–	5,323	4,891	370	307
5 to 10 years	–	–	5,114	5,392	351	323
> 10 years	–	–	10,565	10,988	741	741
Subtotal	–	–	22,290	22,030	1,530	1,438
Total	**5,143**	**5,244**	**124,358**	**105,752**	**17,037**	**16,801**

The analysis is provided by contractual maturity. Actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Available-for-sale securities

Table 6.5

in USD millions, as of December 31	Cost or amortized cost[1]		Gross unrealized gains		Gross unrealized losses		Fair value	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Equity securities								
Common stock	3,809	5,052	827	352	(289)	(1,015)	4,346	4,389
Unit trusts	3,359	5,556	166	157	(586)	(944)	2,939	4,769
Non-redeemable preferred stock	153	190	10	–	(15)	(40)	148	149
Total equity securities	**7,320**	**10,798**	**1,002**	**509**	**(890)**	**(1,999)**	**7,432**	**9,307**
Debt securities								
Swiss federal and cantonal governments	2,788	3,657	199	212	(2)	(1)	2,986	3,868
United Kingdom government	7,932	5,748	176	397	(30)	(2)	8,078	6,143
United States government	8,050	5,582	129	484	(237)	(38)	7,942	6,028
Other governments and supra-nationals	29,727	24,987	1,060	1,042	(233)	(207)	30,554	25,821
Corporate securities	51,757	44,101	2,186	1,098	(1,454)	(3,378)	52,489	41,821
Mortgage and asset-backed securities	22,787	24,412	556	310	(1,053)	(2,692)	22,290	22,030
Redeemable preferred stocks	18	56	1	–	–	(15)	19	41
Total debt securities	**123,059**	**108,544**	**4,308**	**3,542**	**(3,009)**	**(6,334)**	**124,358**	**105,752**

[1] Net of impairments (see table 6.2).

Fair value through profit or loss securities

Table 6.6

as of December 31	Group investments				Investments for unit-linked products		Total investments	
	2009		2008		2009	2008	2009	2008
	USD millions	**% of total**	USD millions	% of total	**USD millions**	USD millions	**USD millions**	USD millions
Equity securities:								
Common stock	4,177	35.2%	4,402	35.8%	42,773	33,068	46,950	37,470
of which: trading equity portfolios in capital markets and banking activities	*461*	*3.9%*	*786*	*6.4%*	–	–	*461*	*786*
of which: common stock portfolios backing participating with profit policyholder contracts	*674*	*5.7%*	*630*	*5.1%*	–	–	*674*	*630*
Unit trusts	840	7.1%	594	4.8%	35,521	27,069	36,361	27,663
Non-redeemable preferred stock	–	0.0%	–	0.0%	17	17	17	17
Total equity securities	**5,018**	**42.3%**	**4,996**	**40.7%**	**78,311**	**60,154**	**83,329**	**65,150**
Debt securities:								
Debt securities	5,621	47.4%	6,111	49.7%	9,887	9,252	15,507	15,363
of which: trading debt securities in capital markets and banking activities	*20*	*0.2%*	*121*	*1.0%*	–	–	*20*	*121*
Mortgage and asset-backed securities	1,222	10.3%	1,180	9.6%	308	258	1,530	1,438
Total debt securities	**6,843**	**57.7%**	**7,291**	**59.3%**	**10,194**	**9,510**	**17,037**	**16,801**
Total	**11,860**	**100.0%**	**12,287**	**100.0%**	**88,505**	**69,665**	**100,366**	**81,952**

Held-to-maturity debt securities

Table 6.7

as of December 31	2009		2008	
	USD millions	**% of total**	USD millions	% of total
Swiss federal and cantonal governments	1,635	31.8	1,590	30.3
United States government	1,310	25.5	1,669	31.8
Other governments and supra-nationals	849	16.5	819	15.6
Corporate securities	1,350	26.2	1,165	22.2
Total held-to-maturity debt securities	**5,143**	**100.0**	**5,244**	**100.0**

Real estate held for investment (total investments)

Table 6.8

in USD millions	Total 2009	Total 2008
As of January 1	11,601	15,386
Additions and improvements	431	664
Disposals	(616)	(1,061)
Market value revaluation	(308)	(1,823)
Transfer from/(to) assets held for own use	(47)	(45)
Foreign currency translation effects	625	(1,520)
As of December 31	**11,686**	**11,601**

Real estate held for investment consists of investments in commercial, residential and mixed-use properties primarily located in Switzerland, Germany and the UK.

Equity method accounted investments

Table 6.9

in USD millions, as of December 31	Carrying value		Share in profit		Ownership interest	
	2009	2008	**2009**	2008	**2009**	2008
Associates:						
DKN Financial Group Limited	60	50	(3)	2	30.99%	31.84%
Seven Investment Management Limited	17	15	–	(3)	49.00%	49.00%
Other	12	16	(1)	1	–	–
Joint ventures:						
MCIS Zurich Insurance Berhad	37	37	1	2	40.00%	40.00%
Other	11	9	1	1	–	–
SPEs:[1]						
Euclid Office, L.P.	28	25	1	1	99.00%	99.00%
Other	68	69	4	3	–	–
Total	**232**	**220**	**4**	**8**	**–**	**–**

[1] The Group has several special purpose entities (SPEs) in the U.S. which are consolidated using the equity method as a reasonable approximation, as the equity pick up is usually 99% and the investment balance approximates the value of the SPE's assets. These entities were specifically designed to facilitate U.S. commercial property sale and leaseback transactions.

Net unrealized gains/(losses) on Group investments included in shareholders' equity

Table 6.10

in USD millions, as of December 31	Total 2009	Total 2008
Equity securities: available-for-sale	112	(1,490)
Debt securities: available-for-sale	1,298	(2,792)
Other	(20)	(2)
Less: amount of net unrealized gains/(losses) on investments attributable to:		
Life policyholder dividends and other policyholder liabilities	(665)	236
Life deferred acquisition costs	(98)	256
Deferred income taxes	(287)	837
Non-controlling interests	(15)	(18)
Total[1]	**326**	**(2,973)**

[1] Net unrealized gains/(losses) include net losses arising on cash flow hedges of USD (9) million and USD (16) million as of December 31, 2009 and 2008, respectively.

7. Derivative financial instruments and hedge accounting

The Group uses derivatives mainly for economic hedging purposes in order to mitigate risks. Such risks result from changes in interest rates, equity prices and exchange rates. The Group may also use derivatives to protect itself against the credit risk of counterparties.

In certain circumstances these instruments may meet the requirements of an effective hedge for accounting purposes. Where this is the case, hedge accounting may be applied. Details of the accounting for these instruments are set out in table 7.2.

Table 7.1 shows the fair value and notional amounts for instruments which do not qualify for hedge accounting as of December 31, 2009 and 2008, respectively. Whilst these notional amounts express the extent of the Group's involvement in derivative transactions, they are not however representative of amounts at risk. Fair values for derivatives are included in the consolidated balance sheets in the lines Other Assets and Other Liabilities.

Table 7.1

Maturity profile of notional amounts and fair values of derivative financial instruments

in USD millions, as of December 31						2009			2008
	Maturity by notional amount			Notional amounts	Positive fair values	Negative fair values	Notional amounts	Positive fair values	Negative fair values
	< 1 year	1 to 5 years	> 5 years						
Interest rate contracts:									
OTC									
Swaps	23	179	863	1,064	102	(11)	1,277	168	(23)
Swaptions	167	1,114	1,845	3,126	126	(14)	2,976	260	(21)
Caps	45	213	–	259	–	–	531	–	–
Exchange traded									
Futures	1,969	3	–	1,972	–	–	761	2	–
Total interest rate contracts	**2,204**	**1,509**	**2,708**	**6,422**	**228**	**(24)**	**5,545**	**430**	**(44)**
Equity contracts:									
OTC									
Puts	2,050	3,152	1,853	7,055	286	(203)	4,871	445	(288)
Calls	1,546	1,847	480	3,874	58	(243)	1,593	32	(32)
Exchange traded									
Futures	411	2	–	413	–	–	–	–	–
Total equity contracts	**4,008**	**5,001**	**2,333**	**11,342**	**344**	**(446)**	**6,464**	**477**	**(319)**
Foreign exchange contracts:									
OTC									
Cross Currency Swaps	–	737	–	737	21	–	81	–	(28)
Forwards	12,915	–	–	12,915	109	(106)	15,526	314	(956)
Total foreign exchange contracts	**12,915**	**737**	**–**	**13,652**	**131**	**(106)**	**15,606**	**315**	**(985)**
Credit contracts:									
OTC									
Credit Default Swaps	187	462	–	649	3	(8)	776	91	(6)
Total credit contracts	**187**	**462**	**–**	**649**	**3**	**(8)**	**776**	**91**	**(6)**
Other contracts:									
OTC									
Puts	2	–	1,043	1,046	–	(40)	938	–	(32)
Total Return Swaps	–	–	71	71	–	(1)	74	–	(2)
Total other contracts	**2**	**–**	**1,114**	**1,116**	**–**	**(41)**	**1,012**	**–**	**(34)**
Total	**19,316**	**7,709**	**6,155**	**33,180**	**706**	**(625)**	**29,403**	**1,311**	**(1,388)**

Interest rate contracts

Interest rate contracts are used to hedge risks from changes in interest rates and to manage asset/liability mismatches. Whenever possible the Group uses exchange traded contracts, which are standardized and liquid and are not considered to carry counterparty risk. Over the counter (OTC) contracts are otherwise applied and comprise swaps, swaptions and caps. In terms of notional amounts, the major OTC positions are swaptions that are mostly long receiver swaptions to hedge against the risk of a fall in interest rates.

Equity contracts

Equity contracts are entered into mostly on a portfolio level to protect equity investments against a decline in equity market prices and to manage the risk return profile of equity exposures. Most equity contracts are purchased put options. The change in the notional amounts of put options between December 31, 2009 and December 31, 2008 was mainly driven by entering into new long equity put options. Most of the equity call options are used in collar structures to mitigate the overall hedging costs or to hedge equity risks embedded in guaranteed equity bonds. Written put positions are mostly hedged by long put positions or backed by cash collateral.

Foreign exchange contracts

Foreign exchange contracts consist mainly of forward contracts which are used to hedge the Group's foreign currency exposures and manage currency mismatches on the balance sheets.

The notional amounts of foreign exchange forwards decreased by USD 2,611 million between December 31, 2008 and December 31, 2009, mostly due to a decrease in underlying foreign exchange exposures. The Group has also entered into new swaps positions to hedge the foreign currency risk arising from certain debt issued.

Credit contracts

Credit default swaps offer protection to the owner in case a credit event occurs. The Group is very selective in its purchase of credit default swaps. As of both December 31, 2009, and 2008 these related to reinsurance receivables.

Other contracts

Other contracts predominantly include stable value options (SVOs), which include written equity put options. SVOs have been provided by the Group to certain bank and corporate customers (policyholders) in the U.S., in respect of the investment returns which arise on investments underlying Bank Owned Life Insurance (BOLI) and Company Owned Life Insurance (COLI) policies.

Premiums received from policyholders under these policies are invested in separate account portfolios. Throughout the life of the policies, policyholders are entitled, in addition to mortality cover, to tax-exempt investment returns linked to the performance of the underlying investments. The policies are long duration contracts providing charges and benefits over a policy life that can be greater than 45 years. SVOs reduce the volatility of the policyholders' investment returns. In the event that a policy is surrendered, the policyholder would be entitled to recover the excess of the notional SVO derived value over the market value of the underlying investments. Certain policy features as well as certain regulations provide disincentives for surrender. We monitor the risk of surrender on an ongoing basis and consider the likelihood of surrender the one input factor to the model to determine the fair value of the SVOs. During 2009, one policyholder surrendered the contract, resulting in a net loss of USD 5 million after applicable reductions. Another policyholder elected to eliminate certain certificates under the policies. No losses were incurred on this transaction. The fair value of the derivative liability recognized in respect of the SVOs, included in written put options, was USD 37 million and USD 23 million as of December 31, 2009 and 2008, respectively. The difference between the notional SVO derived value and market value of the underlying investments for BOLI/COLI policies was USD 1,043 million and USD 929 million as of December 31, 2009 and 2008, respectively, representing the total net market value loss after surrender charges in the unlikely event that all policies would have been surrendered on those dates.

The following table sets out details of fair value and cash flow hedges:

Table 7.2

Maturity profile of notional amounts and fair values of derivative financial instruments

in USD millions, as of December 31	2009						2008		
	Maturity by notional amount			Notional principal amounts	Positive fair values	Negative fair values	Notional principal amounts	Positive fair values	Negative fair values
	< 1 year	1 to 5 years	> 5 years						
Fair value hedges:									
Cross currency interest rate swaps	–	244	614	858	204	–	975	141	–
Currency swaps	–	1	70	71	–	(29)	–	–	–
Total fair value hedges	**–**	**245**	**684**	**929**	**204**	**(29)**	**975**	**141**	**–**
Cash flow hedges:									
Options on interest rate swaps	–	–	3,474	3,474	171	–	3,373	209	–
Currency swaps	–	975	793	1,768	255	–	1,114	63	–
Interest rate swaps	155	257	154	566	2	(6)	–	–	–
Total cash flow hedges	**155**	**1,232**	**4,421**	**5,808**	**428**	**(6)**	**4,487**	**272**	**–**

Fair value hedges

Designated fair value hedges consist of cross currency interest rate swaps used to protect the Group against changes in foreign currency exposure and interest rate exposure of Euro-denominated debt issued by the Group. A fair value hedge relationship on the EUR 500 million 4.5 percent subordinated bond due for repayment in June 2025 issued by Zurich Finance (USA), Inc. (see note 21), was entered into at the issuance of the debt instrument in 2005 and will end on June 15, 2015.

A fair value hedge relationship on 20 percent of the EUR 1 billion 4.5 percent senior debt due for repayment in 2014 issued by Zurich Finance (USA), Inc. (see note 21), was entered into on January 1, 2007 and will end at maturity of the underlying debt instrument in 2014.

The Group also has fair value hedge relationships consisting of currency swaps to protect the certain non Euro-denominated fixed income securities from foreign currency fluctuation.

Changes in the fair value of the derivatives designated as fair value hedges and changes in the fair value of the hedged item in relation to the risk being hedged are recognized in income.

Gains and losses arising from fair value hedges are as follows:

Table 7.3

Gains/(losses) arising from fair value hedges

in USD millions, as of December 31	2009	2008
Gains/(losses)		
on hedging instruments[1]	*62*	*21*
on hedged item attributable to the hedged risk	*(57)*	*(26)*

[1] Excluding current interest income, which is booked on the same line as an offset to interest expense on the hedged debt.

Cash flow hedges

Designated cash flow hedges, such as options on interest rate swaps are used to protect the Group against variability of future cash flows due to changes in interest rates associated with expected future purchases of debt securities (during the years 2011, 2016, 2021 and 2026) required for certain life insurance policies. The effective portion of the gains and losses on these swaps are initially recognized in comprehensive income. Subsequently the gains or losses will be recycled to income between the years ended December 31, 2011 and 2036. The gains and losses relating to the ineffective portion of these hedges are recognized immediately in income within net capital gains/(losses) on investments and impairments.

The Group also uses currency swaps for cash flow hedging to protect against exposures to variability of cash flows. The change in the fair value of the hedging instrument is recognized directly in comprehensive income. The ineffective portion of the change in fair value is recognized directly in income within administrative and other operating expense. The effective portion, related to spot rate changes in fair value of the hedging instrument, is reclassified to income within administrative and other operating expense as an offset to foreign currency revaluation on the underlying hedged debt.

As of December 31, 2009 the following cash flow hedge relationships were in place (see note 22):

- 80 percent of the EUR 1 billion 4.5 percent senior bond due 2014 issued by Zurich Finance (USA), Inc. entered on January 1, 2007 ending September 17, 2014.

- 100 percent of EUR 600 million 6.5 percent senior bond due October 2015 issued by Zurich Finance (USA), Inc. entered on April 14, 2009 ending October 15, 2015.

The Group has also designated cash flow hedges consisting of interest rate swaps to eliminate its exposure to interest rates on Floating Rate Notes held by the Group.

The net gains deferred in shareholders’ equity on derivatives designated as cash flow hedges were USD 23 million and USD 107 million before tax for the years ended December 31, 2009 and 2008, respectively.

The portion recognized in income was a gain of USD 96 million and a loss of USD 54 million before tax for the years ended December 31, 2009 and 2008, respectively, as an offset to the foreign currency revaluation on the underlying hedged debt.

A net gain of USD 32 million and USD 2 million for the years ended December 31, 2009 and 2008, respectively, was recognized in net capital gains/(losses) and impairments due to a hedge ineffectiveness.

8. Reserves for insurance contracts and reinsurers' share of reserves for insurance contracts

Reserves for insurance contracts

Table 8.1

in USD millions, as of December 31	2009	2008
Gross		
Reserves for losses and loss adjustment expenses	68,086	65,218
Reserves for unearned premiums	17,676	16,399
Future life policyholders' benefits	78,589	76,218
Policyholders' contract deposits and other funds	18,857	17,047
Reserves for unit-linked contracts	58,204	47,297
Total reserves for insurance contracts, gross	241,412	222,179
Ceded		
Reserves for losses and loss adjustment expenses	(12,182)	(12,232)
Reserves for unearned premiums	(2,000)	(1,889)
Future life policyholders' benefits	(2,076)	(1,873)
Policyholders' contract deposits and other funds	(2,457)	(2,690)
Reinsurers' share of reserves for insurance contracts, ceded[1]	(18,715)	(18,684)
Net		
Reserves for losses and loss adjustment expenses	55,903	52,986
Reserves for unearned premiums	15,676	14,510
Future life policyholders' benefits	76,514	74,345
Policyholders' contract deposits and other funds	16,400	14,357
Reserves for unit-linked contracts	58,204	47,297
Total reserves for insurance contracts, net	**222,697**	**203,495**

[1] Gross of allowance for uncollectible amounts of USD 88 million and USD 89 million as of December 31, 2009, and 2008, respectively.

Development of reserves for losses and loss adjustment expenses

Table 8.2

in USD millions	Gross		Ceded		Net	
	2009	2008	2009	2008	2009	2008
As of January 1	65,218	67,890	(12,232)	(13,179)	52,986	54,712
Losses and loss adjustment expenses incurred:						
Current year	28,308	28,296	(2,610)	(2,879)	25,698	25,416
Prior years	(933)	(1,354)	(126)	83	(1,059)	(1,271)
Total incurred	27,375	26,942	(2,736)	(2,796)	24,639	24,145
Losses and loss adjustment expenses paid:						
Current year	(11,178)	(10,190)	536	591	(10,642)	(9,599)
Prior years	(15,547)	(15,080)	2,500	2,528	(13,047)	(12,551)
Total paid	(26,725)	(25,269)	3,036	3,119	(23,689)	(22,150)
Acquisitions/(divestments) of companies and businesses	103	105	1	(28)	104	77
Foreign currency translation effects	2,114	(4,450)	(251)	653	1,863	(3,797)
As of December 31	**68,086**	**65,218**	**(12,182)**	**(12,232)**	**55,903**	**52,986**

The Group establishes loss reserves, which are estimates of future payments of reported and unreported claims for losses and related expenses, with respect to insured events that have occurred. Reserving is a complex process dealing with uncertainty, requiring the use of informed estimates and judgments. Any changes in estimates or judgments are reflected in the results of operations in the period in which estimates and judgments are changed.

Significant delays may occur in the notification and settlement of claims, and a substantial measure of experience and judgment is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the balance sheet date. The reserves for losses and loss adjustment expenses are determined on the basis of information currently available; however, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments.

Table 8.2 shows the development of reserves for losses and loss adjustment expenses during the year. The increase in the total net reserves during the year included USD 1,059 million favorable development emerging from reserves established in prior years, after allowing for asbestos charges of USD 539 million. This favorable development is primarily attributable to our General Insurance business and breaks down into many individual movements by Business Division, country, line of business, and accident year. In the Global Corporate segment, favorable development of USD 257 million was approximately equally shared between North America and the rest of the world. North America Commercial favorable development of USD 146 million arose mostly from program and surety business. Europe General Insurance favorable development of USD 487 million arose from several European countries besides Italy where we had a negative development of USD 100 million. The remaining favorable development came from Group Reinsurance, International Markets, and the assumed business from Farmers Re; this was somewhat offset by adverse development at Centre.

Development of insurance losses, net

Table 8.3

in USD millions, as of December 31	2001	2002	2003	2004	2005	2006	2007	2008	**2009**
Gross reserves for losses and loss adjustment expenses	37,694	45,306	51,068	57,765	60,425	64,535	67,890	65,218	68,086
Reinsurance recoverable	(13,605)	(14,940)	(14,055)	(14,279)	(14,231)	(13,722)	(13,179)	(12,232)	(12,182)
Initial net reserves for losses and loss adjustment expenses	24,089	30,366	37,013	43,486	46,194	50,814	54,712	52,986	55,903
Cumulative paid as of December 31:									
One year later	*(7,976)*	*(8,923)*	*(9,930)*	*(9,464)*	*(11,423)*	*(11,237)*	*(12,551)*	*(13,047)*	
Two years later	*(12,855)*	*(14,472)*	*(15,550)*	*(16,273)*	*(18,044)*	*(18,362)*	*(19,660)*		
Three years later	*(16,698)*	*(18,001)*	*(20,407)*	*(21,234)*	*(23,077)*	*(23,421)*			
Four years later	*(19,255)*	*(21,390)*	*(23,941)*	*(24,945)*	*(26,850)*				
Five years later	*(21,634)*	*(23,814)*	*(26,616)*	*(27,798)*					
Six years later	*(23,471)*	*(25,799)*	*(28,668)*						
Seven years later	*(24,849)*	*(27,442)*							
Eight years later	*(26,166)*								
Net reserves re-estimated as of December 31:									
One year later	*26,908*	*32,239*	*38,977*	*43,627*	*45,976*	*49,594*	*53,441*	*51,927*	
Two years later	*28,471*	*34,471*	*40,413*	*45,006*	*45,827*	*48,642*	*52,559*		
Three years later	*30,636*	*36,118*	*42,004*	*45,325*	*45,297*	*48,127*			
Four years later	*31,784*	*37,691*	*42,254*	*45,294*	*45,249*				
Five years later	*33,326*	*37,880*	*42,470*	*45,604*					
Six years later	*33,799*	*38,282*	*43,017*						
Seven years later	*34,004*	*38,951*							
Eight years later	*34,716*								
Cumulative (deficiency)/ redundancy	(10,627)	(8,585)	(6,004)	(2,118)	945	2,686	2,152	1,059	
Cumulative (deficiency)/ redundancy as a percentage of initial net reserves	(44.1%)	(28.3%)	(16.2%)	(4.9%)	2.0%	5.3%	3.9%	2.0%	
Gross reserves re-estimated as of December 31, 2009	52,433	56,977	59,655	61,197	60,379	61,815	65,565	64,285	
Cumulative (deficiency)/ redundancy	(14,739)	(11,671)	(8,587)	(3,432)	46	2,720	2,325	933	
Cumulative (deficiency)/ redundancy as a percentage of initial gross reserves	(39.1%)	(25.8%)	(16.8%)	(5.9%)	0.1%	4.2%	3.4%	1.4%	

Table 8.3 presents changes in the historical non-life reserves, net of reinsurance, that the Group established in 2001 and subsequent years. Reserves are presented by financial year, not by accident year. The reserves (and the development thereon) are for all accident years in that financial year. The top line of the table shows the estimated gross reserves for unpaid losses and loss adjustment expenses as of each balance sheet date, which represents the estimated amount of future payments for losses incurred in that year and in prior years. The cumulative paid portion of the table presents the cumulative amounts paid through each subsequent year in respect of the reserves established at each year end. The net reserves re-estimated portion of the table shows the re-estimation of the initially recorded reserve as of each succeeding year end. Reserve development is shown in each column. Changes to estimates are made as more information becomes known about the actual losses for which the initial reserves were established. The cumulative deficiency or redundancy is equal to the initial net reserves less the liability re-estimated as of December 31, 2009. It is

the difference between the initial net reserve estimate and the last entry of the diagonal. Conditions and trends that have affected the development of our reserves for losses and loss adjustment expenses in the past may or may not necessarily occur in the future, and accordingly, conclusions about future results may not be derived from the information presented in table 8.3.

Development of reserves for losses and loss adjustment expenses for asbestos and environmental claims

Table 8.4

in USD millions	2009		2008	
	Gross	Net	Gross	Net
Asbestos				
As of January 1	3,001	2,523	3,799	3,238
Losses and loss adjustment expenses incurred	652	539	240	196
Losses and loss adjustment expenses paid	(299)	(281)	(339)	(278)
Foreign currency translation effects	251	217	(699)	(632)
As of December 31	**3,604**	**2,998**	**3,001**	**2,523**
Environmental				
As of January 1	332	277	394	326
Losses and loss adjustment expenses incurred	7	4	(11)	–
Losses and loss adjustment expenses paid	(61)	(40)	(57)	(51)
Foreign currency translation effects	1	1	6	2
As of December 31	**280**	**242**	**332**	**277**

Management has considered asbestos, environmental and latent injury claims and claims expenses in establishing the reserves for losses and loss adjustment expenses. The Group continues to be advised of claims asserting injuries from toxic waste, hazardous materials and other environmental pollutants, alleged damages to cover the clean-up costs of hazardous waste dump sites relating to policies written in prior years and indemnity claims asserting injuries from asbestos. Coverage and claim settlement issues, such as determination that coverage exists and the definition of an occurrence, together with increased medical diagnostic capabilities and awareness have often caused actual loss development to exhibit more variation than in other lines. Such claims require specialized reserving techniques and the uncertainty of the ultimate cost of these types of claims has tended to be greater than the uncertainty relating to standard lines of business. Reserves for asbestos increased by USD 603 million gross and USD 475 million net during 2009. This increase was almost entirely driven by strengthening of UK asbestos reserves in respect of mesothelioma claims. This follows the annual review of UK Disease claims, taking account of emerging experience and developments in external benchmarks, including the publication of revised projections of population deaths by the UK Health and Safety Executive. For this class of claims, the Group's methodology, consistent with industry practice, relies on three key assumptions: the total future population deaths, the number of claims per number of deaths ratio, and the Group's share of market claims. Estimates of all three drivers increased in 2009, based on the Group's own experience and published revised industry experience, and this has been reflected in the increase in reserves.

While the Group believes that it has made adequate provision for these claims, it is possible that future adverse development could have a material effect on the Group's results of operations, cash flows and financial position. The net reserve amounts relating to such claims are not discounted for the time value of money.

Development of future life policyholders' benefits

Table 8.5

in USD millions	Gross		Ceded		Net	
	2009	2008	**2009**	2008	**2009**	2008
As of January 1	76,218	80,147	(1,873)	(9,258)	74,345	70,889
Premiums and claims[1]	(2,642)	(9,583)	31	6,913	(2,611)	(2,670)
Interest and bonuses credited to policyholders	2,752	2,983	(68)	(252)	2,683	2,730
Change in assumptions	214	(344)	(13)	349	201	5
Acquisitions/transfers[2]	(497)	6,769	–	(281)	(497)	6,489
(Decreases)/increases recorded in shareholders' equity	85	(11)	–	–	85	(11)
Foreign currency translation effects	2,459	(3,744)	(151)	656	2,308	(3,088)
As of December 31	**78,589**	**76,218**	**(2,076)**	**(1,873)**	**76,514**	**74,345**

[1] Effective June 30, 2008, the underlying contracts relating to a UK annuity portfolio ceded in 2007 for an amount of USD 7.1 billion were transferred to the reinsurer, resulting in a reduction of gross and ceded future life policyholders' benefits.
[2] The 2009 movement represents the transfer to reserves for unit-linked contracts (see note 1 for further details).

Long-duration contract liabilities included in future life policyholders' benefits result primarily from traditional participating and non-participating life insurance products. Short-duration contract liabilities are primarily accident and health insurance products.

The amount of policyholder dividends to be paid is determined annually by each life insurance subsidiary. Policyholder dividends include life policyholders' share of net income and unrealized appreciation of investments that are required to be allocated by the insurance contract or by local insurance regulations. Experience adjustments relating to future policyholders' benefits and policyholders' contract deposits vary according to the type of contract and the country. Investment, mortality and morbidity results may be passed through by experience credits or as an adjustment to the premium mechanism, subject to local regulatory provisions.

The impact of changes in assumptions on net future life policyholders' benefits was USD 201 million and USD 5 million for the years ended December 31, 2009 and 2008, respectively. The net changes include the following significant movements:

- interest rate assumptions increased the benefits by USD 11 million in 2009 and by USD 229 million in 2008;
- expense assumptions increased the benefits by USD 2 million in 2009 and reduced them by USD 4 million in 2008;
- longevity assumptions reduced the benefits by USD 12 million in 2009 and increased them by USD 85 million in 2008;
- morbidity assumptions increased the benefits by USD 23 million in 2009 and reduced them by USD 192 million in 2008;
- investment return assumptions reduced the benefits by USD 133 million in 2009 and by USD 118 million in 2008.
- modelling assumptions reduced the benefits by USD 118 million in 2009 and by nil in 2008.

Table 8.6

Policyholders' contract deposits and other funds gross

in USD millions, as of December 31	2009	2008
Annuities	2,760	2,393
Universal life and other contracts	10,801	10,365
Policyholder dividends	5,297	4,289
Total	**18,857**	**17,047**

Table 8.7

Development of policyholders' contract deposits and other funds

in USD millions	Gross		Ceded		Net	
	2009	2008	2009	2008	2009	2008
As of January 1	17,047	18,687	(2,690)	(2,976)	14,357	15,711
Premiums and claims	(681)	(871)	332	384	(349)	(487)
Interest and bonuses credited to policyholders	879	(385)	(90)	(105)	789	(490)
Changes in assumptions	–	(2)	–	1	–	(1)
Acquisitions/transfers	1	16	–	(9)	1	7
(Decrease)/increase recorded in shareholders' equity	825	188	–	–	825	188
Foreign currency translation effects	786	(585)	(9)	14	777	(571)
As of December 31	**18,857**	**17,047**	**(2,457)**	**(2,690)**	**16,400**	**14,357**

Table 8.8

Development of reserves for unit-linked contracts

in USD millions	Gross		Ceded		Net	
	2009	2008	2009	2008	2009	2008
As of January 1	47,297	70,075	–	–	47,297	70,075
Premiums and claims	613	(1,901)	–	–	613	(1,901)
Interest and bonuses credited/(charged) to policyholders	6,616	(12,223)	–	–	6,616	(12,223)
Acquisitions/transfers[1]	587	833	–	–	587	833
Foreign currency translation effects	3,091	(9,486)	–	–	3,091	(9,486)
As of December 31	**58,204**	**47,297**	**–**	**–**	**58,204**	**47,297**

[1] 2009 includes USD 497 million of transfers from future life policyholders' benefits (see note 1 for further details).

Guarantees arising from minimum death benefits (GMDB) and retirement income benefits (GRIB)

Certain products for which policyholders bear in full the credit and market risks associated with the underlying invested funds selected by them contain guarantees for which liabilities have been recorded for additional benefits and minimum guarantees. These arise primarily in the subsidiary Kemper Investors Life Insurance Company which has written variable annuity contracts that provide policyholders with certain guarantees related to minimum death and income benefits. The determination of these liabilities is based on models that involve a range of scenarios and assumptions, including those regarding expected market rates of return and volatility, contract surrender rates, annuitization elections and mortality experience. After 2001 the Group no longer issued new variable annuity contracts that provide policyholders with minimum death and retirement income benefit guarantees.

Table 8.9

Information on guaranteed liabilities

in USD millions (except average attained age), as of	**12/31/09**	12/31/08
Account balance for products with guarantee features		
Gross	1,758	1,966
Ceded	(188)	(187)
Net	**1,570**	**1,778**
Amount at risk from minimum death benefits (GMDB)		
Gross	1,182	1,744
Ceded	(230)	(290)
Net	**952**	**1,453**
Average attained age of policyholders (in years)	**64**	**64**

The net amount at risk is the present value of payouts exceeding the current policyholder account balance assuming the payout criteria in all policies would have been collectively triggered as of the balance sheet date. The net amount at risk is not the same as the fair value of these benefits, as it does not fully take into account the option value accruing to the policyholder. In determining the excess benefit reserve, the Group follows the guidance in the U.S. Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) related to insurance companies and contracts. Under this guidance the new reserve level is determined from expected policyholder benefits net of assessments, coupled with a loss adequacy test on the result taking into account policyholder behavior experience and current market conditions. Policyholder behavior assumptions are updated when statistically relevant changes in behavior have been observed. The liability for future life policyholder benefits net of reinsurance includes an excess benefit reserve of USD 629 million and USD 513 million as of December 31, 2009 and 2008, respectively, with the increase since December 31, 2008 largely due to policyholders’ behavior experienced in current market conditions.

9. Liabilities for investment contracts with and without discretionary participation features (DPF)

Liabilities for investment contracts

Table 9.1

in USD millions, as of December 31	2009	2008
Liabilities related to unit-linked investment contracts	40,143	30,397
Liabilities related to investment contracts (amortized cost)	254	122
Liabilities related to investment contracts with DPF	5,728	5,461
Total	**46,124**	**35,979**

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

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

Development of liabilities for investment contracts

Table 9.2

in USD millions	2009	2008
As of January 1	35,979	54,485
Premiums and claims	787	(838)
Interest and bonuses charged/(credited) to policyholders	5,864	(8,647)
Acquisitions/transfers	–	790
Increase/(decrease) recorded in shareholders' equity	28	9
Foreign currency translation effects	3,465	(9,819)
As of December 31	**46,124**	**35,979**

10. Equity component relating to contracts with DPF

Certain investment and insurance contracts sold by the Group contain benefit features for which the amount and timing of declaration and payment are at the discretion of the Group. Where that discretion has not been exercised, the total amount of undeclared funds surplus is included in shareholders' equity. Mandated allocations related to unrealized results and earnings are included in policyholder liabilities and, upon declaration, discretionary bonuses are allocated to policyholders. The changes in the table below represent the increase or decrease in unallocated gains and retained earnings after charging discretionary bonuses to policyholder liabilities.

Development of the equity component relating to contracts with DPF

Table 10

in USD millions	2009	2008
As of January 1	1,221	1,309
Net unrealized (losses)/gains on investments	381	(371)
Current period profit	192	230
Foreign currency translation effects	44	53
As of December 31	**1,837**	**1,221**

11. Gross and ceded insurance revenues and expenses

Insurance benefits and losses

Table 11.1

in USD millions, for the years ended December 31	Gross		Ceded		Net	
	2009	2008	**2009**	2008	**2009**	2008
Losses and loss adjustment expenses	27,375	26,942	(2,736)	(2,796)	24,639	24,145
Life insurance death and other benefits	11,816	11,315	(460)	(778)	11,356	10,538
Change in future life policyholders' benefits	330	(6,870)	(64)	6,999	266	128
Total insurance benefits and losses[1]	**39,522**	**31,387**	**(3,261)**	**3,425**	**36,261**	**34,811**

[1] Effective June 30, 2008, the underlying contracts relating to a UK annuity portfolio reinsured in 2007 were transferred to the reinsurer. This transaction had no net impact on the consolidated income statement in 2008, but impacted both gross and ceded change in the future life policyholders' benefits in 2008.

Policyholder dividends and participation in profits

Table 11.2

in USD millions, for the years ended December 31	Gross		Ceded		Net	
	2009	2008	**2009**	2008	**2009**	2008
Change in policyholders' contract deposits and other funds	483	(602)	–	40	484	(562)
Change in reserves for unit-linked products	6,911	(13,239)	–	–	6,911	(13,239)
Change in liabilities for investment contracts – unit-linked	5,623	(8,384)	–	–	5,623	(8,384)
Change in liabilities for investment contracts – other	206	147	–	–	206	147
Change in unit-linked liabilities related to UK capital gains tax	(364)	524	–	–	(364)	524
Total policyholder dividends and participation in profits	**12,859**	**(21,554)**	**–**	**40**	**12,859**	**(21,514)**

Underwriting and policy acquisition costs

Table 11.3

in USD millions, for the years ended December 31	Gross		Ceded		Net	
	2009	2008	**2009**	2008	**2009**	2008
Amortization of deferred acquisition costs	5,153	4,689	(394)	(458)	4,759	4,231
Amortization of deferred origination costs	110	122	–	–	110	122
Commissions and other underwriting and acquisition expenses[1]	3,713	4,474	(328)	(540)	3,385	3,934
Total underwriting and policy acquisition costs	**8,976**	**9,285**	**(723)**	**(998)**	**8,254**	**8,287**

[1] Net of additions related to deferred acquisition and origination costs.

Change in reserves for unearned premiums

Table 11.4

in USD millions, for the years ended December 31	Gross		Ceded		Net	
	2009	2008	**2009**	2008	**2009**	2008
Change in reserves for unearned premiums	**826**	**1,781**	**(80)**	**(220)**	**746**	**1,560**

12. Deferred policy acquisition costs and deferred origination costs

Development of deferred policy acquisition costs

Table 12.1

in USD millions	General Insurance		Global Life		Other segments[1]		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
As of January 1	3,247	3,306	10,768	11,571	308	65	14,323	14,941
Acquisition costs deferred	3,012	2,918	1,793	1,736	1,403	580	6,208	5,234
Amortization	(2,965)	(2,851)	(614)	(1,038)	(1,180)	(341)	(4,759)	(4,230)
Amortization charged/(credited) to shareholders' equity	–	–	(291)	128	1	2	(290)	130
Transfers[2]	–	–	(28)	–	–	–	(28)	–
Foreign currency translation effects	80	(125)	648	(1,629)	(1)	2	726	(1,752)
As of December 31	**3,374**	**3,247**	**12,276**	**10,768**	**531**	**308**	**16,181**	**14,323**

[1] Net of eliminations from inter-segment transactions.
[2] The 2009 movement represents the reclassification from insurance contracts to investment contracts (see note 1 for further details).

Development of deferred origination costs

Table 12.2

in USD millions	**2009**	2008
As of January 1	770	1,003
Origination costs deferred	96	119
Amortization	(110)	(122)
Transfers[1]	28	–
Foreign currency translation effects	71	(230)
As of December 31	**856**	**770**

[1] The 2009 movement represents the reclassification from insurance contracts to investment contracts (see note 1 for further details).

13. Administrative and other operating expenses

Administrative and other operating expenses

Table 13

in USD millions, for the years ended December 31	**2009**	2008
Wages and salaries	2,908	2,888
Other employee benefits	566	453
Amortization and impairments of assets	878	638
Rent, leasing and maintenance	398	369
Marketing costs	315	372
Life renewal commission	318	309
Premium, asset and other non-income taxes	184	153
IT costs	734	816
Other	947	731
Total	**7,248**	**6,729**

The above numbers reflect the costs by nature after allocation of certain costs, in particular wages and salaries as well as other employee benefits, on a functional basis.

14. Farmers management fees and other related revenues

Farmers management fees and other related revenues

Table 14

in USD millions, for the years ended December 31	2009	2008
Farmers management fees and other related revenues	**2,690**	**2,458**

Farmers Group, Inc. (FGI) through its attorney-in-fact (AIF) relationship with the Farmers Exchanges, which the Group manages but does not own, is contractually permitted to receive a management fee of up to 20% (25% in the case of the Fire Insurance Exchange) of the gross premiums earned by the Farmers Exchanges for non-claims related services. To enable the Farmers Exchanges to maintain appropriate capital and surplus while offering competitive insurance rates, FGI has historically charged a lower management fee than the maximum allowed. The range of fees has varied by line of business over time and from year to year. During the past five years, aggregate management fees have averaged between 12% and 13% of gross premiums earned by the Farmers Exchanges. The gross earned premiums of the Farmers Exchanges were USD 17,884 million and USD 16,541 million for the years ended December 31, 2009 and 2008, respectively.

15. Receivables

Receivables

Table 15.1

in USD millions, as of December 31	2009	2008
Financial instruments		
Receivables from policyholders	3,415	3,107
Receivables from insurance companies, agents, brokers and intermediaries	5,803	6,348
Receivables arising from ceded reinsurance	1,092	1,166
Other receivables	2,671	2,445
Allowance for impairments[1]	(437)	(457)
Non-financial instruments		
Tax receivables	638	621
Total	**13,182**	**13,229**

[1] Allowance for impairments includes USD 181 million and USD 206 million as of December 31, 2009, and 2008, respectively, for receivables arising from ceded reinsurance.

Receivables are generally settled within one year.

16. Mortgage loans given as collateral and collateralized loans

As part of the Deutscher Herold transaction in 2002, the Group acquired various mortgage loans. Deutscher Herold had previously sold these loans to credit institutions while retaining the related credit and interest risk. Therefore the loans have not been derecognized from the balance sheet and the transaction is reflected as a collateralized borrowing. Accordingly, the loans are recorded as "Mortgage loans given as collateral" and the liability to credit institutions as "Collateralized loans".

Impairment charges of USD 1 million on mortgage loans given as collateral were recorded in income for both years ended December 31, 2009 and 2008.

The table below shows the maturity schedule of collateralized loans as of December 31, 2009 and 2008, respectively.

Maturity schedule – collateralized loans

Table 16

in USD millions, as of December 31	2009		2008	
	Carrying value[1]	**Undiscounted cash flow**[2]	Carrying value[1]	Undiscounted cash flow[2]
< 1 year	134	138	125	133
1 to 2 years	546	560	121	129
2 to 3 years	178	182	556	590
3 to 4 years	92	94	181	192
4 to 5 years	78	80	127	135
> 5 years	74	76	123	133
Total	**1,102**	**1,131**	**1,233**	**1,313**

[1] Allocation to the time bands is based on the expected maturity date.
[2] Allocation to the time bands is based on the earliest contractual maturity.

17. Property and equipment

Table 17.1

Property and equipment – current period

in USD millions	Land held for own use	Buildings held for own use	Furniture and fixtures	Computer equipment	Other equipment	Total
Gross carrying value as of January 1, 2009	359	1,398	438	767	735	3,697
Less: accumulated depreciation/impairments	–	(547)	(351)	(548)	(361)	(1,808)
Net carrying value as of January 1, 2009	359	851	86	219	374	1,889
Additions, improvements and transfers	–	38	48	156	161	403
Disposals and transfers	(8)	(58)	(2)	(4)	(100)	(171)
Depreciation and impairments	–	(36)	(25)	(108)	(76)	(245)
Foreign currency translation effects	13	32	4	4	13	67
Net carrying value as of December 31, 2009	**364**	**828**	**111**	**267**	**371**	**1,942**
Plus: accumulated depreciation/impairments	–	422	364	604	422	1,811
Gross carrying value as of December 31, 2009	**364**	**1,249**	**475**	**871**	**794**	**3,754**

Table 17.2

Property and equipment – prior period

in USD millions	Land held for own use	Buildings held for own use	Furniture and fixtures	Computer equipment	Other equipment	Total
Gross carrying value as of January 1, 2008	393	1,577	436	765	615	3,787
Less: accumulated depreciation/impairments	(1)	(571)	(359)	(561)	(324)	(1,815)
Net carrying value as of January 1, 2008	392	1,006	78	204	292	1,972
Additions, improvements and transfers	1	61	36	130	217	445
Disposals and transfers	(31)	(152)	1	(28)	(56)	(265)
Depreciation and impairments	–	(45)	(23)	(87)	(63)	(218)
Foreign currency translation effects	(3)	(20)	(5)	–	(17)	(44)
Net carrying value as of December 31, 2008	**359**	**851**	**86**	**219**	**374**	**1,889**
Plus: accumulated depreciation/impairments	–	547	351	548	361	1,808
Gross carrying value as of December 31, 2008	**359**	**1,398**	**438**	**767**	**735**	**3,697**

The fire insurance value of the Group's own-use property and equipment totalled USD 3,473 million and USD 3,676 million as of December 31, 2009 and 2008, respectively.

18. Goodwill and other intangible assets

Table 18.1

Intangible assets – current period

in USD millions	Goodwill	Present value of profits of acquired insurance contracts	Other intangible assets	Attorney-in-fact relationships	Total
Gross carrying value as of January 1, 2009	1,696	2,617	6,112	1,025	11,451
Less: accumulated amortization/impairments	(20)	(1,364)	(1,757)	–	(3,142)
Net carrying value as of January 1, 2009	1,677	1,252	4,355	1,025	8,310
Additions and transfers	548	(8)	935	–	1,475
Divestments and transfers	–	–	(1)	–	(1)
Amortization	–	(51)	(501)	–	(552)
Amortization charged to shareholders' equity	–	(65)	–	–	(65)
Impairments	(12)	(30)	(52)	–	(94)
Foreign currency translation effects	85	39	146	–	269
Net carrying value as of December 31, 2009	**2,297**	**1,137**	**4,882** [1]	**1,025**	**9,342**
Plus: accumulated amortization/impairments	34	1,612	2,263	–	3,909
Gross carrying value as of December 31, 2009	**2,331**	**2,749**	**7,145**	**1,025**	**13,251**

[1] Other intangible assets include software of USD 1,569 million and distribution agreements of USD 3,193 million.

The Group has management control of certain Spanish insurance companies, where it has a 50 percent share and which are therefore fully consolidated. As of December 31, 2009, USD 224 million of the present value of profits of acquired insurance contracts (PVFP) and USD 1,492 million of other intangible assets related to non-controlling interests. In comparison, as of December 31, 2008, USD 267 million of the PVFP and USD 1,387 million of other intangible assets related to non-controlling interests. The increase compared with December 31, 2008 is related to the finalization of the purchase price allocation for Banco Sabadell.

USD 548 million additions to goodwill, USD 4 million additions to PVFP, and USD 106 million additions to other intangible assets resulted from the acquisitions accounted for in 2009 as disclosed in note 5.

Impairment charges of USD 94 million were recorded in income comprising impairments on PVFP of USD 30 million in the Spanish Life operations, goodwill impairments of USD 12 million mainly related to the Spanish General Insurance operations and USD 52 million of impairments of other intangible assets primarily related to other intangible assets with definite life in the Italian Life operations, as well as software in the Banking operations.

Table 18.2

Intangible assets by segment – current period

in USD millions, as of December 31, 2009	Goodwill	Present value of profits of acquired insurance contracts	Other intangible assets	Attorney-in-fact relationships	Total
General Insurance	1,029	–	1,419	–	2,448
Global Life	442	1,137	2,864	–	4,443
Farmers	821	–	372	1,025	2,218
Other Operating Businesses	5	–	219	–	223
Non-Core Businesses	–	–	9	–	9
Net carrying value as of December 31, 2009	**2,297**	**1,137**	**4,882**	**1,025**	**9,342**

Intangible assets – prior period

Table 18.3

in USD millions	Goodwill	Present value of profits of acquired insurance contracts	Other intangible assets	Attorney-in-fact relationships	Total
Gross carrying value as of January 1, 2008	1,560	2,392	2,961	1,025	7,939
Less: accumulated amortization/impairments	(8)	(1,612)	(1,683)	–	(3,303)
Net carrying value as of January 1, 2008	1,553	780	1,278	1,025	4,636
Additions and transfers	337	640	3,655	–	4,631
Divestments and transfers	–	–	(22)	–	(22)
Amortization	–	(56)	(299)	–	(354)
Amortization charged to shareholders' equity	–	50	–	–	50
Impairments	(14)	(64)	(5)	–	(83)
Foreign currency translation effects	(198)	(97)	(252)	–	(548)
Net carrying value as of December 31, 2008	**1,677**	**1,252**	**4,355** [1]	**1,025**	**8,310**
Plus: accumulated amortization/impairments	20	1,364	1,757	–	3,142
Gross carrying value as of December 31, 2008	**1,697**	**2,617**	**6,112**	**1,025**	**11,451**

[1] Other intangible assets include software of USD 1,156 million and distribution agreements of USD 3,052 million.

In 2008 impairment charges of USD 83 million were recorded in income comprising impairment of PVFP of USD 64 million in the UK and German Life operations, impairment of goodwill of USD 14 million as a result of updated cash flow assumptions in the German Life operations and other intangible assets of USD 5 million relating to impairments on capitalized software.

Intangible assets by segment – prior period

Table 18.4

in USD millions, as of December 31, 2008	Goodwill	Present value of profits of acquired insurance contracts	Other intangible assets	Attorney-in-fact relationships	Total
General Insurance	895	–	1,303	–	2,199
Global Life	395	1,252	2,672	–	4,320
Farmers	382	–	182	1,025	1,589
Other Operating Businesses	5	–	185	–	190
Non-Core Businesses	–	–	13	–	13
Net carrying value as of December 31, 2008	**1,677**	**1,252**	**4,355**	**1,025**	**8,310**

19. Other assets

Other assets

Table 19.1 in USD millions, as of December 31	2009	2008
Other financial assets:		
Derivative assets	1,338	1,724
Other assets	199	133
Other non-financial assets:		
Accrued premiums	785	900
Prepaid expenses	286	315
Prepaid insurance benefits	369	392
Other assets	350	630
Total other assets	**3,327**	**4,095**

The undiscounted amounts of the financial assets as of December 31, 2009 and 2008 are not materially different from the carrying amounts.

20. Other liabilities

Other liabilities

Table 20.1 in USD millions, as of December 31	2009	2008
Other financial liabilities:		
Amounts due to reinsurers, agents and other insurance companies	1,996	1,778
Amounts due to investment brokers	853	790
Amounts due to life policyholders	561	559
Liabilities for cash collateral received for securities lending	508	182
Derivative liabilities	660	1,388
Bank deposits	1,800	1,179
Liabilities for defined benefit plans	1,891	2,294
Other liabilities for employee benefit plans	101	105
Other liabilities	6,616	6,264
Other non-financial liabilities:		
Current tax payables	983	1,025
Restructuring provisions	119	88
Premium prepayments and other advances	828	697
Other liabilities	567	594
Total other liabilities	**17,485**	**16,944**

Table 20.2 shows the maturity schedule of other financial liabilities as of December 31, 2009 and 2008, respectively.

Table 20.2

Maturity schedule – other financial liabilities[1]

in USD millions, as of December 31	2009 Carrying value[2]	2009 Undiscounted cash flow[3]	2008 Carrying value[2]	2008 Undiscounted cash flow[3]
< 1 year	11,209	11,217	10,704	10,709
1 to 2 years	208	213	183	174
2 to 3 years	551	558	162	170
3 to 4 years	278	286	440	453
4 to 5 years	81	93	98	124
> 5 years	768	1,732	657	1,621
Total	**13,095**	**14,098**	**12,245**	**13,252**

[1] Excluding liabilities for defined benefit plans.
[2] Allocation to the time bands is based on the expected maturity date.
[3] Allocation to the time bands is based on the earliest contractual maturity.

Table 20.3

Restructuring provisions

in USD millions	2009	2008
As of January 1	88	162
Provisions made during the period	101	141
Provisions used during the period	(86)	(200)
Provisions reversed during the period	(3)	(2)
Foreign currency translation effects	4	(10)
Net changes due to acquisitions/divestments	17	–
Other changes	(1)	(2)
As of December 31	**119**	**88**

During the year ended December 31, 2009, the Group entered into several restructuring programs, recording a total charge to income of USD 86 million. Additionally, USD 15 million were incurred with respect to restructuring programs already initiated in prior years. The largest restructuring program in 2009 relates to the integration of the management services business of 21st Century into the Group's Farmers business division. A restructuring plan was announced in which office closures and a reduction in workforce will occur. The impact is predominantly headcount related, with costs approximating USD 28 million. As a result of the 21st Century transaction, the Group also assumed already existing restructuring provisions of USD 17 million for on-going restructuring activities.

During the year ended December 31, 2008, the Group entered into four main restructuring programs, recording a total charge to income of USD 141 million. The UK General Insurance Business recorded restructuring costs totalling approximately USD 66 million, of which, USD 53 million related to a restructuring program aligned to the operational transformation strategy of the Group. The remainder related to a decision to close all retail outlets of one of the UK subsidiaries in order to focus on internet based sales.

In 2008, the Group's North America Commercial business division also entered into an operational transformation program. The impact is predominantly headcount related, with costs approximating USD 24 million. A further USD 32 million restructuring charge was recorded in 2008, to cover costs associated with the sale of Zurich American Insurance Company's Commercial Small Business Solutions book of business to Truck Insurance Exchange, one of the Farmers Exchanges. The costs are mainly related to IT infrastructure but also include severance payments.

21. Income taxes

Income tax expense – current/deferred split

Table 21.1

in USD millions, for the years ended December 31	2009	2008
Current	968	737
Deferred	327	(1,189)
Total income tax expense/(benefit)	**1,295**	**(452)**

Income tax expense – policyholder/shareholder attribution

Table 21.2

in USD millions, for the years ended December 31	2009	2008
Total income tax expense/(benefit) attributable to policyholders	387	(1,184)
Total income tax expense/(benefit) attributable to shareholders	908	732
Total income tax expense/(benefit)	**1,295**	**(452)**

The Group is required to record taxes on policyholder earnings for life insurance policyholders in certain jurisdictions. Accordingly, the income tax expense or benefit attributable to these life insurance policyholder earnings is included in income tax expense. In certain jurisdictions an accrual for future policy fees that will cover the tax charge is included in insurance benefits and losses.

Expected and actual income tax expense

Table 21.3

in USD millions, for the years ended December 31	Rate	2009	Rate	2008
Net income before income taxes		4,531		2,663
Less: income tax (expense)/benefit attributable to policyholders		(387)		1,184
Net income before income taxes attributable to shareholders		4,144		3,847
Expected income tax expense attributable to shareholders computed at the Swiss statutory tax rate	22.0%	912	22.0%	846
Increase/(reduction) in taxes resulting from:				
Tax rate differential in foreign jurisdictions		*69*		164
Tax exempt and lower taxed income		*(53)*		(10)
Non-deductible expenses		*79*		98
Tax losses previously unrecognized or no longer recognized		*40*		(262)
Prior year adjustments and other		*(139)*		(104)
Actual income tax expense attributable to shareholders	21.9%	908	19.0%	732
Plus: income tax expense/(benefit) attributable to policyholders		387		(1,184)
Actual income tax expense/(benefit)	**28.6%**	**1,295**	**(17.0%)**	**(452)**

The table above sets out the factors that cause the actual income tax expense to differ from the expected expense computed by applying the Swiss Statutory tax rate of 22.0 percent, which is the rate applicable in the jurisdiction where the ultimate parent company is resident.

Current tax receivables and payables

Table 21.4 in USD millions, as of December 31	2009	2008
Current tax receivables	638	621
Current tax payables	(983)	(1,025)
Net current tax payables	**(345)**	**(404)**

Deferred tax assets and liabilities

Table 21.5 in USD millions, as of December 31	2009	2008
Deferred tax assets	2,257	2,901
Deferred tax liabilities	(4,464)	(3,485)
Net deferred tax liabilities	**(2,207)**	**(583)**

Development of net deferred tax liabilities

Table 21.6 in USD millions	2009	2008
As of January 1	(583)	(2,375)
Net change recognized in the income statement	(327)	1,189
Net change recognized in equity	(1,189)	1,380
Net changes due to acquisitions/(divestments)	11	(1,029)
Foreign currency translation effects	(119)	253
As of December 31	**(2,207)**	**(583)**

The cumulative amount of deferred tax credited to shareholders' equity, net of foreign currency translation effects, amounted to USD 531 million and USD 1,720 million for the years ended December 31, 2009 and 2008, respectively.

USD 1,029 million increase in deferred tax liabilities resulted from the acquisitions in 2008 as disclosed in note 5, of which USD 485 million relates to non-controlling interests.

Deferred taxes – policyholder/shareholder attribution

Table 21.7 in USD millions, as of December 31	2009	2008
Net deferred tax assets/(liabilities) attributable to policyholders	(74)	544
Net deferred tax assets/(liabilities) attributable to shareholders	(2,133)	(1,128)
Net deferred tax liabilities	**(2,207)**	**(583)**

Deferred tax assets/(liabilities) analysis by source

Table 21.8

in USD millions, as of December 31	2009 Assets	2009 Liabilities	2008 Assets	2008 Liabilities
Gross deferred tax				
Deferred acquisition and origination costs	31	(516)	65	(584)
Depreciable and amortizable assets	20	(31)	22	(43)
Life policyholders' benefits and deposits[1]	11	(7)	20	–
Unrealized (gains)/losses on available-for-sale investments and cash flow hedges	316	(365)	965	(332)
Accruals & deferred income	197	–	239	–
Reserves for losses and loss adjustment expenses	489	–	569	(46)
Reserves for unearned premiums	706	(158)	744	(253)
Pensions and other employee benefits	376	–	384	–
Other assets/liabilities	768	(54)	658	(30)
Tax loss carryforwards	475	–	691	–
Gross deferred tax assets/(liabilities) before valuation allowance	3,391	(1,131)	4,357	(1,289)
Valuation allowance	(2)	–	(167)	–
Gross deferred tax assets/(liabilities) after valuation allowance	3,389	(1,131)	4,190	(1,289)
Deferred tax assets	**2,257**		**2,901**	
Deferred acquisition and origination costs	56	(2,762)	22	(2,330)
Depreciable and amortizable assets	101	(2,116)	191	(1,592)
Life policyholders' benefits and deposits[1]	529	(861)	473	(817)
Unrealized (gains)/losses on available-for-sale investments and cash flow hedges	344	(580)	710	(355)
Accruals & deferred income	105	(123)	66	(125)
Reserves for losses and loss adjustment expenses	339	(478)	268	(575)
Reserves for unearned premiums	156	(64)	201	(53)
Deferred front-end fees	747	–	629	–
Pensions and other employee benefits	366	(29)	435	(21)
Other assets/liabilities	930	(1,345)	918	(1,706)
Tax loss carryforwards	244	–	183	–
Gross deferred tax assets/(liabilities) before valuation allowance	3,916	(8,358)	4,095	(7,573)
Valuation allowance	(23)	–	(6)	–
Gross deferred tax assets/(liabilities) after valuation allowance	3,893	(8,358)	4,089	(7,573)
Deferred tax liabilities		**(4,464)**		**(3,485)**
Net deferred tax liabilities		**(2,207)**		**(583)**

[1] Includes reserves for unit-linked contracts.

The Group's deferred tax assets and liabilities are recorded in the tax paying entities throughout the world, which may include several legal entities within each tax jurisdiction. Legal entities are grouped as a single taxpayer only when permitted by local legislation and when deemed appropriate. The first part of the table above includes single taxpayers with a net deferred tax asset position and the second part includes single taxpayers with a net deferred tax liability position.

As of December 31, 2009 the aggregate amount of temporary differences associated with investments in subsidiaries, branches and associates and interests in joint ventures, for which deferred tax liabilities have not been recognized amount to approximately USD 16 billion. In the remote scenario in which these temporary differences were to reverse simultaneously, the resulting tax liabilities would be very limited due to participation exemption rules.

Tax losses carryforwards and tax credits

Table 21.9

in USD millions, as of December 31	**2009**	2008
For which deferred tax assets have been recognized, expiring		
< 5 years	160	42
5 to 20 years	1,290	1,399
> 20 years or with no time limitation	1,095	1,715
Subtotal	2,545	3,156
For which deferred tax assets have not been recognized, expiring		
5 to 20 years	178	203
> 20 years or with no time limitation	219	–
Subtotal	397	203
Total	**2,942**	**3,359**

The tax rates applicable to tax losses for which a deferred tax asset has not been recognized are 24 percent and 35 percent for the years 2009 and 2008, respectively.

The recoverability of the deferred tax asset for each taxpayer is based on the taxpayer's ability to utilize the deferred tax asset over a reasonable period of time. This analysis considers the projected taxable income to be generated by the taxpayer, as well as its ability to offset deferred tax asset with deferred tax liabilities.

Management assesses the recoverability of the deferred tax asset carrying values based on future years taxable income projections and believes that the carrying values of the deferred tax assets as of December 31, 2009, are recoverable.

22. Debt

Debt

Table 22.1

in USD millions, as of		2009	2008
Debt related to capital markets and banking activities			
Zurich Capital Markets	Various debt instruments payable within 1 year	25	2,079
Zurich Financial Services EUB Holdings Limited	Various debt instruments payable within 1 year	813	447
	Various debt instruments payable in more than 1 year	1	1
Debt related to capital markets and banking activities		**839**	**2,527**
Senior debt			
Zurich Finance (USA), Inc.	3.50% CHF 300 bond, due November 2011[1, 6]	291	283
	4.50% EUR 1,000 bond, due September 2014[2, 6]	1,443	1,395
	4.875% EUR 800 bond, due April 2012[6]	1,143	–
	6.50% EUR 600 bond, due October 2015[3, 6]	857	–
Zurich Finance (Luxembourg) S.A.	3.25% USD 750 bond, due September 2013[1, 6]	747	–
Kemper Corporation	Various debt instruments, due within 1 year	–	23
Zurich Insurance Company Ltd	3.875% CHF 1,000 bond, due July 2011	965	938
	3.75% CHF 500 bond, due September 2013[6]	478	463
	Various debt instruments payable within 1 year	200	100
Other	Various debt instruments payable within 1 year	5	1
	Various debt instruments payable in more than 1 year	149	156
Senior debt		6,277	3,358
Subordinated debt			
Zurich Insurance Company Ltd	12.0% EUR 143 capital notes, undated[6]	203	–
	7.5% EUR 425 bond, due July 2039[6]	603	–
Zurich Finance (UK) plc	6.625% GBP 450 bond, undated notes[4, 6]	717	648
Zurich Finance (USA), Inc.	5.75% EUR 500 bond, due October 2023[6]	707	687
	4.5% EUR 500 bond, due June 2025[5, 6]	730	691
ZFS Finance (USA) Trust I	Series I 6.15% USD 600 ECAPS, due December 2065	567	569
ZFS Finance (USA) Trust II	Series II 6.45% USD 700 ECAPS, due December 2065	672	672
ZFS Finance (USA) Trust III	Series III Floating Rate USD 400 ECAPS, due December 2065	200	318
ZFS Finance (USA) Trust IV	Series IV 5.875% USD 500 Trust Preferred Securities, due May 2062	249	498
ZFS Finance (USA) Trust V	Series V 6.5% USD 1,000 Trust Preferred Securities, due May 2067	496	994
Other	Various debt instruments payable in more than 1 year	22	21
Subordinated debt		5,167	5,096
Total senior and subordinated debt		**11,444**	**8,455**
Total debt		**12,283**	**10,981**

[1] The bond is economically hedged, but hedge accounting treatment has not been applied.
[2] The bond is part of a qualifying cash flow hedge (80% of the total) and fair value hedge (20% of the total).
[3] The bond is part of a qualifying cash flow hedge.
[4] The holders of these notes benefit from the Replacement Capital Covenant which states that if Series IV and V Fixed/Floating Trust Preferred Securities, issued by ZFS Finance (USA) Trusts IV and V, are called before 2042 and 2047 respectively, the Group will issue a replacement debt instrument with terms and provisions that are as or more equity-like than the replaced notes.
[5] This bond is part of a qualifying fair value hedge.
[6] Issued under the Group's Euro Medium Term Note Programme (EMTN Programme).

None of the debt instruments listed above were in default as of December 31, 2009 and 2008.

Debt related to capital markets and banking activities

Debt related to capital markets and banking activities decreased from USD 2,527 million as of December 31, 2008 to USD 839 million as of December 31, 2009. Zurich Capital Markets' debt reduced by USD 2,054 million, largely due to commercial paper repayments, partially offset by an increase of USD 366 million in the level of corporate and institutional deposits held by our banking operations. A significant portion of the commercial paper repayments was financed by the issue of longer term senior debt which better matches the duration of the assets.

Senior and subordinated debt

To facilitate the issuance of debt, the Group has in place a Euro Medium Term Note Programme (EMTN Programme) allowing for the issuance of senior and subordinated notes up to a maximum of USD 15 billion. All issuances under this programme are either issued or guaranteed by Zurich Insurance Company Ltd. The Group has also issued debt instruments outside this programme when deemed appropriate.

i) Senior debt

Senior debt increased from USD 3.4 billion to USD 6.3 billion during the year, mainly as a result of issuances under the EMTN Programme. The senior debt issued on September 30, 2009, was used to meet operational debt requirement of capital markets and banking activities, partially through the repayment of existing operational debt.

On April 14, 2009, Zurich Finance (USA), Inc. issued EUR 800 million (USD 1,143 million) and EUR 600 million (USD 857 million) of senior debt under its EMTN Programme. These bonds carry a fixed annual coupon of 4.875% and 6.50% and mature in April 2012 and in October 2015, respectively.

On September 30, 2009 Zurich Finance (Luxembourg) S.A. issued USD 750 million of senior debt under its EMTN Programme. These bonds carry a fixed annual coupon of 3.25% and mature in September 2013.

ii) Subordinated debt

Subordinated debt increased slightly from USD 5.1 billion as of December 31, 2008 to USD 5.2 billion as of December 31, 2009, due to issuances of approximately USD 806 million under the EMTN Programme and foreign currency revaluation of GBP and EUR bonds, partially offset by the repurchase of USD 866 million of previously issued subordinated debt.

Subordinated debt securities are obligations of the Group which, in case of liquidation, rank junior to all present and future senior indebtedness and certain other obligations of the Group.

On July 1, 2009, Zurich Insurance Company Ltd issued EUR 143 million (USD 203 million) of subordinated capital notes under its EMTN Programme. These subordinated bonds carry a fixed annual coupon of 12.0% and are callable in 2014.

On July 24, 2009, Zurich Insurance Company Ltd issued EUR 425 million (USD 603 million) of subordinated notes under the EMTN Programme. These subordinated bonds carry a fixed coupon of 7.5%, are first callable in 2019 and mature in 2039.

On March 31, 2009, Zurich Holding Company of America (ZHCA), a subsidiary of the Group, repurchased USD 9 million Enhanced Capital Advantaged Preferred Securities (ECAPS) and USD 85 million Trust Preferred Securities. On May 20, 2009, ZHCA repurchased USD 50 million of ECAPS. These repurchases resulted in a total pre-tax gain of USD 74 million.

On August 11, 2009, Zurich Insurance Company Ltd, Bermuda Branch, purchased the following principal amounts of securities issued by ZFS Financial (USA) Trusts from investors, which resulted in a total pre-tax gain of USD 136 million:

- USD 64 million of Series III Floating Rate ECAPS issued by ZFS Finance (USA) Trust III;
- USD 206 million of Series IV Fixed/Floating Rate Trust Preferred Securities issued by ZFS Finance (USA) Trust IV; and,
- USD 458 million of Series V Fixed/Floating Rate Trust Preferred Securities issued by ZFS Finance (USA) Trust V.

Description and features of significant subordinated debt

Table 22.2

in USD millions	Coupon conditions	Call/ redemption date	Redemption conditions
Description			
12.00% EUR 143 bond, undated notes	12.00% payable annually up to July 15, 2014 and then reset quarterly to 3-month EURIBOR plus 10.33%.	Quarterly on or after July 15, 2014	Redeemable in whole at par plus any accrued interest.
7.5% EUR 425 bond, due July 2039	7.5% payable annually up to July 24, 2019 and then reset quarterly to 3-month EURIBOR plus 5.85%.	Quarterly on or after July 24, 2019	Redeemable in whole or in part at par plus any accrued interest.
6.625% GBP 450 bond, undated notes	6.625% payable annually up to October 2, 2022 and then reset every 5 years to the reset rate of interest.[1]	Every five years on or after October 2, 2022	Redeemable in whole every five years at par plus any accrued interest.
5.75% EUR 500 bond, due October 2023	5.75% payable annually up to October 2, 2013 and then reset quarterly to 3-month EURIBOR plus 2.67%.	Quarterly on or after October 2, 2013	Redeemable in whole at par plus any accrued interest.
4.5% EUR 500 bond, due June 2025	4.5% payable annually up to June 15, 2015 and then reset quarterly to 3-month EURIBOR plus 2.20%.	Quarterly on or after June 15, 2015	Redeemable in whole at par plus any accrued interest.
Series I 6.15% Fixed/Adjustable Rate USD 600 ECAPS, due December 2065	6.15% payable semi-annually until December 15, 2010 and then reset quarterly to the adjustable rate plus 1.75%.[2]	Quarterly on or after December 15, 2010	Redeemable in whole or in part at par plus any accrued interest.
Series II 6.45% Fixed/Adjustable Rate USD 700 ECAPS, due December 2065	6.45% payable semi-annually until June 15, 2016 and then reset quarterly to the adjustable rate plus 2.00%.[2]	Quarterly on or after June 15, 2016	Redeemable in whole or in part at par plus any accrued interest.
Series III Floating Rate USD 400 ECAPS, due December 2065	3-month LIBOR plus 1.15% reset quarterly until December 15, 2010 and then 3-month LIBOR plus 2.15%.	Quarterly on or after December 15, 2010	Redeemable in whole or in part at par plus any accrued interest.
Series IV 5.875% USD 500 Fixed/Floating Trust Preferred Securities, due May 2062	5.875% payable semi-annually until May 9, 2012 and then reset quarterly to 3-month LIBOR plus 1.815%.	Quarterly on or after May 9, 2012	Redeemable in whole or in part at par plus any accrued interest.
Series V 6.5% USD 1,000 Fixed/Floating Trust Preferred Securities, due May 2067	6.5% payable semi-annually until May 9, 2017 and then reset quarterly to 3-month LIBOR plus 2.285%.	Quarterly on or after May 9, 2017	Redeemable in whole or in part at par plus any accrued interest.

[1] Reset rate of interest is equal to the gross redemption yield on the benchmark five-year Gilt as determined by the Calculation Bank, plus 2.85% per annum.
[2] Adjustable Rate is equal to the greatest of (i) the 3-month LIBOR rate; (ii) the 10-year Treasury CMT (Constant Maturity Treasury) Rate; and (iii) the 30-year Treasury CMT Rate, subject to a maximum under (ii) and (iii) of 13.25% Series I and 13% for Series II.

Maturity schedule of outstanding debt

Table 22.3

in USD millions, as of	2009		2008	
	Carrying value	**Undiscounted cash flow**	Carrying value	Undiscounted cash flow
< 1 year	1,044	1,644	2,650	3,139
1 to 2 years	1,272	1,872	11	446
2 to 3 years	1,143	1,721	1,237	1,659
3 to 4 years	1,235	1,731	13	392
4 to 5 years	1,448	1,890	463	835
5 to 10 years	975	2,456	1,513	2,857
> 10 years	5,167	7,265	5,096	7,123
Total	**12,283**	**18,579**	**10,981**	**16,451**

Debt maturities shown in table 22.3 reflect original contractual dates without taking early redemption options into account. For call/redemption dates, refer to table 22.2. The total notional amount of debt due in each period is not materially different from the total carrying amount disclosed in table 22.3. Undiscounted cash flows include interest and principal cash flows on debt outstanding as of December 31, 2009 and December 31, 2008, respectively. All debt is assumed to mature within 20 years of the balance sheet date without refinancing and where the Group has the option to repay the debt, the option is assumed to expire. Floating interest rates are assumed to remain constant as of December 31, 2009 and December 31, 2008, respectively. The aggregated cash flows are translated into USD at end-of-period rates.

Interest expense on debt

Table 22.4

in USD millions, for the years ended December 31	**2009**	2008
Debt related to capital markets and banking activities	66	127
Senior debt	215	141
Subordinated debt	305	331
Total	**586**	**599**

Interest expense on debt

Interest expense on debt decreased from USD 599 million in 2008 to USD 586 million in 2009, primarily as a result of lower interest rates and foreign exchange fluctuations.

Credit facilities

The Group has access to a syndicated revolving credit facility of USD 3 billion that terminates in 2012. Zurich Financial Services Ltd through the absorption of Zurich Group Holding, together with Zurich Insurance Company Ltd and Farmers Group, Inc. are guarantors of the facility and can draw up to USD 1.25 billion, USD 1.5 billion and USD 250 million, respectively. No borrowings were outstanding under this facility as of December 31, 2009 and December 31, 2008.

Dunbar Bank and Zurich Bank have access to various committed credit facilities totalling GBP 240 million and GBP 190 million, respectively. As of December 31, 2009 and December 31, 2008, GBP 50 million were drawn under these credit facilities.

In addition, Zurich Insurance Company Ltd also has access to a USD 300 million credit facility expiring in 2010 for the sole purpose of financing surplus notes issued by the Leschi Life Assurance Company (Leschi), a special purpose reinsurer owned by Farmers New World Life (FNWL) and to which FNWL cedes business subject to U.S. Regulation Reserve Requirements XXX (Triple X). As of December 31, 2009 and December 31, 2008, USD 200 million and USD 100 million, respectively, were drawn under this credit facility.

Financial debt

Financial debt consists of all debt items that are included in financial leverage calculations of rating agencies.

As of December 31, 2009 and December 31, 2008, financial debt consisted of the following components.

Table 22.5

Financial debt

in USD millions, as of	2009 Reported	2009 Adjustments	2009 Financial Debt	2008 Financial Debt
Debt related to capital markets and banking activities	839	814	25	1,379
Senior debt	6,277	1,047	5,230	3,158
Subordinated debt	5,167	–	5,167	5,096
Total	**12,283**	**1,862**	**10,422**	**9,633**

The USD 814 million capital markets and banking activities adjustment relates to notes and loans payable held by Zurich Financial Services EUB Holdings Limited.

The USD 1,047 million adjustment to senior debt contains the newly issued USD 750 million under the EMTN Programme by Zurich Finance (Luxembourg) S.A. loaned directly to our capital markets and banking activities, an adjustment of USD 100 million for non-recourse debt and the USD 200 million drawn under the Leschi credit facility.

23. Shareholders' equity

Share capital

Table 23.1

	Share capital in CHF	Number of shares	Par value in CHF
Issued share capital			
As of December 31, 2007	14,554,682	145,546,820	0.10
Capital reduction by canceling shares bought back under the share buy-back program announced in 2007	(343,250)	(3,432,500)	0.10
New shares issued from contingent capital in 2008	830	8,300	0.10
As of December 31, 2008	14,212,262	142,122,620	0.10
New shares issued from authorized capital in 2009	480,000	4,800,000	0.10
New shares issued from contingent capital in 2009	55,045	550,448	0.10
As of December 31, 2009	14,747,307	147,473,068	0.10
Authorized, contingent and issued share capital			
As of December 31, 2008	15,679,873	156,798,727	0.10
As of December 31, 2009	16,531,690	165,316,899	0.10

a) Issued share capital

As of December 31, 2008, Zurich Financial Services Ltd had bought back 3,750,500 of its registered shares over a second trading line within its buy-back program authorized by the Board of Directors on February 13, 2008. In March 2009, the Board of Directors decided not to propose the destruction of these shares to the Annual General Meeting of shareholders but to keep the shares as treasury shares for use in connection with the funding of potential acquisitions in the future or for employee share-based compensation. This rededication of the shares has been approved by the Swiss Takeover Board.

At the Annual General Meeting on April 2, 2009 the shareholders approved an increase in both authorized and contingent share capital to a new maximum of CHF 1,000,000 each, allowing for enhanced financial flexibility of the company for future capital management. On April 17, 2009, Zurich Financial Services Ltd placed 4,800,000 new shares issued under its authorized share capital and 1,914,096 existing treasury shares, bought back under the share buy-back program authorized in 2008, with institutional investors via an accelerated bookbuild. This capital increase reduced the authorized capital to CHF 520,000. The proceeds from the accelerated bookbuild were used in connection with the funding of the 21st Century acquisition completed on July 1, 2009.

During the year 2009, a total of 550,448 shares were issued to employees out of the contingent capital.

At the Annual General Meeting on April 3, 2008, the shareholders approved a share capital reduction of CHF 343,250 from CHF 14,554,682 to CHF 14,211,432 by cancelling 3,432,500 registered shares that were bought back under the share buy-back program announced on February 15, 2007. The effective date of the capital reduction was June 27, 2008. During the year 2008, a total of 8,300 shares were issued to employees out of the contingent capital.

b) Authorized share capital

Until April 3, 2011, the Board of Zurich Financial Services Ltd is authorized to increase the share capital by an amount not exceeding CHF 520,000 by issuing up to 5,200,000 fully paid registered shares with a nominal value of CHF 0.10 each. An increase in partial amounts is permitted. The Board determines the date of issue of such new shares, the issue price, type of payment, conditions for exercising pre-emptive rights, and the beginning of dividend entitlement. The Board may issue such new shares by means of a firm underwriting by a banking institution or syndicate with a subsequent offer of those shares to current shareholders. The Board may allow the expiry of pre-emptive rights which have not been exercised, or it may place these rights as well as shares, the pre-emptive rights of which have not been exercised, at market conditions.

The Board is further authorized to restrict or withdraw the pre-emptive rights of shareholders and to allocate them to third parties if the shares are to be used for the take-over of an enterprise, or parts of an enterprise or of participations or if issuing shares for the financing including re-financing of such transactions, or for the purpose of expanding the scope of shareholders in connection with the quotation of shares on foreign stock exchanges.

c) Contingent share capital

Capital market instruments and option rights to shareholders

The share capital of Zurich Financial Services Ltd may be increased by an amount not exceeding CHF 1,000,000 by the issuance of up to 10,000,000 fully paid registered shares with a nominal value of CHF 0.10 each (i) by exercising of conversion and/or option rights which are granted in connection with the issuance of bonds or similar debt instruments by Zurich Financial Services Ltd or one of its Group companies in national or international capital markets; and/or (ii) by exercising option rights which are granted to current shareholders. When issuing bonds or similar debt instruments connected with conversion and/or option rights, the pre-emptive rights of the shareholders will be excluded. The current owners of conversion and/or option rights shall be entitled to subscribe for the new shares. The conversion and/or option conditions are to be determined by the Board.

The Board of Directors is authorized, when issuing bonds or similar debt instruments connected with conversion and/or option rights, to restrict or withdraw the right of shareholders for advance subscription in cases where such bonds are issued for the financing or re-financing of a takeover of an enterprise, of parts of an enterprise, or of participations. If the right for advance subscription is withdrawn by the Board, the convertible bond or warrant issues are to be offered at market conditions (including standard dilution protection provisions in accordance with market practice) and the new shares are issued at then current convertible bond or warrant issue conditions. The conversion rights may be exercisable during a maximum of ten years and option rights for a maximum of seven years from the time of the respective issue. The conversion or option price or its calculation methodology shall be determined in accordance with market conditions, whereby for shares of Zurich Financial Services Ltd the quoted share price is to be used as a basis.

Employee participation

On February 14, 2007, the Board of Directors of Zurich Financial Services Ltd decided to allow the issuance of up to 4,000,000 shares out of the contingent share capital to employees of the Group. A respective proposal for the increase of the contingent share capital was made by the Board of Directors to the shareholders and was approved at the Annual General Meeting on April 3, 2007. On January 1, 2008, the contingent share capital, to be issued to employees of Zurich Financial Services Ltd and Group companies, amounted to CHF 320,258 or 3,202,579 fully paid registered shares with a nominal value of CHF 0.10 each. During 2009 and 2008, 550,448 and 8,300 shares, respectively, were issued to employees out of the contingent share capital under the program described above. As a result, on December 31, 2009 and 2008, respectively, the remaining contingent share capital, which can be issued to employees of Zurich Financial Services Ltd and its subsidiaries, amounted to CHF 264,383 and CHF 319,428 or 2,643,831 and 3,194,279 fully paid registered shares, respectively, with a nominal value of CHF 0.10 each. The pre-emptive rights of the shareholders, as well as the right for advance subscription, are excluded. The issuance of shares or respective option rights to employees is subject to one or more regulations to be issued by the Board of Directors and take into account performance, functions, levels of responsibility and criteria of profitability. Shares or option rights may be issued to the employees at a price lower than that quoted on the stock exchange.

d) Preferred securities

Table 23.2

Preferred securities

	Preferred securities in USD	Number of securities	Par value in USD
As of December 31, 2007	700,000,000	700,000	1,000
Redeemed securities	(125,000,000)	(125,000)	1,000
As of December 31, 2008[1]	575,000,000	575,000	1,000
As of December 31, 2009[1]	575,000,000	575,000	1,000

[1] The amount is gross of issuance costs of USD 14 million as of December 31, 2009 and 2008 and of USD 29 million as of December 31, 2007.

In February 2001, the Group placed six series of Trust Capital Securities (Zurich RegCaPS) for a total amount of USD 1,125 million (USD 1,096 million net of issuance costs) with a limited number of qualified institutional and corporate U.S. investors. The securities, which were issued under Rule 144A in the U.S., are perpetual, non-cumulative and have a par value of USD 1,000 each. They have no voting rights, except in certain specified circumstances and are linked to Farmers Group, Inc. Class C shares. On March 30, 2006, April 11, 2006 and April 18, 2008, the Group redeemed the Series I, III and IV of the Zurich RegCaPS, respectively. The liquidation amounts totalled USD 550 million in aggregate. Of the remaining series totalling USD 575 million, one has a fixed rate coupon of 6.58 percent and two have floating rate coupons at LIBOR +71 basis points. These coupon rates step up after the first call dates. The Group has the option to call all outstanding securities in 2011.

e) Additional paid-in capital

This reserve is not ordinarily available for distribution.

f) Treasury shares

Table 23.3

Treasury shares

number of shares, as of December 31	2009	2008
Treasury shares	3,269,338	5,219,803

Treasury shares comprise shares repurchased under the share buy-back program announced in 2008 and shares acquired in the market held to cover employee share and option plans. The number of treasury shares amounted to 3,269,338 and 5,219,803 as of December 31, 2009 and 2008, respectively.

On February 14, 2007 the Board of Zurich Financial Services Ltd authorized a share buy-back program. 3,432,500 fully paid shares, with a nominal value CHF 0.10, were bought back at an average price of CHF 364 per share, at a total cost of CHF 1.2 billion. At the Annual General Meeting on April 3, 2008, the shareholders approved a share capital reduction by CHF 343,250 from CHF 14,554,682 to CHF 14,211,432 by cancelling these 3,432,500 registered shares. The effective date of the capital reduction was June 27, 2008.

On February 13, 2008 the Board of Zurich Financial Services Ltd authorized a share buy-back program for the repurchase of up to CHF 2.2 billion worth of shares over the course of 2008. As of December 31, 2008, 3,750,500 fully paid shares, with a nominal value of CHF 0.10, had been bought back at an average price of CHF 293 per share, at a total cost of CHF 1.1 billion. In March 2009, the Board of Directors decided not to propose the destruction of these shares to the Annual General Meeting of shareholders but to keep the shares as treasury shares for use in connection with the funding of potential acquisitions or for employee share-based compensation. This rededication has been approved by the Swiss Takeover Board.

On April 17, 2009, Zurich Financial Services Ltd placed 1,914,096 treasury shares, bought back in 2008 under the share buy-back program, with institutional investors with the proceeds applied to the 21st Century acquisition completed on July 1, 2009.

In its meeting of February 3, 2010, the Board of Directors decided to propose to the Annual General Meeting 2010 the destruction of the remaining 1,836,404 shares from the share buyback program authorized by the Board of Directors on February 13, 2008. Since their rededication in March 2009 these shares were held as treasury shares for use in connection with the funding of potential acquisitions in the future or for employee share-based compensation plans.

g) Earnings per share

Table 23.4

Earnings per share

for the years ended December 31	Net income attributable to common shareholders (in USD millions)	Weighted average number of shares	Per share (USD)	Per share (CHF)[1]
2009				
Basic earnings per share	**3,196**	**141,943,376**	**22.51**	**24.39**
Effect of potentially dilutive shares related to share-based compensation plans		1,023,350	(0.16)	(0.17)
Diluted earnings per share	**3,196**	**142,966,726**	**22.35**	**24.21**
2008				
Basic earnings per share	**3,007**	**137,943,218**	**21.80**	**23.53**
Effect of potentially dilutive shares related to share-based compensation plans		1,049,425	(0.16)	(0.18)
Diluted earnings per share	**3,007**	**138,992,643**	**21.63**	**23.35**

[1] The translation from USD to CHF is shown for information purposes only and has been calculated at the Group's average exchange rates for the years ended December 31, 2009 and 2008, respectively.

Basic earnings per share is computed by dividing net income attributable to shareholders by the weighted average number of shares outstanding for the year, excluding the weighted average number of shares held as treasury shares and preferred securities. Diluted earnings per share reflects the effect of potentially dilutive shares.

24. Employee benefits

The Group had 56,668 and 57,609 employees (full-time equivalents) as of December 31, 2009 and 2008, respectively. Personnel and other related costs incurred for the year ended December 31, 2009 and 2008, were USD 5,174 million and USD 5,404 million, including wages and salaries of USD 4,197 million and USD 4,468 million, respectively. The reduction of wages and salaries of USD 271 million represents a reduction of USD 130 million on a local currency basis.

The Group operates a number of retirement benefit arrangements for employees, the majority of employees belong to defined benefit plans. Other employees participate in defined contribution plans, which provide benefits equal to amounts contributed by both the employer and the employee plus investment returns.

The Group also operates post-employment plans, mainly in the U.S., which provide employees with certain defined post-employment benefits such as medical care and life insurance.

To ensure appropriate governance of the Group's pension and post-employment benefit plans, the Group Pension Committee provides oversight of the Group's benefits policy.

a) Defined benefit plans

Defined benefit pension plans

Employees of the Group's companies are covered by various pension plans, the largest of which are in the UK, U.S., Germany and Switzerland. Certain companies provide defined benefit plans, some of which provide benefits related to employees' service periods and final pensionable earnings. Others provide cash balance plans where the participants receive the benefit of the accumulated employer and employee contributions together with additional cash credits in line with the rules of the plan. Eligibility for participation in the various plans is either based on completion of a specified period of continuous service or from the date of commencement of employment.

Most of the Group's defined benefit pension plans are funded through contributions by the Group, and in some cases the employee, to trusts or foundations independent of the Group's finances. In these cases, the annual funding requirements are determined in accordance with local funding and actuarial cost methods. Where plans are not funded, a liability for the accrued pension obligations is recognized in the Group's balance sheet.

For the defined benefit pension plans, total contributions to funded pension plans and benefit payments by the Group are currently estimated at USD 456 million for 2010 compared with USD 451 million estimated in the previous year for 2009. The actual amount may differ.

Other defined post-employment benefits

Certain of the Group's operating companies provide post-employment benefit programs covering medical care and/or life insurance. Eligibility in the various plans is generally based on completion of a specified period of eligible service and reaching a specified age. The programs typically pay a stated percentage of medical expenses subject to deductibles and other factors. The cost of post-employment benefits is accrued during the employees' service periods. The method of accounting and the frequency of valuations are similar to those for defined benefit pension plans.

The tables below show the funded status of the Group's plans; this being the pension plans' assets at fair value less the pension plans' liabilities based on the present value of the obligations. Plans that are wholly unfunded are shown separately from plans that are wholly or partly funded.

Table 24.1

Status of funded defined benefit plans

in USD millions, as of December 31	Defined benefit pension plans				Other defined post-employment benefits			
	2009	2008	2007	2006	**2009**	2008	2007	2006
Present value of funded obligations	(13,966)	(12,680)	(13,653)	(12,190)	(70)	(93)	(66)	(70)
Fair value of plan assets	12,622	10,879	13,285	11,071	–	–	5	10
Funded status	(1,344)	(1,801)	(368)	(1,119)	(70)	(92)	(61)	(60)
Unrecognized past service cost	–	(1)	–	2	–	–	–	–
Cumulative impact of asset ceiling	(15)	(7)	(62)	–	–	–	–	–
Liability – funded obligations	**(1,359)**	**(1,808)**	**(430)**	**(1,117)**	**(70)**	**(92)**	**(61)**	**(60)**

Pensions are long-term by nature. However, short-term variations between long-term actuarial assumptions and actual experience may be positive or negative, resulting in actuarial gains or losses, which are recognized in full in the period in which they occur, but included in other comprehensive income.

Table 24.2

Status of unfunded defined benefit plans

in USD millions, as of December 31	Defined benefit pension plans				Other defined post-employment benefits			
	2009	2008	2007	2006	**2009**	2008	2007	2006
Present value of unfunded obligations	(230)	(210)	(207)	(985)	(205)	(183)	(208)	(196)
Unrecognized past service cost	–	–	–	–	(28)	(1)	(2)	(1)
Liability – unfunded obligations	**(229)**	**(209)**	**(207)**	**(985)**	**(234)**	**(184)**	**(210)**	**(197)**

Table 24.3

Status of funded and unfunded defined benefit plans

in USD millions, as of December 31	Defined benefit pension plans				Other defined post-employment benefits			
	2009	2008	2007	2006	**2009**	2008	2007	2006
Liability	**(1,588)**	**(2,017)**	**(637)**	**(2,101)**	**(303)**	**(277)**	**(271)**	**(256)**

Table 24.4

Expense recognized in income

in USD millions, as of December 31	Defined benefit pension plans		Other defined post-employment benefits	
	2009	2008	**2009**	2008
Current service cost	(298)	(300)	(7)	(5)
Interest cost	(685)	(715)	(16)	(15)
Expected return on plan assets	619	727	–	–
Past service cost	(7)	(14)	9	–
Gains on curtailment or settlement	2	2	–	–
Net pension expense	**(369)**	**(300)**	**(14)**	**(19)**

Pension expense is recognized in other employee benefits, which are included in administrative and other operating expense.

Table 24.5

Fair value of assets held in funded defined benefit plans

in USD millions, as of December 31	Defined benefit pension plans		Other defined post-employment benefits	
	2009	2008	**2009**	2008
Mortgage loans	396	409	–	–
Cash and cash equivalents	181	130	–	–
Equity securities	3,598	2,847	–	–
Debt securities	7,740	6,816	–	–
Real estate	701	671	–	–
Other assets[1]	6	6	–	–
Total	**12,622**	**10,879**	**–**	**–**

[1] UK annuity policies.

As a matter of policy, pension plan investment guidelines do not permit investment in any assets in which the Group or its subsidiaries have an interest, including shares or other financial instruments issued and real estate held for own use.

Table 24.6

Movement in funded and unfunded defined benefit plan obligation

in USD millions	Defined benefit pension plans		Other defined post-employment benefits	
	2009	2008	**2009**	2008
Benefit obligation as of January 1	(12,890)	(13,860)	(275)	(274)
Current service cost	(298)	(300)	(7)	(5)
Past service cost including plan amendments	(9)	(15)	37	–
Interest cost	(685)	(715)	(16)	(15)
Actuarial gain/(loss) included in other comprehensive income	12	(320)	(7)	3
Employee contributions	(42)	(42)	(4)	(4)
Effect of curtailments or settlements	15	2	–	–
Benefits paid	526	512	17	16
Effects of business combinations and other transfers	(53)	(47)	(12)	(11)
Foreign currency translation effects	(771)	1,894	(7)	13
Benefit obligation as of December 31	**(14,196)**	**(12,890)**	**(275)**	**(275)**

Table 24.7

Movement in fair value of plan assets – funded plans

in USD millions	Defined benefit pension plans		Other defined post-employment benefits	
	2009	2008	**2009**	2008
Fair value of plan assets as of January 1	10,879	13,286	–	5
Expected return on plan assets	619	727	–	–
Actuarial gain/(loss) included in other comprehensive income	318	(1,485)	–	–
Employer contributions	528	533	13	7
Employee contributions	42	42	4	4
Benefits paid	(526)	(512)	(17)	(16)
Effect of curtailments or settlements	(13)	–	–	–
Effects of business combinations and other transfers	61	52	–	–
Foreign currency translation effects	713	(1,763)	–	–
Fair value of plan assets as of December 31	**12,622**	**10,879**	**–**	**–**

The actual returns on defined benefit pension plan assets for the years ended December 31, 2009 and 2008 were gains of USD 937 million and losses of USD 758 million, respectively.

The summary of the balance sheet changes in relation to defined benefit plans and other defined post-employment benefits is given below.

Table 24.8

Movement in liability for funded and unfunded plans

in USD millions	Defined benefit pension plans		Other defined post-employment benefits	
	2009	2008	**2009**	2008
Liability as of January 1	(2,017)	(637)	(277)	(271)
Current year expense	(369)	(300)	(14)	(19)
Contributions paid	528	533	13	7
Change in liability due to asset ceiling	(7)	51	–	–
Actuarial gain/(loss) passed through other comprehensive income	329	(1,805)	(7)	3
Effects of business combinations and other transfers	(1)	(6)	2	(9)
Foreign currency translation effects	(51)	148	(21)	11
Liability as of December 31	**(1,588)**	**(2,017)**	**(303)**	**(277)**

The movements in actuarial gains and losses due to differences between actual and expected experience on the Group's plan assets and defined benefit obligations, together with the impact of changes in actuarial assumptions to reflect economic conditions at the year end are summarized below:

Table 24.9

Actuarial gain/(loss)

in USD millions	**2009**	2008	2007	2006
Actuarial gain/(loss) as of January 1	(2,907)	(1,308)	(1,870)	(2,420)
Experience adjustments on plan liabilities	(37)	(147)	(118)	(375)
Experience adjustments on plan assets	318	(1,485)	188	447
Changes due to discount rate assumptions	(103)	223	975	–
Changes due to other actuarial assumptions	144	(392)	(345)	528
Asset ceiling recognition	(7)	51	(64)	–
Foreign currency translation effects	(80)	152	(75)	(50)
Total actuarial gain/(loss) as of December 31	**(2,672)**	**(2,907)**	**(1,308)**	**(1,870)**
Total actuarial gain/(loss) net of policyholder participation and taxes as of December 31	**(1,762)**	**(1,934)**	**(818)**	**(1,286)**

The principal financial assumptions used to calculate the Group's major defined benefit pension and defined post-employment benefit obligations and the Group's pension expenses are as follows:

Table 24.10

Assumptions used in determining the actuarial liabilities for major defined benefit pension plans

as of December 31	2009				2008			
	Switzer-land	United Kingdom	United States	Germany	Switzer-land	United Kingdom	United States	Germany
Discount rate	3.1%	5.9%	5.8%	5.4%	2.9%	5.9%	6.1%	5.7%
Inflation rate	1.5%	3.1%	2.4%	1.7%	1.6%	3.0%	2.1%	1.8%
Expected long-term rate of return on assets	4.1%	6.6%	7.0%	5.1%	4.1%	5.9%	6.8%	5.0%
Expected future salary increases	2.1%	4.3%	3.9%	2.7%	2.2%	4.3%	4.4%	3.1%
Expected future pension increases	1.0%	3.1%	0.3%	1.7%	1.1%	3.2%	0.3%	1.8%
Current average life expectancy for a 65 year old male	19.8	22.3	19.4	18.1	19.8	22.2	19.3	18.0

The expected long-term rate of return on assets is derived separately for each of the Group's funded benefit plans. Each major asset class is assigned an expected long-term rate of return, net of investment expenses, appropriate for the environment in which that plan is invested. The overall expected long-term rate of return on assets for a plan is calculated as the weighted average of the expected return for each asset class, weighted by the plan's target allocation to each asset class.

The mortality assumptions in each country have been based on mortality tables in accordance with the general use in that market. Where appropriate these tables make allowance for projected future improvements in life expectancy.

Table 24.11

Assumptions used in determining the actuarial liabilities for other defined post-employment benefit plans

as of December 31	2009	2008
	U.S.	U.S.
Discount rate	5.5%	6.0%
Expected increase in long-term health cost – initial rate	8.4%	8.4%
Expected increase in long-term health cost – ultimate rate	4.8%	4.9%

The actuarial assumptions of healthcare cost trend rates have an impact on the amounts recognized. A one percentage point change in the health care cost trend rates would have the effects on amounts recognized in 2009 as set out in table 24.12.

Table 24.12

Effect of a change in health care cost trends on other defined post-employment benefits

	1% increase	1% decrease
Effect on total service cost and interest cost	–[1]	–[1]
Effect on benefit obligation	3	(3)

[1] Below USD 1 million.

b) Defined contribution pension plans

Certain of the Group's companies sponsor defined contribution pension plans. Eligibility for participation in such plans is either based on completion of a specified period of continuous service or the date of commencement of employment. The plans provide for voluntary contributions by employees and contributions by the employer which typically range from 2 percent to 10 percent of annual pensionable salary, depending on a number of factors. The Group's contributions under these plans amounted to USD 47 million and USD 52 million in 2009 and 2008, respectively.

25. Share-based compensation and cash incentive plans

The Group has adopted various share-based compensation and cash incentive plans to attract, retain and motivate executives and employees. The plans are designed to reward employees for their contribution to the performance of the Group and to encourage employee share ownership. Share-based compensation plans include plans under which shares and options to purchase shares, based on the performance of the businesses, are awarded. Share-based compensation plans are based on the provision of the Group's shares.

a) Cash incentive plans

Various businesses throughout the Group operate short-term incentive programs for executives, management and, in some cases, for employees of that business unit. Awards are made in cash, based on the accomplishment of both organizational and individual performance objectives. The expenses recognized for these cash incentive plans amounted to USD 354 million and USD 285 million for the years ended December 31, 2009 and 2008, respectively.

b) Share-based compensation plans for employees and executives

The Group encourages employees to own shares of Zurich Financial Services Ltd and has set up a framework based on the implementation of either share options and/or performance share programs. Actual plans are tailored to meet local market requirements.

Table 25.1

Expenses recognized in income

in USD millions, as of December 31	2009	2008
Total option-based expenses	42	35
Total share-based expenses	119	139
Total expenses	**161**	**174**

The explanations below provide a more detailed overview of the main plans of the Group.

Employee share plans

Share Incentive Plan for employees in the UK

The Group established an Inland Revenue approved Share Incentive Plan and launched the partnership shares element of this plan in 2003, which enabled participating employees to make monthly purchases of Zurich Financial Services Ltd shares at the prevailing market price out of their gross earnings. There were 374 and 420 participants in the plan as of December 31, 2009 and 2008, respectively. The Group also operates the profit-sharing element of the Share Incentive Plan (reward shares) which was launched in 2004 with annual share allocations being made in May each year subject to business performance. The awards are based on the participating employee's business unit's Business Operating Profit (BOP) after tax for the year, subject to a maximum individual award of 5 percent of participant's base salary (before any flexible benefit adjustments) or GBP 3,000. The total number of participating employees in the reward share element of the plans as of December 31, 2009 and 2008 was 5,569 and 6,269 respectively.

Share Incentive Plans for employees in Switzerland

Under this plan, employees have the option to acquire sales-restricted shares at a 30 percent discount to the market value. The maximum permitted investment in shares is CHF 3,500 per employee. During 2009, 6,053 employees participated in the Employee Incentive Plan compared with 6,282 in 2008. For the year ended December 31, 2009, 1,579 employees received shares under the 2008 employee performance share plan. For the year ended December 31, 2008, 1,909 employees received shares under the 2007 employee performance share plan.

Share-based compensation plans for executives
The Group operates long-term incentive plans for selected executives. These plans comprise the allocation of a target number of share grants and/or share option grants with the vesting of these share and option grants being subject to the achievement of specific financial performance goals, such as net income after tax and BOP. The Group can also make restricted share grants to selected employees, which provide share awards if the individual remains employed with the Group on selected dates in the future.

Senior Executive long-term incentive plans
Each year, Senior Executives are granted performance shares and performance options, which vest on an annual basis over the subsequent three year period. The actual level of vesting, which can be between 0 percent and 175 percent, with an additional discretion to increase vesting to a maximum of 200 percent, of the original number of shares and/or options granted, depends on the performance of the Group during the previous calendar year. For 2009 and future grants we are looking back to a three year performance period. The current performance metrics are the Group's return on equity (ROE) and the position of its total annual relative shareholder return measured against an international peer group of insurance companies. One half of the shares that actually vest are sales-restricted for a further period of three years. The options have a seven year term from the date of grant. Grants under the plan are made annually each April. The actual number of performance shares and performance options granted is determined such that the economic value is a defined percentage of annual salary in the year of allocation. There were a total of 175 and 170 participants in this plan as of December 31, 2009 and 2008, respectively.

Executive long-term performance share plans
Each year, selected executives are granted performance shares which vest on an annual basis over the subsequent three year period. The actual level of vesting, which can be between 0 percent and 175 percent, with an additional discretion to increase vesting to a maximum of 200 percent, of the original number of shares granted, depends on the performance of the Group during the previous calendar year. For 2009 and future grants we are looking back to a three year performance period. The current performance metrics are the Group's ROE and the position of its total annual relative shareholder return measured against an international peer group of insurance companies. Grants under the plan are made annually each April. The actual number of performance shares granted is determined such that the economic value is a defined percentage of the annual salary in the year of allocation. Actual awards under these plans are made fully in shares of Zurich Financial Services Ltd. One half of the shares that actually vest are sales-restricted for a further period of three years. There were a total of 900 and 833 participants in this plan as of December 31, 2009 and 2008, respectively.

c) Further information on performance share and option plans

Table 25.2

Movements in options granted under the various equity participation plans

	Number of shares under option		Weighted average exercise price (in CHF)	
	2009	2008	**2009**	2008
As of January 1	2,760,367	2,387,815	284	273
Options granted	1,175,774	855,214	276	314
Options forfeited	(31,161)	(61,701)	303	321
Options exercised	(147,369)	(288,287)	147	182
Options expired during period	(703,854)	(132,674)	327	461
As of December 31	**3,053,757**	**2,760,367**	**278**	**284**
Exercisable options as of December 31	2,132,033	1,912,112	278	284

Certain plan participants elected in 2002 to take their option award in the form of Share Appreciation Rights (SAR). The plan expired on April 30, 2009.

The average share price for Zurich Financial Services Ltd shares in 2009 and 2008 was CHF 209.33 and CHF 280.49 respectively.

Table 25.3

Share options exercised during the period

	Amount	Average share price in CHF
Exercise date		
January to April, 2009	2,211	190
May to August, 2009	68,336	218
September to December, 2009	76,822	241
Total	**147,369**	**230**

Table 25.4

Range of exercise prices of options outstanding

in CHF, as of December 31, 2009

	Number of options	Weighted average contractual life in years	Weighted average remaining expected life in years
Exercise price			
100 to 200	527,527	7.0	6.1
201 to 300	785,161	7.0	2.0
301 to 400	1,741,069	7.1	4.3
Total	**3,053,757**	**7.0**	**4.0**

Options and shares granted during the period

Table 25.5

for the years ended December 31	Number		Weighted average fair value at grant date (in CHF)	
	2009	2008	**2009**	2008
Shares granted during the period	543,698	271,374	198	337
Options granted during the period[1]	1,175,774	855,214	62	67

[1] Number of options granted is shown as the number of shares under option granted during the period.

The shares and options granted during the year are the target allocations made under the performance option and performance share plans together with any restricted share awards granted during the year. Whether these grants become vested or not will depend on whether the performance achievements are met. In case the performance achievements deviate from the initial assumptions, the expense is being adjusted.

The fair value of options granted is estimated using the Black-Scholes option pricing model, with the assumptions shown in table 25.6.

Black-Scholes assumptions for fair value of options

Table 25.6

	2009	2008
Share price, in CHF[1]	198	337
Exercise price, in CHF	198	337
Assumed volatility	42.95%	29.50%
Risk-free interest rate	2.21%	3.21%
Expected dividend rate	4.07%	4.50%
Contracted option life	7 years	7 years

[1] Share price as at date of grant.

The risk-free interest rate was determined by using the seven year CHF swap rate applicable in 2009 and 2008. The implied volatility was determined based on the average of a number of several independent quotes.

26. Contingent liabilities, contractual commitments and financial guarantees

The Group has provided contractual commitments and financial guarantees to external parties, associates and joint ventures as well as partnerships. These arrangements include commitments under certain conditions to make liquidity advances to cover delinquent principal and interest payments, make capital contributions or provide equity financing.

Quantifiable commitments and contingencies

Table 26.1

in USD millions, as of December 31	2009	2008
Commitments under investment agreements	4,165	4,205
Less funded commitments	(3,386)	(3,423)
Remaining commitments under investment agreements	779	782
Guarantees and letters of credit[1]	9,911	915
Future rent commitments	1,154	1,261
Undrawn loan commitments (capital markets and banking activities)	405	646
Other commitments and contingent liabilities	84	47

[1] Guarantee features embedded in life insurance products are not included. For such guarantee features refer to note 8 on insurance reserves.

Commitments under investment agreements

The Group has committed to contribute capital to subsidiaries and third parties that engage in making investments in direct private equity and private equity funds. Commitments may be called by the counterparty over the term of the investment (generally three to five years) and must be funded by the Group on a timely basis.

Guarantees and letters of credit

USD 9,044 million of the USD 9,911 million for financial guarantees and letter of credit in 2009 relate to guarantees in the aggregate amount of GBP 5,595,189,729 provided to the directors of a fully owned subsidiary in connection with the rationalization of the Group's top legal holding structure which resulted in the merger of Zurich Group Holding into Zurich Financial Services Ltd in December 2009.

The Group knows of no event of default that would require it to satisfy financial guarantees. Irrevocable letters of credit have been issued to secure certain reinsurance contracts.

Commitments under lease agreements

The Group has entered into various operating leases as lessee for office space and certain computer and other equipment. Lease expenses totaled USD 200 million and USD 198 million for the years ended December 31, 2009 and 2008, respectively.

Future payments under non-cancellable operating leases with terms in excess of one year

Table 26.2

in USD millions, as of December 31	2009	2008
< 1 year	227	229
1 to 2 years	201	208
2 to 3 years	156	177
3 to 4 years	127	134
4 to 5 years	133	112
> 5 years	309	401
Total	**1,154**	**1,261**

Indemnity agreements

The Group, through certain of its subsidiaries, has agreed to arrangements that cap Converium's (now Scor Holding (Switzerland) AG) and its successor companies' net exposure for losses arising out of the September 11, 2001 event at USD 289 million. As of December 31, 2009, and 2008 respectively, the Group has recorded in this respect provisions of USD 44 million and USD 54 million.

Pledged assets

The majority of assets pledged to secure the Group's liabilities relates to debt securities pledged under short-term sale and repurchase agreements. The total amount of pledged financial assets including the securities under short-term sale and repurchase agreements amounted to USD 9,288 million and USD 6,564 million as of December 31, 2009 and 2008, respectively.

Terms and conditions associated with the financial assets pledged to secure the Group's liabilities are usual and standard in the markets in which the underlying agreements were executed.

Other contingent liabilities

The Group has received notices from various tax authorities asserting deficiencies in taxes for various years. The Group is of the view that the ultimate outcome of these reviews would not materially affect the Group's consolidated financial position.

The Group has commitments to provide collateral on certain contracts in the event of Zurich Insurance Company Ltd's financial strength downgrading from currently AA- by Standard & Poor's. Should the rating fall to A+ by Standard & Poor's, the additional collateral based on information available on December 31, 2009 is estimated to amount to approximately USD 182 million.

In common with other groups writing life assurance business in the UK, the Group remains exposed to a number of Conduct of Business issues. While provisions are maintained which reflect management's best evolving estimate of the probable costs and expenses of resolving these matters, significant uncertainty regarding the ultimate cost remains. The main area of uncertainty concerns sales advice related complaints. The key assumptions used to derive the complaint provision are the volume of complaints, both those already recorded and an assumption as to the level of future complaints, the percentage of complaints which will be successful (the uphold rate), the average redress payable per complaint and the expenses of reviewing each case or complaint. The assumptions used to set the provision have been based on actual recent experience.

In 2003, the Group completed the divestment of various asset management operations. As part of these agreements, the Group has guaranteed certain minimum levels of "assets under management" to the acquirers. The guarantees provide that if the "assets under management" fall below those defined levels under certain conditions, the Group may be required to compensate for these shortfalls.

Litigation and regulatory investigations

The Group and its subsidiaries are continuously involved in legal proceedings, claims and litigation arising, for the most part, in the ordinary course of their business operations.

In 2006, the Group settled with various U.S. state attorneys general and state insurance regulators in connection with investigations in the U.S. concerning certain business practices involving insurance brokers and insurance companies. In July 2006, the Group also entered into a settlement agreement to resolve consolidated class-action litigation concerning those matters. Final judgment has been entered approving the settlement, and the appellate court has upheld the settlement approval. A number of individual claims not covered by the class action settlement remain pending against the Group.

Zurich Financial Services (now Zurich Financial Services Ltd) was a defendant in putative class-action securities lawsuits relating to its divestiture of its interest in Converium (now Scor Holding (Switzerland) AG). On July 25, 2008, Zurich Financial Services Ltd and the class-action plaintiffs entered into an amended stipulation of settlement that called for a payment of USD 28 million to settle the case in two parts on behalf of all persons and entities who purchased Converium securities between January 7, 2002 and September 2, 2004: one settlement in the U.S. court, covering all U.S. persons and entities, and all other persons who purchased Converium securities on U.S. markets, and another settlement in the Amsterdam Court of Appeal, in the Netherlands, covering all non-U.S. persons and entities who purchased Converium securities on non-U.S. markets. The U.S. and Dutch settlements are both subject to court approval and are independent of each other. The U.S. court approved the U.S. settlement on December 12, 2008, but a notice of appeal was filed. The appeal, however, was dismissed by stipulation of the parties on June 25, 2009 and the U.S. settlement is now considered final. The proposed Dutch settlement has not yet been presented to the Dutch court.

The Group believes that it is not a party to, nor are any of its subsidiaries the subject of, any unresolved current legal proceedings, claims, litigation and investigations that would have a material adverse effect on the Group's consolidated financial condition. However, it is possible that the outcome of any proceedings could have a material impact on results of operations in the particular reporting period in which it is resolved.

27. Fair value of financial assets and financial liabilities

The following tables compare the fair value of financial assets and financial liabilities with their carrying value.

Fair value (FV) and carrying value of Group investments and other Non-unit linked financial instruments

Table 27.1a

in USD millions, as of December 31	Fair value		Carrying value	
	2009	2008	**2009**	2008
Cash and cash equivalents	11,631	12,428	11,631	12,428
Available-for-sale securities				
Debt securities	124,358	105,752	124,358	105,752
Equity securities	7,432	9,307	7,432	9,307
Total available-for-sale securities	131,790	115,059	131,790	115,059
Securities at FV through profit or loss				
Trading				
Debt securities	82	186	82	186
Equity securities	879	1,419	879	1,419
Designated at FV				
Debt securities	6,761	7,105	6,761	7,105
Equity securities	4,138	3,577	4,138	3,577
Total securities at FV through profit or loss	11,860	12,287	11,860	12,287
Derivative assets	1,240	1,629	1,240	1,629
Held-to-maturity debt securities	5,408	5,482	5,143	5,244
Loans and receivables				
Mortgage loans	12,791	13,090	12,736	12,820
Other loans	15,617	14,477	15,077	13,988
Deposits made under assumed reinsurance contracts	3,854	2,391	3,861	2,397
Mortgage loans given as collateral	1,130	1,313	1,102	1,233
Receivables	12,477	12,506	12,543	12,608
Other financial assets	8	14	8	14
Total loans and receivables	45,878	43,790	45,328	43,060
Total	**207,807**	**190,674**	**206,992**	**189,706**
Financial liabilities at FV through profit or loss				
Trading				
Obligation to repurchase securities	(3,976)	(3,608)	(3,976)	(3,608)
Derivative liabilities	(660)	(1,388)	(660)	(1,388)
Financial liabilities held at amortized cost				
Liabilities related to investment contracts	(254)	(122)	(254)	(122)
Liabilities related to investment contracts with DPF	(5,306)	(5,314)	(5,728)	(5,461)
Debt	(12,294)	(11,011)	(12,283)	(10,981)
Deposits received under ceded reinsurance contracts	(1,446)	(1,537)	(1,558)	(1,619)
Collateralized loans	(1,131)	(1,313)	(1,102)	(1,233)
Other financial liabilities	(4,009)	(2,844)	(4,014)	(2,850)
Total	**(29,076)**	**(27,137)**	**(29,575)**	**(27,261)**

Fair value (FV) and carrying value of unit-linked financial instruments

Table 27.1b

in USD millions, as of December 31	Fair value		Carrying value	
	2009	2008	**2009**	2008
Cash and cash equivalents	5,840	4,460	5,840	4,460
Investments at FV through profit or loss				
Designated at FV				
Debt securities	10,194	9,510	10,194	9,510
Equity securities	78,311	60,154	78,311	60,154
Other loans	924	2	924	2
Total investments at FV through profit or loss	89,429	69,666	89,429	69,666
Derivative assets	98	95	98	95
Total	**95,368**	**74,222**	**95,368**	**74,222**
Financial liabilities at FV through profit or loss				
Designated at FV				
Liabilities related to unit-linked investment contracts	(40,143)	(30,397)	(40,143)	(30,397)

The methods and assumptions used by the Group in determining fair values of financial assets and liabilities are set out in note 4. Depending on the valuation techniques used and whether the underlying assumptions are based on observable market data, financial instruments carried at fair value are classified under the following three levels (the "Fair Value Hierarchy").

Level 1 – this category includes financial assets for which fair values are determined based on quoted prices (unadjusted) in active markets for identical instruments. A market is considered active only if transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Group has classified under Level 1 the majority of common stocks, government bonds and certain corporate bonds and investments in unit trusts that are traded in very liquid markets.

Level 2 – this category includes financial assets and liabilities for which fair values are determined using valuation techniques with all significant inputs based on observable market data. Depending on the nature of the instruments and the market in which they are traded, examples of observable market data may include quoted prices, broker quotes, interest rates, yield curves etc. The Group has classified under Level 2 the majority of corporate bonds, investments in unit trusts, agency-backed and senior tranches of asset-backed securities, and derivatives traded over-the-counter. While markets for these instruments do not meet the strict requirements to be classified as active, they offer sufficient transaction volumes and, therefore, observable market data to enable the Group to determine their fair value. The Group has also classified under Level 2 liabilities related to unit-linked investment contracts and obligations to repurchase securities.

Level 3 – this category includes financial assets and liabilities for which fair values are determined using valuation techniques with at least one significant input not being based on observable market data. In circumstances when there is little, if any, market activity for a certain instrument, a valuator is required to develop internal valuation inputs based on the best information available about the assumptions that market participants would use when pricing the asset or liability. This would normally apply in the case of investments in hedge funds, private equity funds, asset-backed securities for which currently very limited market activity is observed, and long-dated derivatives. The effect of changes in the internal valuation inputs to reasonably possible alternative values is disclosed under "Sensitivity of fair values reported for Level 3 instruments to changes in key assumptions".

Group investments and other non-unit linked financial instruments carried at fair value

Fair value hierarchy

Table 27.2

in USD millions, as of December 31, 2009	Level 1	Level 2	Level 3	Total
Available-for-sale securities				
Debt securities	45,300	76,081	2,977	124,358
Equity securities	3,939	2,528	965	7,432
Total available-for-sale securities	49,238	78,610	3,942	131,790
Securities at FV through profit or loss				
Trading				
Debt securities	73	8	–	82
Equity securities	–	35	844	879
Designated at FV				
Debt securities	2,511	4,030	220	6,761
Equity securities	901	933	2,305	4,138
Total securities at FV through profit or loss	3,486	5,006	3,369	11,860
Derivative assets	–	1,200	40	1,240
Total	**52,724**	**84,816**	**7,351**	**144,890**
Financial liabilities at FV through profit or loss				
Trading				
Obligation to repurchase securities	–	(3,976)	–	(3,976)
Derivative liabilities	–	(623)	(37)	(660)
Total	**–**	**(4,599)**	**(37)**	**(4,636)**

Roll forward analysis for financial instruments classified under Level 3

Table 27.3

in USD millions	Available-for-sale securities		Securities at FV through profit or loss: Trading	Securities at FV through profit or loss: Designated at FV			
	Debt securities	Equity securities	Equity securities	Debt securities	Equity securities	**Derivative assets**	**Derivative liabilities**
As of January 1, 2009	3,122	1,118	1,314	201	2,350	89	(23)
Realized gains/(losses) recognized in income[1]	(43)	1	(8)	1	42	–	(5)
Unrealized gains/(losses) recognized in income[1]	(303)	(134)	64	13	150	(50)	(15)
Unrealized gains/(losses) recognized in shareholders' equity	511	(183)	–	–	–	–	–
Purchases	137	164	159	2	589	–	–
Sales/Redemptions/Settlements	(786)	(23)	(652)	(10)	(855)	–	5
Net transfers into Level 3	315	2	–	10	–	–	–
Foreign currency translation effects	24	21	(32)	4	28	1	–
As of December 31, 2009	**2,977**	**965**	**844**	**220**	**2,305**	**40**	**(37)**

[1] Presented under "Net capital gains/(losses) and impairments on Group investments" in the Consolidated income statements.

Sensitivity of fair values reported for Level 3 instruments to changes in key assumptions

The Group has classified under Level 3 a total amount of USD 3.2 billion of asset-backed securities (ABSs) held as Group investments. These ABSs include non-agency backed securities for which the limited market activity observed at year end required our pricing providers to make certain internal valuation assumptions. To determine the fair value of these investments, pricing providers use valuation models that are based on an expected present value technique.

The key assumptions driving the valuation of these investments include discount margins and prepayment, recovery and default rates. The effect on reported fair values of using reasonably possible alternative values for each of these assumptions, while the other key assumptions remain unchanged, is disclosed in table 27.4. While the table below illustrates the overall effect of changing the values of the unobservable inputs by a set percentage, the significance of the impact and the range of reasonably possible alternative assumptions, may differ significantly between investments, given their different terms and circumstances.

The sensitivity analysis is intended to reflect the uncertainty inherent in the valuation of these investments, under the current market conditions, and its results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the fair value of the investments. Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Group's view of expected future changes in fair value of these investments. Any management actions that may be taken to mitigate the inherent risks are not reflected in this analysis.

Table 27.4

Sensitivity analysis of Level 3 ABSs to changes in key assumptions

as of December 31, 2009	Less favorable values (relative change)	Decrease of reported fair value USD millions	More favorable values (relative change)	Increase of reported fair value USD millions
Key assumptions				
Discount margins	+20%	(171)	20%	183
Prepayment rates	–20%	(39)	+20%	33
Recovery rates	20%	(37)	+20%	27
Default rates	+20%	(18)	20%	12

The Group has also classified under Level 3 a total amount of USD 3.3 billion of investments in hedge funds and private equity funds that are valued based on regular reports from the issuing funds. Fair values of such investments are reviewed by a team of in-house investment professionals and may be adjusted based on their understanding of the circumstances of individual investments. Investments in hedge funds and private equity funds have not been included in the sensitivity analysis due to the large number of valuation assumptions that while, in total, have a significant effect on the fair value of these investments, when considered individually, the impact of changing them to reasonably possible alternative values would not be significant.

Unit-linked financial instruments

Table 27.5

Fair Value Hierarchy

in USD millions, as of December 31, 2009	Level 1	Level 2	Level 3	Total
Investments at FV through profit or loss				
Designated at FV				
Debt securities	4,189	5,875	130	10,194
Equity securities	47,895	25,837	4,579	78,311
Other loans	–	924	–	924
Total investments at FV through profit or loss	52,084	32,636	4,709	89,429
Derivative assets	–	98	–	98
Total	**52,084**	**32,734**	**4,709**	**89,527**
Financial liabilities at FV through profit or loss				
Designated at FV				
Liabilities related to unit-linked investment contracts	–	(40,143)	–	(40,143)

Roll forward analysis for financial assets classified under Level 3

Table 27.6

in USD millions	Securities at FV through profit or loss	
	Designated at FV	
	Debt securities	Equity securities
As of January 1, 2009	138	4,554
Realized gains/(losses) recognized in income[1]	6	18
Unrealized gains/(losses) recognized in income[1]	1	48
Purchases	12	100
Sales/Redemptions	(32)	(145)
Foreign currency translation effects	4	4
As of December 31, 2009	**130**	**4,579**

[1] Presented under "Net investment result on unit-linked investments" in the Consolidated income statements.

28. Related party transactions

In the normal course of business, the Group enters into various transactions with related companies, including various reinsurance and cost-sharing arrangements. These transactions are not considered material to the Group, either individually or in aggregate. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions.

The table below sets out related party transactions with equity method accounted investments, as well as other related parties, such as our distribution partners of the jointly owned companies in Spain, reflected in the consolidated income statements and consolidated balance sheets.

Related party transactions included in the Consolidated Financial Statements

Table 28.1

in USD millions	2009	2008
Consolidated income statements for the years ended December 31		
Net earned premiums and policy fees	10	10
Net investment income	3	9
Net investment expense	(1)	–
Other income/(expense)	–	11
Losses and loss adjustment expenses	(11)	(8)
Administrative and other operating expenses	(6)	(2)
Consolidated balance sheets as of December 31		
Cash and bank deposits	158	171
Other loans	1,095	1,457
Total unit-linked investments	2,349	818
Receivables	1	7
Policyholders' collateral and other loans	12	15
Reserves for losses and loss adjustment expenses	(12)	(8)

Table 28.2 summarizes related party transactions with key personnel reflected in the Consolidated Financial Statements. Key personnel includes Directors of Zurich Financial Services Ltd and Zurich Insurance Company Ltd and the Members of the Group Executive Committee.

Related party transactions – key personnel

Table 28.2

in USD millions, for the years ended December 31	2009	2008
Remuneration of key personnel of the Group		
Cash compensation, current benefits and fees	29	39
Post-employment benefits	4	4
Share-based compensation	31	34
Total remuneration of key personnel	**64**	77

Outstanding loans and guarantees granted to Members of the Group Executive Committee amounted to USD 1 million for both the years ended December 31, 2009 and 2008. Outstanding loans and guarantees granted to Members of the Board of Directors amounted to USD 2 million for the years ended December 31, 2009 and 2008. The terms "Directors" and "Members of the Group Executive Committee" in this context include the individual as well as members of their respective households. The above figures include the fees paid to members of the Board of Directors of Zurich Financial Services Ltd and Zurich Insurance Company Ltd, which were USD 3 million, for the years ended December 31, 2009 and 2008.

No provision for non-repayment has been required in 2009 and 2008 for the loans or guarantees made to Members of the Group Executive Committee.

Information required by art. 663b^{bis} and art. 663c paragraph 3 of the Swiss Code of Obligation is disclosed in the Financial Statements of the holding company.

The cash compensation, current benefits and fees are short term in nature.

29. Farmers Exchanges

Farmers Group, Inc. (FGI) and its subsidiaries provide certain non-claims related management services to the Farmers Exchanges, which the Group manages but does not own. In addition, the Group has the following relationships with the Farmers Exchanges.

a) Surplus note and certificates of contribution issued by the Farmers Exchanges

As of December 31, 2009 and 2008, FGI and other Group companies held the following surplus note and certificates of contribution issued by the Farmers Exchanges. Originally these were purchased by FGI in order to supplement the policyholders' surplus of the Farmers Exchanges.

Surplus Notes

Table 29

in USD millions, as of December 31	2009	2008
6.15% surplus note, due December 2013	88	88
6.15% certificates of contribution, due December 2013	523	523
6.15% certificates of contribution, due August 2014	296	296
10.30% certificates of contribution, due December 2013	300	300
Various other certificates of contribution	23	23
Total	**1,230**	**1,230**

Conditions governing payment of interest and repayment of principal are outlined in the surplus note and certificates of contribution. Generally, repayment of principal may be made only when the issuer has an appropriate amount of surplus, and then only after approval is granted by the issuer's governing board and the appropriate state insurance regulatory department in the U.S. In addition, payment of interest may generally be made only when the issuer has an appropriate amount of surplus and then only after approval is granted by the appropriate state insurance regulatory department in the U.S.

b) Quota share reinsurance treaties with the Farmers Exchanges

The Farmers Exchanges cede risk through quota share reinsurance treaties to Farmers Reinsurance Company (Farmers Re), a wholly owned subsidiary of FGI, and to Zurich Insurance Company Ltd (ZIC).

Auto Physical Damage Quota Share reinsurance agreement

Effective January 1, 2004, annually, Farmers Re assumes USD 200 million and ZIC assumes USD 800 million of gross written premiums under an Auto Physical Damage (APD) Quota Share reinsurance agreement (APD agreement) with the Farmers Exchanges. In addition, Farmers Re and ZIC assume a quota share percentage of ultimate net losses sustained by the Farmers Exchanges in their APD lines of business. The APD agreement, which can be terminated after 30 days notice by any of the parties, also provides for the Farmers Exchanges to receive a ceding commission of 18.0 percent of premiums, with additional experience commissions that depend on loss experience. This experience commission arrangement limits Farmers Re and ZIC's potential underwriting gain on the assumed business to 2.5 percent of premiums assumed. The APD agreement was initially entered into on April 1, 2001, which replaced a January 1, 1998 reinsurance agreement.

The following are the significant changes to the 2004 APD agreement:

- Effective January 1, 2006, the Farmers Exchanges modified the terms of the APD agreement with Farmers Re and ZIC. The new APD agreement provides for annual ceded premiums of USD 1 billion of gross written premiums with 20.0 percent assumed by Farmers Re and 80.0 percent assumed by ZIC, a 25.8 percent ceding commission for acquisition expenses, and an 8.2 percent ceding commission for unallocated loss adjustment expense. The APD agreement also includes provisions for additional experience commissions that will depend on loss experience and recoveries below a specified ratio for each year. This experience commission arrangement limits Farmers Re and ZIC's potential underwriting gain on the assumed business to 2.0 percent of premiums assumed plus 20.0 percent of the underwriting gain resulting from a combined ratio under 98.0 percent. The APD agreement, which can be cancelled after 90 days notice by any of the parties, was renewed with the same terms on January 1, 2009 and has a termination date of December 31, 2011.

Farmers Exchanges' share of ceded premiums amounted to USD 1 billion for both the years ended December 31, 2009 and 2008. Ceded incurred losses and loss adjustment expenses totaled USD 667 million and USD 678 million for the years ended December 31, 2009 and 2008, respectively. Farmers Exchanges' share of the total experience commission income was USD 299 million and USD 294 million for the years ended December 31, 2009 and 2008, respectively.

All Lines Quota Share reinsurance agreement

Effective December 31, 2002, certain of the Farmers Exchanges began participating in a 10.0 percent All Lines Quota Share reinsurance agreement (All Lines agreement) with Farmers Re and ZIC which has been amended over the years. The All Lines agreement provided for a cession of a quota share of the premiums written and the ultimate net losses sustained in all lines of business written by the Farmers Exchanges after the APD agreement has been applied. Loss recoveries are subjected to a maximum ratio. In addition, under this treaty the Farmers Exchanges' catastrophe losses are subject to a maximum of USD 800 million. The All Lines agreement also provided for the Farmers Exchanges to receive a provisional ceding commission of 22.0 percent of premiums for acquisition expenses which are recognized as ceded premiums are written, and 8.8 percent of premiums for unallocated loss adjustment expenses and 5.3 percent of premiums for other expenses which are both recognized as premiums are earned, with additional experience commissions potentially payable depending on loss experience.

The following are the significant changes to the 2002 All Lines agreement:

- Effective December 31, 2004, the 10.0 percent All Lines agreement was amended and the quota share participation was increased by 2.0 percent to 12.0 percent;

- Effective December 31, 2005, the quota share participation was decreased from 12.0 percent to 6.0 percent;

- Effective December 31, 2007, the quota share participation was further reduced by 1.0 percent to 5.0 percent. In addition, under this treaty the Farmers Property and Casualty (P&C) Companies' catastrophe losses were changed from USD 800 million to a maximum of USD 1 billion;

- Effective September 30, 2008, the quota share was modified and the participation was increased from 5.0 percent to 25.0 percent. In addition to this change, the ceding commission for acquisition expenses was increased from 22.0 percent to 25.0 percent;

- Effective June 30, 2009, the All Lines agreement was cancelled subsequent to which Farmers Re and ZIC entered into a new 37.5 percent All Lines agreement under which each assumes a percentage of all lines of business written by the Farmers P&C Companies, prospectively. Under the All Lines agreement, which amended the 25.0 percent All Lines agreement in effect since September 30, 2008, Farmers Re and ZIC assume a 7.5 percent and 30.0 percent respective quota share of the premiums written and the ultimate net losses sustained in all lines of business written by the Farmers P&C Companies after the APD agreement has been applied. In addition, under the All Lines agreement, the Farmers P&C Companies catastrophe losses are subject to a maximum of USD 1 billion. As a result, Farmers Re and ZIC are subject to a maximum annual catastrophe loss of USD 75 million and USD 300 million, respectively. The All Lines agreement, which can be terminated after 90 days notice by any of the parties, also provides for the Farmers P&C Companies to receive a provisional ceding commission of 25.0 percent of premiums for acquisition expenses, 8.8 percent of premiums for unallocated loss adjustment expense and 5.3 percent of premiums for other expenses. Unearned premiums totaling USD 970 million were transferred from the Farmers P&C Companies to Farmers Re and ZIC as a result of their increased participation in the All Lines agreement through September 30, 2009. In addition, Farmers Re and ZIC remitted USD 242 million of reinsurance commissions to the Farmers P&C Companies for acquisition expenses due to the increased participation in the All Lines agreement.

- Effective December 31, 2009, the All Lines quota share reinsurance agreement was modified and the participation ratio was decreased by 2.5 percent to 35 percent. In addition to this chance, the provisional ceding commission for acquisition expenses was increased from 25.0 percent to 25.7 percent, and the ceding commission for unallocated loss adjustment expense increased from 8.8 percent to 9.0 percent.

Based on the results for 2009 and 2008, Farmers Exchanges' share of recoveries were USD 3,239 million and USD 940 million, respectively. For the years ended December 31, 2009 and 2008, Farmers Exchanges' share of ceded premiums earned were USD 4,722 million and USD 1,379 million, respectively. Farmers Exchanges' share of ceding commissions was USD 1,461 million and USD 403 million for the years ended December 31, 2009 and 2008, respectively.

c) North America Commercial Small Business Solutions (SBS)

On June 13, 2008, the Group completed the sale of the rights to access renewals of its North America Commercial Small Business Solutions (SBS) book of business to Truck Insurance Exchange (TIE), one of the Farmers Exchanges, which the Group manages but does not own. As part of the transaction, the Group has entered into a 100 percent quota share reinsurance agreement for the in-force business as of June 1, 2008. This resulted in the Group paying TIE the balance of unearned premium reserve related to the business ceded to TIE of USD 425 million and TIE compensating the Group for its deferred acquisition cost balance as of the effective date of the transaction by paying a ceding commission of USD 120 million. In addition, the management of the in-force SBS book of business has been transferred together with certain assets and liabilities to FGI. This transaction had no impact on the scope of consolidation.

30. Segment information

The Group pursues a customer-centric strategy and is managed on a matrix basis, reflecting both businesses and geography. The Group's operating segments have been identified on the basis of the businesses operated by the Group and how these are strategically managed to offer different products and services to specific customer groups. Segment information is presented accordingly. The Group's reportable segments are as follows:

General Insurance serves the property-casualty insurance needs of a wide range of customers, from individuals to small and medium-size businesses, commercial enterprises and major multinational corporations.

Global Life pursues a strategy with market-leading propositions in unit-linked and protection products through global distribution and proposition pillars to develop leadership positions in its chosen segments.

Farmers provides through Farmers Group, Inc. and its subsidiaries (FGI) non-claims related management services to the Farmers Exchanges. FGI receives fee income for the provision of services to the Farmers Exchanges, which the Group manages, but does not own, and to their customers. This segment also includes the Farmers Re business, which includes all reinsurance assumed from the Farmers Exchanges by the Group. Farmers Exchanges are prominent writers of personal lines and small commercial lines business in the U.S.

For the purpose of discussing our financial performance we consider General Insurance, Global Life and Farmers to be our core operating segments.

Other Operating Businesses predominantly consist of the Group's Headquarter and Holding & Financing activities. In addition, certain alternative investment positions not allocated to core operating segments are carried in this segment.

Non-Core Businesses include insurance businesses that the Group does not consider core to its operations and that are therefore mostly managed to achieve a beneficial run-off.

In addition, Non-Core Businesses now also include the Group's banking activities that, following a strategic review, are no longer seen to support the core insurance business, but as a useful adjunct to it. As a result management responsibility over banking activities has been transferred as of September 30, 2009 and to reflect this transfer the segment analysis has been aligned by moving them from Other Operating Businesses to Non-Core Businesses.

Throughout 2009, the structured alignment of the Group's segment information compared with 2008 necessitated the following major transfers between the old 2008 and the new 2009 segments:

- Farmers Re from the previously reported Other Businesses to Farmers
- Universal Underwriters Life Insurance Company from the previously reported Other Businesses to Global Life
- Centre from the previously reported Other Businesses to Non-Core Businesses
- Centrally Managed Businesses from the previously reported Other Businesses to Non-Core Businesses

The Group also manages its business on a geographic structure. As a result of the realignment of the previous International Businesses region into a new regional structure, as of January 1, 2009, Southern Africa is part of an expanded Europe & Africa region, Latin America is part of an expanded Americas region and Asia-Pacific & Middle East forms a new stand-alone region. The Group's identified regions are as follows:

Americas

Europe & Africa

Asia-Pacific & Middle East

Central Region

To be consistent with the Group's geographic structure, the following major transfers between regions have been made for 2009 financial reporting:

- Reporting Units in Southern Africa from the previous International Businesses to Europe & Africa
- Reporting Units in Latin America from the previous International Businesses to Americas
- Universal Underwriters Life Insurance Company from Central Region to Americas

The 2008 segmental results have been restated to reflect these changes, with no impact on the Group's financial position or performance.

The segment information includes the Groups' internal performance measure, Business Operating Profit (BOP). This measure is the basis on which business units are managed. It indicates the underlying performance of the business units by eliminating the impact of financial market volatility and other non-operational variables. BOP reflects adjustments for shareholders' taxes, net capital gains on investments and impairments (except for the capital markets and banking operations included in Other Operating Businesses and investments in hedge funds and certain securities held for specific economic hedging purposes), policyholders' share of investment results for the life businesses, non-operational foreign exchange movements, and significant items arising from special circumstances, including restructuring charges and gains and losses on divestments of businesses.

Business operating profit by business segment

Table 30.1

in USD millions, for the years ended December 31	General Insurance		Global Life	
	2009	2008	**2009**	2008
Revenues				
Direct written premiums and policy fees[1]	32,516	35,357	12,343	10,694
Assumed written premiums	1,641	1,794	97	100
Gross written premiums and policy fees	34,157	37,151	12,440	10,794
Less premiums ceded to reinsurers	(5,222)	(5,646)	(769)	(741)
Net written premiums and policy fees	28,935	31,505	11,672	10,053
Net change in reserves for unearned premiums	136	(583)	6	–
Net earned premiums and policy fees	29,071	30,922	11,677	10,053
Farmers management fees and other related revenues	–	–	–	–
Net investment result on Group investments	3,181	3,623	4,032	3,688
Net investment income on Group investments	3,070	3,711	4,081	4,518
Net capital gains/(losses) and impairments on Group investments	110	(88)	(49)	(829)
Net investment result on unit-linked investments	–	–	11,697	(19,039)
Other income	852	736	854	1,195
Total BOP revenues	33,103	35,281	28,261	(4,102)
of which: inter-segment revenues	*(385)*	*(520)*	*(294)*	*(202)*
Benefits, losses and expenses				
Insurance benefits and losses, net	20,622	22,441	10,594	9,229
Losses and loss adjustment expenses, net	20,590	22,388	53	29
Life insurance death and other benefits, net	40	53	10,577	9,888
(Decrease)/increase in future life policyholders' benefits, net[1]	(8)	–	(36)	(688)
Policyholder dividends and participation in profits, net	15	16	12,018	(18,942)
Income tax expense/(benefit) attributable to policyholders	–	–	387	(1,184)
Underwriting and policy acquisition costs, net	5,375	5,679	1,116	1,887
Administrative and other operating expense (excl. depreciation/amortization)	3,303	3,190	1,857	2,138
Interest credited to policyholders and other interest	32	195	444	521
Restructuring provisions and other items not included in BOP	(170)	(246)	(119)	423
Total BOP benefits, losses and expenses (before interest, depreciation and amortization)	29,177	31,277	26,296	(5,929)
Business operating profit (before interest, depreciation and amortization)	**3,927**	**4,004**	**1,965**	**1,826**
Depreciation and impairments of property and equipment	80	77	34	42
Amortization and impairments of intangible assets	177	133	346	224
Interest expense on debt	209	235	93	45
Business operating profit before non-controlling interests	3,460	3,559	1,492	1,516
Non-controlling interests	(3)	24	15	26
Business operating profit	**3,463**	**3,535**	**1,477**	**1,490**
Supplementary information				
Additions and capital improvements to property, equipment and intangible assets	474	1,614	407	3,127

[1] The Global Life segment includes approximately USD 2,698 million and USD 1,250 million of gross written premiums and future life policyholders' benefits for certain universal life-type contracts in our Spanish operations for the years ended December 31, 2009 and 2008, respectively (see note 3).

Farmers		Other Operating Businesses		Non-Core Businesses		Eliminations		Total	
2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
–	–	–	(6)	566	469	(11)	19	45,414	46,532
6,615	3,381	142	182	134	184	(226)	(279)	8,403	5,362
6,615	3,381	142	176	700	652	(237)	(260)	53,817	51,894
–	–	(52)	(61)	(39)	(39)	237	260	(5,844)	(6,226)
6,615	3,381	90	115	661	613	–	–	47,973	45,667
(893)	(1,002)	–	–	5	25	–	–	(746)	(1,560)
5,722	2,378	90	116	666	638	–	–	47,227	44,107
2,690	2,458	–	–	–	–	–	–	2,690	2,458
174	160	461	603	333	468	(880)	(998)	7,301	7,544
174	160	461	528	598	779	(880)	(998)	7,505	8,698
–	–	–	75	(265)	(311)	–	–	(204)	(1,154)
–	–	–	–	778	(2,692)	–	–	12,475	(21,731)
85	21	1,101	1,044	186	17	(1,277)	(1,320)	1,802	1,693
8,672	5,018	1,653	1,763	1,963	(1,569)	(2,157)	(2,318)	71,496	34,071
(90)	*(97)*	*(1,312)*	*(1,386)*	*(77)*	*(114)*	*2,157*	*2,318*	–	–
3,904	1,622	86	175	1,055	1,344	–	–	36,261	34,811
3,904	1,622	5	1	49	106	38	–	24,639	24,145
–	–	82	101	656	495	1	–	11,356	10,538
–	–	–	73	350	743	(39)	1	266	128
–	–	–	–	826	(2,588)	–	–	12,859	(21,514)
–	–	–	–	–	–	–	–	387	(1,184)
1,760	696	12	14	9	14	(18)	(3)	8,254	8,287
1,311	1,210	962	1,067	138	(249)	(1,215)	(1,282)	6,356	6,074
–	–	1	9	59	71	(4)	(24)	533	773
(34)	2	81	99	6	58	–	–	(236)	336
6,941	3,531	1,143	1,364	2,093	(1,351)	(1,237)	(1,309)	64,413	27,583
1,731	**1,487**	**510**	**399**	**(129)**	**(219)**	**(921)**	**(1,009)**	**7,083**	**6,488**
86	63	35	33	11	4	–	–	245	218
82	59	38	18	3	3	–	–	647	437
8	9	1,049	1,122	147	198	(921)	(1,009)	586	599
1,554	1,356	(611)	(774)	(290)	(423)	–	–	5,605	5,234
–	–	–	(2)	1	–	–	–	12	48
1,554	**1,356**	**(611)**	**(772)**	**(290)**	**(423)**	**–**	**–**	**5,593**	**5,186**
917	171	81	151	(1)	13	–	–	1,877	5,076

Reconciliation of BOP to net income after income taxes

Table 30.2

in USD millions, for the years ended December 31	General Insurance		Global Life	
	2009	2008	2009	2008
Business operating profit	**3,463**	**3,535**	**1,477**	**1,490**
Revenues/(expenses) not included in BOP:				
Net capital gains/(losses) on investments and impairments, net of policyholder allocation	(674)	(1,172)	(441)	(411)
Net gain/(loss) on divestments of businesses	(2)	14	–	4
Restructuring provisions and other	(170)	(246)	(119)	423
Add back:				
Business operating profit attributable to non-controlling interests	(3)	24	15	26
Net income before shareholders' taxes	**2,614**	**2,156**	**931**	**1,531**
Income tax expense attributable to policyholders	–	–	387	(1,184)
Net income before income taxes	**2,614**	**2,156**	**1,318**	**347**
Income tax expense (attributable to policyholders and shareholders)				
Net income after taxes				

	Farmers		Other Operating Businesses		Non-Core Businesses		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	1,554	**1,356**	**(611)**	**(772)**	**(290)**	**(423)**	**5,593**	**5,186**
	(50)	(56)	(62)	(59)	8	(41)	(1,219)	(1,739)
	–	–	–	–	(3)	(1)	(5)	16
	(34)	2	81	99	6	58	(236)	336
	–	–	–	(2)	1	–	12	48
	1,470	**1,302**	**(592)**	**(734)**	**(279)**	**(408)**	**4,145**	**3,847**
	–	–	–	–	–	–	387	(1,184)
	1,470	**1,302**	**(592)**	**(734)**	**(279)**	**(408)**	**4,531**	**2,663**
							(1,295)	452
							3,236	**3,116**

Assets and liabilities by business segment

Table 30.3

in USD millions, as of December 31	General Insurance		Global Life	
	2009	2008	**2009**	2008
Assets				
Total Group Investments	85,413	77,328	101,597	94,626
Cash and cash equivalents	9,940	9,703	4,385	5,130
Equity securities	4,743	5,966	5,342	4,816
Debt securities	63,594	53,578	62,883	56,256
Real estate held for investment	3,004	2,922	4,408	4,228
Mortgage loans	1,483	1,794	9,021	8,953
Other loans	2,623	3,340	15,432	15,131
Equity method accounted investments	25	26	125	113
Investments for unit-linked contracts	–	–	87,430	65,977
Total investments	85,413	77,328	189,026	160,604
Reinsurers' share of reserves for insurance contracts	12,957	12,749	2,160	2,008
Deposits made under assumed reinsurance contracts	66	68	3	–
Deferred policy acquisition costs	3,374	3,247	12,276	10,768
Deferred origination costs	–	–	856	770
Goodwill	1,029	895	442	395
Other intangible assets	1,419	1,303	4,000	3,925
Other assets[1]	15,339	16,119	6,730	6,835
Total assets (after cons. of investments in subsidiaries)	**119,597**	**111,710**	**215,494**	**185,304**
Liabilities				
Liabilities for investment contracts	–	–	46,374	36,230
Reserves for insurance contracts	79,900	77,468	136,256	120,706
Reserves for losses and loss adjustment expenses	63,476	61,396	35	18
Reserves for unearned premiums	15,191	14,874	302	226
Future life policyholders' benefits	98	95	74,760	72,782
Policyholders' contract deposits and other funds	1,135	1,102	14,691	12,611
Reserves for unit-linked contracts	–	–	46,468	35,069
Debt related to capital markets and banking activities	–	–	–	–
Senior debt	3,462	3,031	265	694
Subordinated debt	2,054	2,189	1,019	412
Other liabilities	14,942	14,680	17,615	15,399
Total liabilities	**100,357**	**97,368**	**201,530**	**173,441**
Equity				
Common shareholders' equity				
Preferred securities				
Shareholders' equity				
Non-controlling interests				
Total equity				
Total liabilities and equity				

[1] As of December 31, 2009, for the General Insurance segment, other assets include USD 67 million related to land and buildings held for own use reclassified in March and December 2009 as assets held for sale.

Farmers		Other Operating Businesses		Non-Core Businesses		Eliminations		Total	
2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
4,561	3,607	18,027	15,193	15,826	15,415	(29,167)	(26,600)	196,258	179,570
734	714	6,226	6,682	2,762	2,935	(12,417)	(12,736)	11,631	12,428
85	224	1,538	2,277	742	1,021	–	–	12,450	14,303
1,302	696	2,920	1,478	6,669	6,644	(1,024)	(365)	136,344	118,287
149	156	46	44	181	175	–	–	7,789	7,524
–	–	–	–	2,264	2,104	(33)	(32)	12,736	12,820
2,290	1,817	7,294	4,708	3,129	2,459	(15,693)	(13,468)	15,077	13,988
–	–	3	3	79	78	–	–	232	220
–	–	–	–	11,737	12,226	–	–	99,167	78,203
4,561	3,607	18,027	15,193	27,563	27,641	(29,167)	(26,600)	295,425	257,773
211	209	(95)	–	4,688	5,477	(1,293)	(1,849)	18,627	18,595
3,158	1,685	–	–	664	677	(29)	(32)	3,861	2,397
529	307	–	–	2	2	–	–	16,181	14,323
–	–	–	–	–	–	–	–	856	770
821	382	5	5	–	–	–	–	2,297	1,677
1,397	1,207	219	185	9	13	–	–	7,044	6,633
1,547	1,500	1,737	1,907	1,306	1,704	(2,037)	(2,289)	24,621	25,776
12,224	**8,897**	**19,893**	**17,290**	**34,233**	**35,514**	**(32,527)**	**(30,771)**	**368,914**	**327,944**
–	–	–	–	–	–	(250)	(251)	46,124	35,979
3,946	2,095	365	415	22,221	23,325	(1,276)	(1,831)	241,412	222,179
1,793	835	49	44	3,531	4,147	(799)	(1,223)	68,086	65,218
2,153	1,260	5	5	33	43	(7)	(10)	17,676	16,399
–	–	311	366	3,890	3,573	(470)	(598)	78,589	76,218
–	–	–	–	3,030	3,334	1	–	18,857	17,047
–	–	–	–	11,736	12,228	–	–	58,204	47,297
–	–	553	–	2,584	3,632	(2,298)	(1,106)	839	2,527
–	–	23,224	19,893	1,082	1,054	(21,756)	(21,314)	6,277	3,358
–	180	5,206	5,169	155	73	(3,268)	(2,926)	5,167	5,096
1,801	1,582	1,709	2,707	5,228	3,999	(3,679)	(3,344)	37,616	35,024
5,747	**3,858**	**31,058**	**28,184**	**31,270**	**32,083**	**(32,527)**	**(30,771)**	**337,435**	**304,163**
								29,117	21,542
								561	561
								29,678	22,103
								1,800	1,678
								31,478	23,781
								368,914	**327,944**

General Insurance – Customer segment overview

Table 30.4

in USD millions, for the years ended December 31	Global Corporate		North America Commercial	
	2009	2008	**2009**	2008
Gross written premiums and policy fees	7,602	7,888	9,864	11,215
Net earned premiums and policy fees	4,738	4,834	8,331	9,258
Insurance benefits and losses, net	3,540	4,457	5,711	6,508
Policyholder dividends and participation in profits, net	3	4	8	11
Total net technical expenses	964	975	2,355	2,495
Net underwriting result	231	(602)	257	243
Net investment income	601	689	1,150	1,253
Net capital gains/(losses) and impairments on investments	35	(29)	52	(37)
Net non-technical result (excl. items not included in BOP)	(79)	(10)	(216)	(222)
Business operating profit before non-controlling interests	787	47	1,243	1,237
Non-controlling interests	–	–	–	–
Business operating profit	787	47	1,243	1,238
Ratios, as % of net earned premiums and policy fees				
Loss ratio	74.7%	92.2%	68.5%	70.3%
Expense ratio	20.4%	20.2%	28.4%	27.1%
Combined ratio	95.1%	112.4%	96.9%	97.4%

	Europe General Insurance		International Markets		GI Global Functions including Group Reinsurance		Eliminations		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	14,556	15,946	2,695	2,753	486	502	(1,046)	(1,153)	34,157	37,151
	13,894	14,776	2,057	1,999	51	55	–	–	29,071	30,922
	10,230	10,334	1,265	1,204	(124)	(61)	–	–	20,622	22,441
	4	1	–	–	–	–	–	–	15	16
	3,439	3,652	727	719	18	28	1	1	7,504	7,871
	222	788	64	76	157	88	(1)	(1)	930	594
	1,102	1,504	162	180	62	142	(6)	(57)	3,070	3,711
	23	(21)	–	–	–	–	–	–	110	(88)
	(236)	(389)	(51)	(49)	(75)	(45)	7	58	(651)	(657)
	1,111	1,882	175	207	144	186	–	–	3,460	3,559
	(9)	17	5	7	–	–	–	–	(3)	24
	1,120	1,864	169	201	144	186	–	–	3,463	3,535
	73.6%	69.9%	61.5%	60.2%	nm	nm	n/a	n/a	70.9%	72.6%
	24.8%	24.7%	35.3%	36.0%	nm	nm	n/a	n/a	25.9%	25.5%
	98.4%	94.7%	96.9%	96.2%	nm	nm	n/a	n/a	96.8%	98.1%

General Insurance – Revenues by region

Table 30.5

in USD millions, for the years ended December 31	Gross written premiums and policy fees from external customers 2009	2008
Global Corporate		
North America	2,685	2,966
Europe	4,298	4,546
Rest of Global Corporate	370	129
Subtotal	7,353	7,640
Europe & Africa		
United Kingdom	3,170	3,941
Germany	2,944	3,096
Switzerland	2,259	2,339
Italy	2,213	2,276
Spain	1,338	1,496
Southern Africa	650	654
Rest of Europe & Africa	1,899	2,013
Subtotal	14,473	15,816
Americas		
United States	9,189	10,469
Rest of North America	469	520
Latin America	1,353	1,236
Subtotal	11,012	12,225
Asia-Pacific & Middle East		
Asia-Pacific Mature Markets	1,070	1,141
China & South East Asia	229	311
Subtotal	1,299	1,452
Central Region		
Europe	2	1
Subtotal	2	1
Total	**34,138**	**37,133**

General Insurance – Assets by region

Table 30.6

in USD millions, as of December 31	Property/equipment and intangible assets	
	2009	2008
Europe & Africa		
United Kingdom	222	211
Germany	253	259
Switzerland	127	109
Italy	75	128
Spain	747	764
Southern Africa	22	10
Rest of Europe & Africa	1,437	1,341
Subtotal	2,883	2,822
Americas		
United States	216	244
Rest of North America	6	3
Latin America	164	46
Subtotal	386	293
Asia-Pacific & Middle East		
Asia-Pacific Mature Markets	93	68
China & South East Asia	24	23
Subtotal	117	90
Total	**3,385**	**3,206**

Global Life – Overview

Table 30.7

in USD millions, for the years ended December 31

	Americas		United Kingdom		Germany	
	2009	2008	**2009**	2008	**2009**	2008
Revenues						
Life insurance deposits	619	555	3,612	3,708	2,118	1,872
Gross written premiums and policy fees[1]	1,257	1,087	1,096	1,094	3,431	3,906
Net earned premiums and policy fees	982	841	923	931	3,323	3,797
Net investment income on Group investments	437	433	342	710	1,733	1,899
Net capital gains/(losses) and impairments on Group investments	10	(26)	3	(326)	(125)	(398)
Net investment result on Group investments	446	407	346	384	1,608	1,500
Net investment income on unit-linked investments	(15)	20	1,500	2,360	107	128
Net capital gains/(losses) and impairments on unit-linked investments	161	(312)	5,118	(13,520)	1,582	(3,156)
Net investment result on unit-linked investments	146	(291)	6,618	(11,160)	1,689	(3,028)
Other income	117	124	187	399	181	316
Total BOP revenues	1,691	1,081	8,074	(9,445)	6,801	2,585
Benefits, losses and expenses						
Insurance benefits and losses, net[1]	646	557	365	598	3,604	3,891
Policyholder dividends and participation in profits, net	150	(261)	6,472	(10,721)	1,948	(3,556)
Income tax expense/(benefit) attributable to policyholders	–	–	311	(1,300)	50	180
Underwriting and policy acquisition costs, net	46	123	249	861	317	407
Administrative and other operating expense (excl. depreciation/amortization)	223	193	412	458	335	578
Interest credited to policyholders and other interest	169	171	11	64	160	216
Restructuring provisions and other items not included in BOP	1	1	(56)	43	–	450
Total BOP benefits, losses and expenses	1,233	784	7,764	(9,998)	6,414	2,166
Business operating profit (before interest, depreciation and amortization)	**458**	**297**	**311**	**553**	**387**	**419**
Depreciation and impairments of property and equipment	2	2	10	12	12	14
Amortization and impairments of intangible assets	(8)	1	30	109	41	57
Interest expense on debt	3	2	11	3	–	–
Business operating profit before non-controlling interests	462	292	261	429	334	348
Non-controlling interests	5	2	–	–	10	16
Business operating profit	**458**	**290**	**261**	**429**	**324**	**332**
Supplementary information						
Gross written premiums and policy fees from external customers	1,257	1,087	1,089	1,089	3,379	3,846
Property, equipment and intangible assets	297	244	446	403	1,020	996

[1] The Global Life segment includes approximately USD 2,698 million and USD 1,250 million of gross written premiums and future life policyholders' benefits for certain universal life-type contracts in our Spanish operations for the years ended December 31, 2009 and 2008, respectively (see note 3).

	Switzerland		Ireland		Spain		Emerging Markets in Asia		Rest of the World		Eliminations		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	81	89	1,912	1,586	2,266	808	1,215	1,673	1,765	789	–	–	13,589	11,079
	1,607	1,753	385	353	3,523	1,635	255	198	924	781	(36)	(14)	12,440	10,794
	1,600	1,746	287	263	3,495	1,618	215	160	852	696	–	–	11,677	10,053
	606	627	87	98	476	280	34	54	366	416	–	–	4,081	4,518
	43	(113)	(39)	(5)	8	–	45	74	4	(35)	–	–	(49)	(829)
	649	514	49	93	484	280	79	128	370	381	–	–	4,032	3,688
	2	6	171	212	75	29	8	12	71	257	–	–	1,920	3,026
	52	(127)	967	(2,378)	249	(243)	1,034	(1,016)	615	(1,313)	–	–	9,777	(22,065)
	54	(121)	1,138	(2,165)	324	(214)	1,042	(1,003)	686	(1,056)	–	–	11,697	(19,039)
	45	120	2	2	44	19	79	49	201	170	(3)	(3)	854	1,195
	2,348	2,259	1,476	(1,807)	4,347	1,703	1,416	(666)	2,110	191	(3)	(3)	28,261	(4,102)
	1,539	1,671	61	96	3,613	1,727	109	86	657	602	–	–	10,594	9,229
	198	(38)	1,128	(2,124)	340	(213)	1,011	(1,045)	771	(983)	–	–	12,018	(18,942)
	–	–	20	(5)	–	–	–	–	6	(59)	–	–	387	(1,184)
	152	157	100	84	53	17	76	94	123	144	–	–	1,116	1,887
	222	298	86	63	99	63	109	138	376	350	(3)	(3)	1,857	2,138
	16	22	43	–	2	8	28	28	17	13	–	–	444	521
	(21)	(53)	–	–	(45)	(16)	10	4	(9)	(7)	–	–	(119)	423
	2,105	2,057	1,438	(1,886)	4,062	1,587	1,343	(695)	1,941	60	(3)	(3)	26,296	(5,929)
	243	**202**	**39**	**79**	**286**	**116**	**72**	**29**	**169**	**131**	**–**	**–**	**1,965**	**1,826**
	4	7	1	1	–	–	4	4	1	1	–	–	34	42
	–	–	1	1	203	43	4	2	75	11	–	–	346	224
	2	6	–	–	69	25	–	1	9	8	–	–	93	45
	237	190	37	77	13	48	64	21	84	111	–	–	1,492	1,516
	–	–	–	–	1	9	–	–	–	–	–	–	15	26
	237	**190**	**37**	**77**	**13**	**39**	**64**	**21**	**84**	**111**	**–**	**–**	**1,477**	**1,490**
	1,606	1,753	385	353	3,523	1,635	221	189	909	779	–	–	12,369	10,731
	198	159	5	6	2,859	2,742	11	14	163	270	–	–	4,998	4,835

Farmers – Overview

Table 30.8

in USD millions, for the years ended December 31	Total 2009	2008
Farmers Management Services		
Management fees and other related revenues	2,690	2,458
Management and other related expenses	1,399	1,317
Gross management result	1,291	1,142
Other net income (excl. items not included in BOP)	35	60
Business operating profit before non-controlling interest	1,326	1,202
Business operating profit	1,326	1,202
Farmers Re		
Gross written premiums and policy fees	6,615	3,381
Net earned premiums and policy fees	5,722	2,378
Insurance benefits and losses, net	(3,904)	(1,622)
Total net technical expenses	(1,760)	(697)
Net underwriting result	58	59
Net non-technical result (excl. items not relevant for BOP)	71	19
Net investment result income	100	75
Business operating profit before non-controlling interests	228	154
Business operating profit	228	154
Farmers business operating profit	**1,554**	**1,356**

Ratios, as % of net earned premiums and policy fees

Farmers Re Combined ratio	99.0%	97.5%

Supplementary information		
Property, equipment and intangible assets[1]	2,541	1,811

[1] As of December 31, 2009 and 2008, respectively.

Other Operating Businesses – Overview

Table 30.9

in USD millions, for the years ended December 31	Alternative Investments	
	2009	2008
Gross written premiums and policy fees	–	–
Net earned premiums and policy fees	–	–
Net investment income	8	10
Net capital gains/(losses) and impairments on investments	–	–
Other income	11	11
Total BOP revenues	19	21
Insurance benefits and losses, incl. PH dividends, net	–	–
Underwriting and policy acquisition costs, net	–	–
Administrative and other operating expense (excl. depreciation/amortization)	27	8
Other expenses (excl. items not included in BOP)	–	–
Depreciation, amortization and impairments of property, equipment and intangible assets	–	–
Interest expense on debt	24	40
Business operating profit before non-controlling interests	(32)	(28)
Non-controlling interests	–	(2)
Business operating profit	**(32)**	**(25)**

	Holding & Financing		Headquarters		Eliminations		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	134	168	8	8	–	–	142	176
	83	108	8	8	–	–	90	116
	456	546	5	10	(8)	(38)	461	528
	–	75	–	–	–	–	–	75
	103	(86)	1,070	1,185	(82)	(66)	1,101	1,044
	642	643	1,082	1,203	(89)	(104)	1,653	1,763
	81	171	5	4	–	–	86	175
	12	14	–	–	–	–	12	14
	(129)	(108)	1,145	1,232	(82)	(66)	962	1,067
	82	108	–	–	–	–	82	108
	–	–	72	50	–	–	73	51
	1,032	1,113	1	7	(8)	(38)	1,049	1,122
	(438)	(656)	(141)	(90)	–	–	(611)	(774)
	–	–	–	–	–	–	–	(2)
	(438)	**(656)**	**(141)**	**(90)**	**–**	**–**	**(611)**	**(772)**

Non-Core Businesses – Overview

Table 30.10

in USD millions, for the years ended December 31	Total	
	2009	2008
Gross written premiums and policy fees	700	652
Net earned premiums and policy fees	666	638
Insurance benefits and losses, net	1,055	1,344
Policyholder dividends and participation in profits, net	826	(2,588)
Total net technical expenses	(33)	96
Net underwriting result	(1,182)	1,786
Net investment income	316	938
Net capital gains/(losses) and impairments on investments	795	(3,162)
Net non-technical result (excl. items not included in BOP)	(219)	15
Business operating profit before non-controlling interests	**(290)**	**(423)**
Non-controlling interests	1	–
Business operating profit	**(290)**	**(423)**

Report of the Statutory Auditor

To the General Meeting of Zurich Financial Services Ltd

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Zurich Financial Services Ltd, which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity, and notes (pages 139 to 262 and 98 to 134), for the year ended December 31, 2009.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2009 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Patrick Shouvlin	Ray Kunz
Audit expert	Audit expert
Auditor in charge	

Zurich, February 3, 2010

Significant Subsidiaries

Significant subsidiaries

as of December 31, 2009	Domicile	Segment[1]	Voting rights %	Ownership interest %	Nominal value of common stock (in local currency millions)	
Australia						
Zurich Australia Limited	Sydney	Global Life	100	100	AUD	0.5
Zurich Australian Insurance Limited	Sydney	General Insurance	100	100	AUD	6.6
Austria						
Zürich Versicherungs-Aktiengesellschaft	Vienna	General Insurance	99.98	99.98	EUR	12.0
Bermuda						
Centre Group Holdings Limited	Hamilton	Non-Core Businesses	100	100	USD	0.3
CMSH Limited	Hamilton	Non-Core Businesses	100	100	USD	0.3
ZCM Holdings (Bermuda) Limited	Hamilton	Non-Core Businesses	100	100	USD	137.0
ZG Investments Ltd.	Hamilton	Other Operating Businesses	100	100	USD	0.01
ZG Investments II Ltd.	Hamilton	Other Operating Businesses	100	100	USD	0.01
ZG Investments III Ltd.	Hamilton	Other Operating Businesses	100	100	USD	0.01
ZG Investments IV Ltd.	Hamilton	Other Operating Businesses	100	100	USD	0.01
Zurich Finance (Bermuda) Ltd.	Hamilton	Other Operating Businesses	100	100	USD	0.01
Zurich International (Bermuda) Ltd.	Hamilton	Non-Core Businesses	100	100	USD	9.9
Brazil						
Companhia de Seguros Minas Brasil	Belo Horizonte	General Insurance	100	100	BRL	60.0
Zurich Participações e Representações Ltda.	Sao Paulo	Other Operating Businesses	100	100	BRL	446.0
Zurichpar Participações Ltda.	Sao Paulo	Other Operating Businesses	100	100	BRL	447.5
Chile						
Chilena Consolidada Seguros de Vida S.A.	Santiago	Global Life	98.95	98.95	CLP	24,484.0
Cyprus						
Zurich Insurance Holding (Cyprus) Ltd[2]	Nicosia	General Insurance	100	100	RUB	2.0
Germany						
DA Deutsche Allgemeine Versicherung Aktiengesellschaft	Oberursel	General Insurance	100	100	EUR	24.5
Deutscher Herold Aktiengesellschaft[3]	Bonn	Global Life	79.33	79.33	EUR	18.4
Zürich Beteiligungs-Aktiengesellschaft (Deutschland)	Frankfurt/Main	General Insurance	100	100	EUR	152.9
Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft	Bonn	Global Life	86.03	86.03	EUR	68.5
Zurich Versicherung Aktiengesellschaft (Deutschland)	Frankfurt/Main	General Insurance	95.50	95.50	EUR	142.2

[1] The segments are defined in the notes to the Consolidated Financial Statements, note 30, Segment information.
[2] Zurich Insurance Holding (Cyprus) Ltd holds 99.9% of Zurich Insurance Company Ltd. in Russia which is a fully owned subsidiary of the Group.
[3] In addition buy out options exist which allow the minority shareholders to sell another 15.67 percent of the shares of Deutscher Herold Aktiengesellschaft to the Group.

Significant subsidiaries (continued)

as of December 31, 2009	Domicile	Segment	Voting rights %	Ownership interest %	Nominal value of common stock (in local currency millions)	
Ireland						
Zurich Life Assurance plc	Dublin	Global Life	100	100	EUR	17.5
Zurich Financial Services EUB Holdings Limited	Dublin	Non-Core Businesses	100	100	GBP	0.001
Zurich Holding Ireland Limited	Dublin	Other Operating Businesses	100	100	EUR	0.1
Zurich Insurance plc	Dublin	General Insurance	100	100	EUR	4.9
Italy						
Zurich Investments Life S.p.A.	Milan	Global Life	100	100	EUR	74.0
Zurich Life and Pensions S.p.A.	Milan	Global Life	100	100	EUR	40.5
Zurich Life Insurance Italia S.p.A.	Milan	Global Life	100	100	EUR	25.9
Luxembourg						
Zurich Eurolife S.A.	Howald	Global Life	100	100	EUR	5.0
Zurich Finance (Luxembourg) S.A.	Howald	Other Operating Businesses	100	100	EUR	0.1
Zurich Group Funding Luxembourg S.A.	Howald	Other Operating Businesses	100	100	EUR	0.03
Portugal						
Zurich – Companhia de Seguros S.A.[4]	Lisbon	General Insurance	100	100	EUR	10.0
South Africa						
Zurich Insurance Company South Africa Limited[5]	Johannesburg	General Insurance	73.61	73.61	ZAR	3.0
Spain						
Bansabadell Pensiones, E.G.F.P, S.A.	Barcelona	Global Life	50	50	EUR	7.8
Bansabadell Seguros Generales, S.A. de Seguros y Reaseguros	Barcelona	General Insurance	50	50	EUR	10.0
Bansabadell Vida S.A. de Seguros y Reaseguros	Barcelona	Global Life	50	50	EUR	43.9
CaixaSabadell Vida, S.A. Companyia d´Assegurances i Reassegurances	Sabadell	Global Life	50	50	EUR	39.1
CAN Seguros Generales SA	Pamplona	General Insurance	50	50	EUR	9.0
Zurich Vida, Compañía de Seguros y Reaseguros, S.A. – Sociedad Unipersonal	Madrid	Global Life	100	100	EUR	50.4
"Zurich España, Compañía de Seguros y Reaseguros, S.A."[6]	Barcelona	General Insurance	100	100	EUR	33.6

[4] Zurich – Companhia de Seguros S.A. (a public limited liability company incorporated and existing under the laws of Portugal) merged into Zurich Insurance plc (a public limited liability company incorporated in Ireland) with effect from 1 January 2010.
[5] Listed on the Johannesburg Stock Exchange. On December 31, 2009, the company had a market capitalization of ZAR 2.2 billion (ISIN Number 000094496).
[6] "Zurich España, Compañia de Seguros y Reaseguros, S.A" (a public limited liability company incorporated and existing under the laws of Spain) merged into Zurich Insurance plc (a public limited liability company incorporated in Ireland) by way of transfer en bloc with effect from 1 January 2010.

Significant subsidiaries (continued)

as of December 31, 2009	Domicile	Segment	Voting rights %	Ownership interest %	Nominal value of common stock (in local currency millions)	
Switzerland						
Genevoise Real Estate Company Ltd	Geneva	Global Life	100	100	CHF	17.0
Zurich Insurance Company Ltd	Zurich	Other Operating Businesses	100	100	CHF	825.0
Zurich Life Insurance Company Ltd	Zurich	Other Operating Businesses	100	100	CHF	60.0
"Zurich" Investment Management AG	Zurich	Other Operating Businesses	100	100	CHF	10.0
Turkey						
Zurich Sigorta A.S.	Fındıklı, Istanbul	General Insurance	100	100	TRY	47.3
United Kingdom						
Allied Zurich Limited	Swindon, England	Other Operating Businesses	100	100	GBP	0.1
Allied Zurich Holdings Limited	Jersey, Channel Islands	Other Operating Businesses	100	100	GBP	90.7
Eagle Star Holdings Limited	Swindon, England	Other Operating Businesses	100	100	GBP	0.05
Eagle Star Insurance Company Limited	Fareham, England	Non-Core Businesses	100	100	GBP	40.0
Zurich Assurance Ltd	Swindon, England	Global Life	100	100	GBP	236.1
Zurich Financial Services (UKISA) Limited	Swindon, England	Other Operating Businesses	100	100	GBP	1,492.1
Zurich Holdings (UK) Limited	Fareham, England	Other Operating Businesses	100	100	GBP	137.3
Zurich International (UK) Limited	Fareham, England	General Insurance	100	100	GBP	40.0
Zurich International Life Limited	Douglas, Isle of Man	Global Life	100	100	GBP	105.6
Zurich Specialties London Limited	Fareham, England	Non-Core Businesses	100	100	GBP	150.0
United States of America						
Farmers Group, Inc.	Reno, NV	Farmers	98.28	100	USD	0.001
Farmers New World Life Insurance Company	Mercer Island, WA	Global Life	98.28	100	USD	6.6
Farmers Reinsurance Company	Los Angeles, CA	Farmers	98.28	100	USD	5.0
Farmers Services LLC[7]	Wilmington, DE	Farmers	100	100	USD	–
Kemper Corporation	Schaumburg, IL	Non-Core Businesses	100	100	USD	220.0
Kemper Investors Life Insurance Company	Bellevue, WA	Non-Core Businesses	100	100	USD	2.5
ZFS Finance (USA) LLC V[7]	Wilmington, DE	Other Operating Businesses	100	100	USD	–
Zurich American Insurance Company (and subsidiaries)	New York, NY	General Insurance	100	100	USD	5.0
Zurich Finance (USA), Inc.	Wilmington, DE	Other Operating Businesses	100	100	USD	0.000001
Zurich Holding Company of America, Inc.	Wilmington, DE	Other Operating Businesses	100	100	USD	0.6

[7] This entity is a LLC that has no share capital.

Embedded Value Report

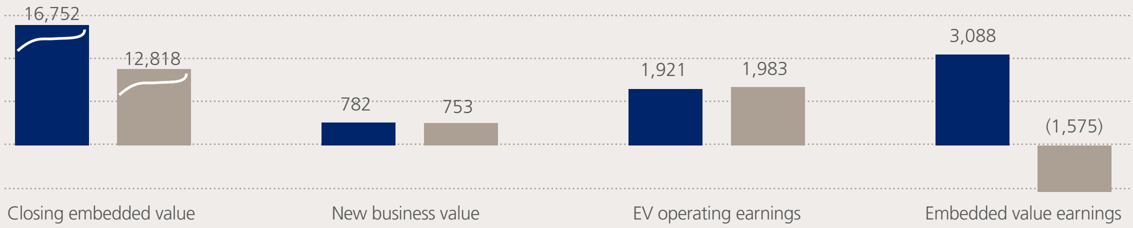
Contents

This report describes the development in 2009 of the embedded value of the Zurich Financial Services Group.

The majority of this report, Sections 1 to 7, relates to Global Life, but summary information relating to the Non-Core Business is given in Section 8 and to the total Group in Section 9.

Embedded Value Report – Global Life

Key results
(in USD millions, for the years ended December 31)



Embedded value key results

in USD millions, for the years ended December 31	2009	2008	Change Amount
Embedded value	**16,752**	**12,818**	**3,934**
EV operating earnings	1,921	1,983	(62)
of which New business value	782	753	29
Embedded value earnings	3,088	(1,575)	4,663
Return on Opening EV	24.0%	(9.9%)	

The Global Life segment continued to execute on its strategy delivering strong results with profitable growth in a difficult market environment and performed well on all key embedded value metrics. The growth was driven through the strong new business performance as well as a strong focus on in-force management resulting in a positive operating variance. Progress was made on developing the industrial business model, that aims to centralise operational functions, decreasing our unit costs and supporting an increase in cross-border sales. We achieved a return of 24% on opening embedded value, also sustained by a positive economic variance of USD 1.3 billion. The new business value increased in each successive quarter of 2009 underpinned by efficiency gains and focused efforts to shift the new business mix towards protection products to increase profitability.

New business value was USD 782 million. This was 4 percent higher than the prior period in U.S. dollar terms and 9 percent higher in local currency terms. The increase was partly attributable to the fast growing joint ventures in Spain whose growth exceeded expectations and from which we benefited from a full year's contribution this year compared to only one quarter last year. The good performance was also driven by Latin America, Emerging Markets in Asia and the Rest of the World, supported by the development of the newly operational private banking client solutions hub in Luxembourg which was able to deliver successful client propositions. This was partially offset by the effect of lower interest rates in many European countries.

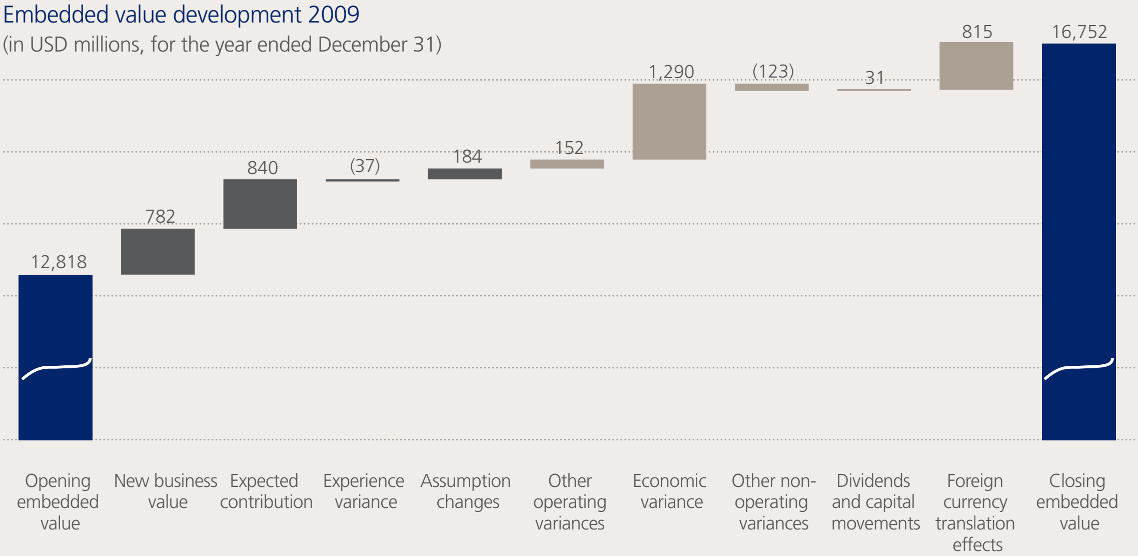
EV operating earnings were USD 1.9 billion, a 3 percent decrease compared with the prior year. Operating earnings were resilient due to the strong new business performance and the impact of changes to align with the new European Insurance CFO Forum MCEV Principles[1], which had an estimated impact of USD 220 million, in spite of lower expected returns.

EV earnings were USD 3.1 billion, representing a return of 24 percent. The economic and non operating positive variances of USD 1.2 billion were largely due to a recovery in equity markets in many countries during the second half of the year.

[1] © Stichting CFO Forum Foundation 2008

1. Analysis of Embedded Value Earnings

Embedded value development 2009
(in USD millions, for the year ended December 31)



Analysis of embedded value earnings, 2009

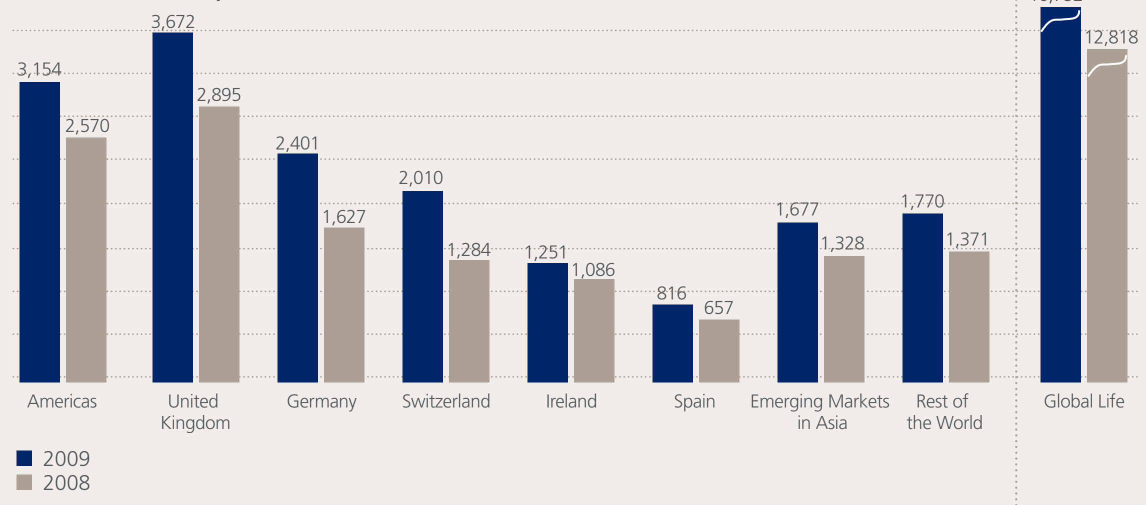
in USD millions, for the year ended December 31, 2009	Required Capital	Free Surplus	Share-holders' net assets	Value of business in force	Total
Opening embedded value	**4,231**	**1,216**	**5,447**	**7,371**	**12,818**
Dividends & capital movements start of period	546	(503)	**44**	**28**	**72**
New business value Global Life	**390**	**(1,171)**	**(781)**	**1,563**	**782**
New business net of non-controlling interests	*337*	*(1,112)*	*(775)*	*1,506*	*730*
Expected contribution at reference rate	63	72	**135**	**236**	**371**
Expected contribution in excess of reference rate	14	25	**38**	**430**	**469**
Transfer to free surplus	436	687	**1,123**	**(1,123)**	**–**
Experience variance	–	73	**73**	**(110)**	**(37)**
Assumption changes	(370)	396	**26**	**158**	**184**
Other operating variances	(1,147)	1,317	**170**	**(17)**	**152**
Operating earnings	**(614)**	**1,398**	**784**	**1,137**	**1,921**
Economic variance	(531)	953	**423**	**867**	**1,290**
Other non-operating variances	(98)	(261)	**(359)**	**236**	**(123)**
Embedded value earnings	**(1,242)**	**2,090**	**848**	**2,240**	**3,088**
Dividends & capital movements end of period	(95)	(62)	**(157)**	**116**	**(41)**
Foreign currency translation effects	265	107	**372**	**443**	**815**
Closing embedded value	**3,705**	**2,849**	**6,554**	**10,198**	**16,752**

Analysis of embedded value earnings, 2008

in USD millions, for the year ended December 31, 2008

	Shareholders' net assets	Value of business in force	Total
Opening embedded value	**6,981**	**8,953**	**15,935**
New business value global Life	(685)	1,437	**753**
Expected contribution	262	701	**964**
Transfer to free surplus	1,179	(1,179)	**–**
Experience variance	74	(158)	**(84)**
Assumption changes	(49)	84	**35**
Other operating variances	315	1	**316**
Operating earnings	**1,096**	**887**	**1,983**
Economic variance	(1,730)	(2,082)	**(3,811)**
Other non-operating variances	118	136	**253**
Embedded value earnings	**(515)**	**(1,059)**	**(1,575)**
Dividends & capital movements	(217)	309	**92**
Foreign currency translation effects	(802)	(831)	**(1,633)**
Closing embedded value	**5,447**	**7,371**	**12,818**

Embedded value by territory
(in USD millions, for the years ended December 31)



The Group applied the MCEV Principles for its embedded value calculations for the year ended December 31, 2009. For the year ended December 31, 2008, embedded value calculations were performed in accordance with the EEV Principles which preceded the MCEV Principles.

In addition, the Group has amended the split of geographical segments this year in line with, and as described in, the Group's IFRS Financial statements.

Embedded value by territory 2009

in USD millions, as of December 31, 2009	Required Capital	Free Surplus	Required capital (% SM)[1]	Share-holders' net assets	CE[2]	FC[3]	TVFOG[4]	CRNHR[5]	Value of business in force	Total
Americas	460	527	163.2%	**987**	2,610	(70)	(199)	(174)	**2,167**	**3,154**
United States	*339*	*351*	*208.3%*	*691*	*2,383*	*(54)*	*(198)*	*(167)*	*1,965*	*2,655*
Latin America	*121*	*175*	*101.5%*	*297*	*227*	*(17)*	*(2)*	*(7)*	*202*	*499*
United Kingdom	909	438	141.8%	**1,347**	2,916	(91)	(420)	(80)	**2,325**	**3,672**
Germany	657	844	100.8%	**1,501**	1,350	(302)	(68)	(81)	**900**	**2,401**
Switzerland	262	1	100.0%	**263**	1,975	(20)	(151)	(56)	**1,747**	**2,010**
Ireland	199	280	100.0%	**479**	816	(15)	(4)	(26)	**772**	**1,251**
Spain	353	103	104.5%	**456**	434	(23)	(26)	(25)	**360**	**816**
Emerging Markets in Asia	186	262	141.2%	**448**	1,292	(6)	(16)	(41)	**1,229**	**1,677**
ZIS[6]	*136*	*278*	*153.0%*	*415*	*983*	*(6)*	*–*	*(32)*	*945*	*1,360*
Hong Kong	*50*	*5*	*116.8%*	*55*	*309*	*–*	*(16)*	*(9)*	*284*	*339*
Other	*–*	*(22)*	*0.0%*	*(22)*	*–*	*–*	*–*	*–*	*–*	*(22)*
Rest of the World	678	395	107.5%	**1,072**	910	(74)	(94)	(44)	**698**	**1,770**
Italy	*257*	*178*	*100.0%*	*435*	*435*	*(18)*	*(79)*	*(11)*	*327*	*762*
Other	*421*	*216*	*112.6%*	*637*	*475*	*(56)*	*(15)*	*(33)*	*371*	*1,008*
Global Life	**3,705**	**2,849**	**118.1%**	**6,554**	**12,304**	**(601)**	**(978)**	**(527)**	**10,198**	**16,752**

[1] SM is the local minimum solvency margin
[2] CE is the certainty equivalent value of business in force
[3] FC is the frictional cost (which in 2009 was applied to only required capital in accordance with the MCEV Principles)
[4] TVFOG is the time value of financial options and guarantees
[5] CRNHR is the cost of residual non-hedgeable risk (see Section 10 for further details)
[6] ZIS is Zurich International Solutions, the international business based in the Isle of Man

Embedded value by territory 2008

in USD millions, as of December 31, 2008	Share-holders' net assets	Certainty equivalent value	Frictional costs	TVFOG[1]	CNMR[2]	Value of business in force	Total
Americas	**659**	2,263	(83)	(49)	(219)	**1,912**	**2,570**
United States	**528**	2,064	(67)	(48)	(205)	**1,743**	**2,271**
Latin America	**130**	200	(16)	(1)	(14)	**169**	**299**
United Kingdom	**1,386**	1,982	(138)	(283)	(51)	**1,509**	**2,895**
Germany	**1,362**	863	(257)	(220)	(121)	**265**	**1,627**
Switzerland	**32**	1,402	(2)	(96)	(53)	**1,251**	**1,284**
Ireland	**374**	771	(18)	(8)	(33)	**712**	**1,086**
Spain	**477**	252	(26)	(10)	(35)	**181**	**657**
Emerging Markets in Asia	**328**	1,053	(5)	–	(47)	**1,001**	**1,328**
ZIS[3]	**280**	762	(5)	–	(36)	**722**	**1,002**
Hong Kong	**50**	298	–	–	(11)	**286**	**336**
Other	**(2)**	(7)	–	–	–	**(7)**	**(9)**
Rest of the World	**830**	742	(50)	(84)	(67)	**541**	**1,371**
Italy	**291**	345	(17)	(69)	(10)	**249**	**539**
Other	**539**	397	(33)	(14)	(58)	**292**	**831**
Global Life	**5,447**	**9,328**	**(579)**	**(752)**	**(627)**	**7,371**	**12,818**

[1] TVFOG is the time value of financial options and guarantees
[2] CNMR is the cost of non-market risk (see Section 10 for further details)
[3] ZIS is Zurich International Solutions, the international business based in the Isle of Man

Movement in embedded value, after tax

in USD millions, for the year ended December 31, 2009	Opening embedded value	EV operating earnings	Economic and non operating variance	EV earnings	Dividends & capital	Foreign currency translation effects	Closing embedded value
Americas	**2,570**	**273**	197	**471**	64	49	**3,154**
United States	**2,271**	**179**	143	**322**	62	–	**2,655**
Latin America	**299**	**94**	55	**149**	2	49	**499**
United Kingdom	**2,895**	**308**	(1)	**307**	150	321	**3,672**
Germany	**1,627**	**398**	370	**768**	(62)	68	**2,401**
Switzerland	**1,284**	**285**	416	**701**	(42)	68	**2,010**
Ireland	**1,086**	**88**	41	**130**	–	36	**1,251**
Spain	**657**	**124**	63	**187**	(52)	23	**816**
Emerging Markets in Asia	**1,328**	**257**	2	**259**	(14)	104	**1,677**
ZIS[1]	**1,002**	**264**	(11)	**253**	–	105	**1,360**
Hong Kong	**336**	**4**	13	**18**	(14)	–	**339**
Other	**(9)**	**(11)**	–	**(11)**	–	(1)	**(22)**
Rest of the World	**1,371**	**188**	77	**265**	(12)	147	**1,770**
Italy	**539**	**55**	140	**196**	5	22	**762**
Other	**831**	**133**	(63)	**70**	(18)	125	**1,008**
Global Life	**12,818**	**1,921**	1,167	**3,088**	31	815	**16,752**

[1] ZIS is Zurich International Solutions, the international business based in the Isle of Man

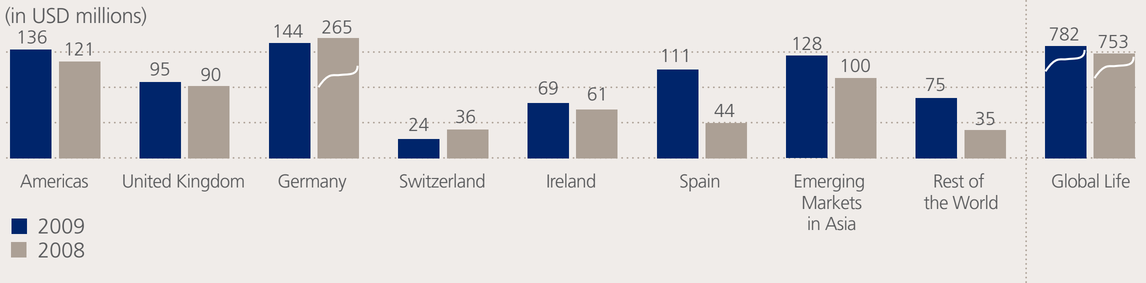
EV operating earnings

in USD millions, for the year ended December 31, 2009	Expected contribu-tion	New business value	Operating experience variances	Operating assumption changes	Other experience variances	EV operating earnings
Americas	222	136	(11)	(47)	(26)	**273**
United States	*201*	*100*	*(8)*	*(39)*	*(74)*	**179**
Latin America	*22*	*36*	*(3)*	*(8)*	*48*	**94**
United Kingdom	253	95	7	6	(54)	**308**
Germany	74	144	–	84	97	**398**
Switzerland	110	24	(11)	91	71	**285**
Ireland	39	69	14	(18)	(17)	**88**
Spain	20	111	–	(15)	7	**124**
Emerging Markets in Asia	53	128	(20)	81	15	**257**
ZIS[1]	*29*	*112*	*(12)*	*110*	*25*	**264**
Hong Kong	*23*	*16*	*(8)*	*(29)*	*2*	**4**
Other	–	–	–	–	*(11)*	**(11)**
Rest of the World	69	75	(17)	2	59	**188**
Italy	*35*	*30*	*(8)*	*(2)*	*1*	**55**
Other	*34*	*46*	*(9)*	*4*	*58*	**133**
Global Life	**840**	**782**	**(37)**	**184**	**152**	**1,921**

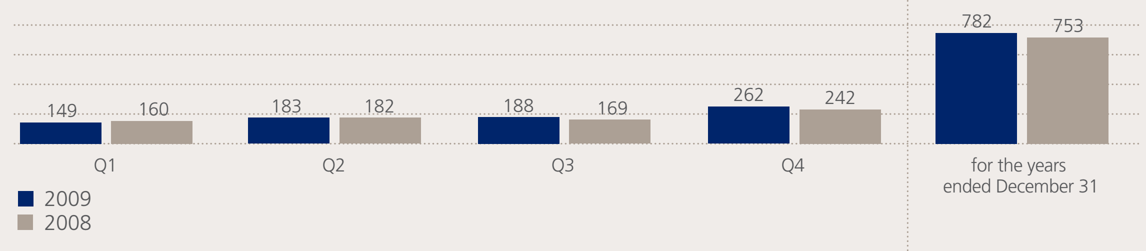
[1] ZIS is Zurich International Solutions, the international business based in the Isle of Man

2. New Business

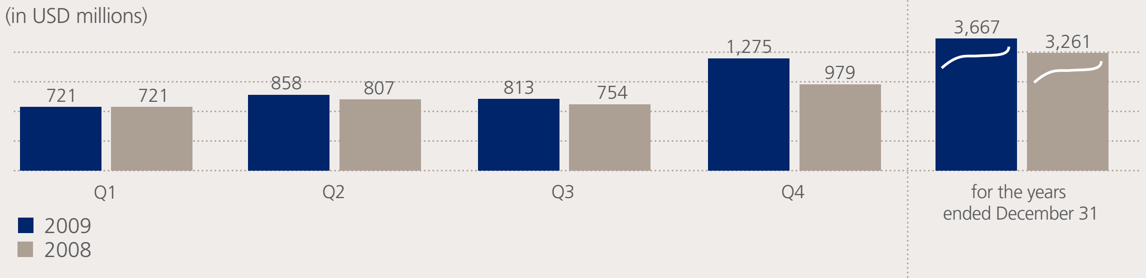
New Business Value by territory
(in USD millions)



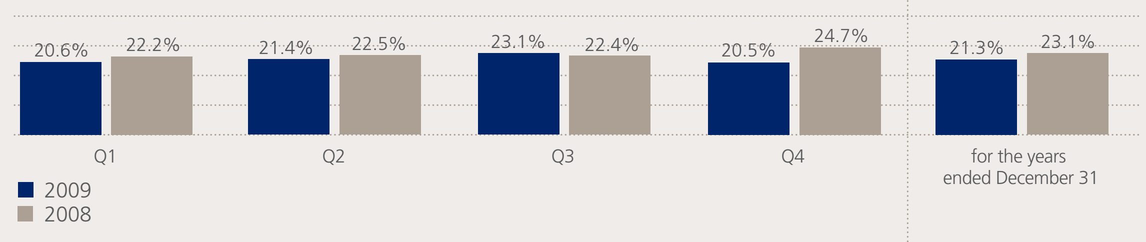
New Business Value
(in USD millions)



Annual Premium Equivalent (APE)
(in USD millions)



New Business Margin (%APE)
(in percent)



New business

in USD millions, for the years ended December 31	2009					2008				
	Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD
New business value	**149**	**183**	**188**	**262**	**782**	**160**	**182**	**169**	**242**	**753**
Annual premiums	420	485	459	629	1,993	493	498	523	604	2,118
Single premiums	3,014	3,727	3,539	6,464	16,743	2,286	3,087	2,311	3,749	11,433
Annual premium equivalent (APE)[1]	**721**	**858**	**813**	**1,275**	**3,667**	**721**	**807**	**754**	**979**	**3,261**
Present value of new business premiums (PVNBP)[2]	5,912	6,363	6,449	10,791	29,515	5,857	6,366	5,360	8,301	25,883
Average annual premium multiplier	6.9	5.4	6.3	6.9	6.4	7.3	6.6	5.8	7.5	6.8
New business margin (as % APE)	**20.6%**	**21.4%**	**23.1%**	**20.5%**	**21.3%**	**22.2%**	**22.5%**	**22.4%**	**24.7%**	**23.1%**
New business margin (as % PVNBP)	2.5%	2.9%	2.9%	2.4%	2.6%	2.7%	2.9%	3.2%	2.9%	2.9%

[1] APE is new annual premiums plus 10% of single premiums.
[2] PVNBP is new single premiums plus the present value of new annual premiums.

New business value has improved in each successive quarter this year. This has been mainly due to expense efficiency programs in many countries driving up margins and improved management of the new business mix with a focus on selling higher margin protection business. Premium volumes grew strongly, particularly during the fourth quarter.

Bank Distribution APE increased by USD 0.4 billion to USD 1.1 billion, driven by the joint ventures in Spain through successful protection and savings campaigns. 2009 has also benefited from a full year's inclusion of the results from the joint ventures compared to 2008 which only received the benefit of one quarter. The UK business grew from the sale of newly introduced investment products.

IFA/Brokers distribution increased APE by 11 percent in local currency terms but reduced slightly in U.S. dollar terms. Strong pension sales in the UK and successful sales campaigns from the Finanza e Futuro distribution channel in Italy were partially offset by lower sales of unit-linked pension products in Germany.

Agents distribution volumes reduced slightly. Sales in many countries proved resilient to the financial crisis mainly as a result of several customer and distributor focused programs. Growth continues in Latin America, Germany, Switzerland and Italy. These positive developments were offset by a decline in unit-linked sales in the Hong Kong domestic market, particularly in the first half of 2009.

Corporate Life & Pensions distribution increased APE by USD 0.2 billion to USD 0.6 billion. The pillar experienced growth in both protection and pension business with the main contributions arising from ZIS, the UK and Latin America.

The **International/Expats** pillar APE decreased by USD 65 million. The lower sales, predominantly of investment products, reflected reduced consumer confidence caused by the market conditions earlier in the year.

The **Private banking** pillar delivered successful client propositions this year in the UK and from its new hub in Luxembourg, achieving an APE of USD 0.2 billion.

In addition, the CRNHR replaced the CNMR methodology in 2009 to align with the MCEV Principles, which increased new business value by USD 16 million in the second quarter.

New business by territory

in USD millions, for the years ended December 31	APE		PVNBP		New business value		New business margin as % APE		New business margin as % PVNBP	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Americas	259	223	1,794	1,609	136	121	52.4%	54.3%	7.6%	7.5%
United States	*97*	101	*1,013*	947	*100*	91	*102.5%*	90.4%	*9.8%*	9.6%
Latin America	*161*	122	*781*	662	*36*	30	*22.1%*	24.6%	*4.6%*	4.5%
United Kingdom	785	878	6,913	7,272	95	90	12.1%	10.2%	1.4%	1.2%
Germany	622	690	4,955	6,681	144	265	23.1%	38.3%	2.9%	4.0%
Switzerland	118	123	1,102	1,177	24	36	20.1%	29.4%	2.2%	3.1%
Ireland	310	327	2,374	2,277	69	61	22.4%	18.7%	2.9%	2.7%
Spain	709	294	6,510	2,632	111	44	15.7%	14.9%	1.7%	1.7%
Emerging Markets in Asia	528	526	2,554	2,579	128	100	24.2%	19.1%	5.0%	3.9%
ZIS[1]	*453*	449	*2,263*	2,220	*112*	84	*24.7%*	18.7%	*4.9%*	3.8%
Hong Kong	*75*	77	*290*	359	*16*	17	*21.4%*	21.6%	*5.6%*	4.6%
Rest of the World	336	200	3,313	1,656	75	35	22.4%	17.6%	2.3%	2.1%
Italy	*147*	122	*1,476*	981	*30*	26	*20.1%*	21.1%	*2.0%*	2.6%
Other	*190*	78	*1,837*	675	*46*	10	*24.1%*	12.2%	*2.5%*	1.4%
Global Life	**3,667**	**3,261**	**29,515**	**25,883**	**782**	**753**	**21.3%**	23.1%	**2.6%**	2.9%

[1] ZIS is Zurich International Solutions, the international business based in the Isle of Man. ZIS in 2008 includes USD 7 million of development costs that were incurred centrally.

The **Americas'** new business value grew strongly. In the U.S. business volumes remained stable but margins increased due to the lower interest rate environment. In Latin America, Global Life successfully tendered to become one of the preferred providers in the reformed social security system in Chile. This was the key driver behind the 20% value increase.

The **UK** continued to grow its new business value, particularly in local currency, driven by improved margins, higher pension sales and successful sales through our major banking partners.

Germany and **Switzerland** have suffered lower margins in 2009. The economic environment has increased the cost of interest rate guarantees, although there has been some improvement in the third and fourth quarters due to management action to refine profit sharing models and close some products. The continuing economic uncertainty has also reduced investment in unit-linked products. Germany's new business in 2008 included a one-off impact from premiums received in respect of state-funded pension business.

Ireland's new business value grew strongly in 2009, by 19% in local currency. New business premiums fell only slightly despite the steep decline in the local market. Margins increased substantially due to a successful focus on protection business particularly in the group protection market and also through effective expense control.

Spain delivered strong new business performance in particular from the joint ventures whose growth exceeded expectations. 2009 has benefited from a full year's inclusion of the results from the joint ventures compared to 2008 which only received the benefit of one quarter.

Emerging Markets in Asia have also performed favorably in the difficult market conditions, driven by an increased focus on protection business and strong management control of pricing and expenses have improved margins.

The Rest of the World saw a strong improvement in new business value coming from the renegotiation of reinsurance terms, lower interest rates that improved the value of protection business and the strong start of the new private banking insurance hub in Luxembourg.

3. Expected Contribution and Transfer to Free Surplus

a) Expected Contribution

The expected contribution is the projected change in the embedded value over the period using expected "real world" investment returns.

Expected contributions were lower in 2009 compared with 2008 due to the lower interest rate environment and the lower opening embedded value.

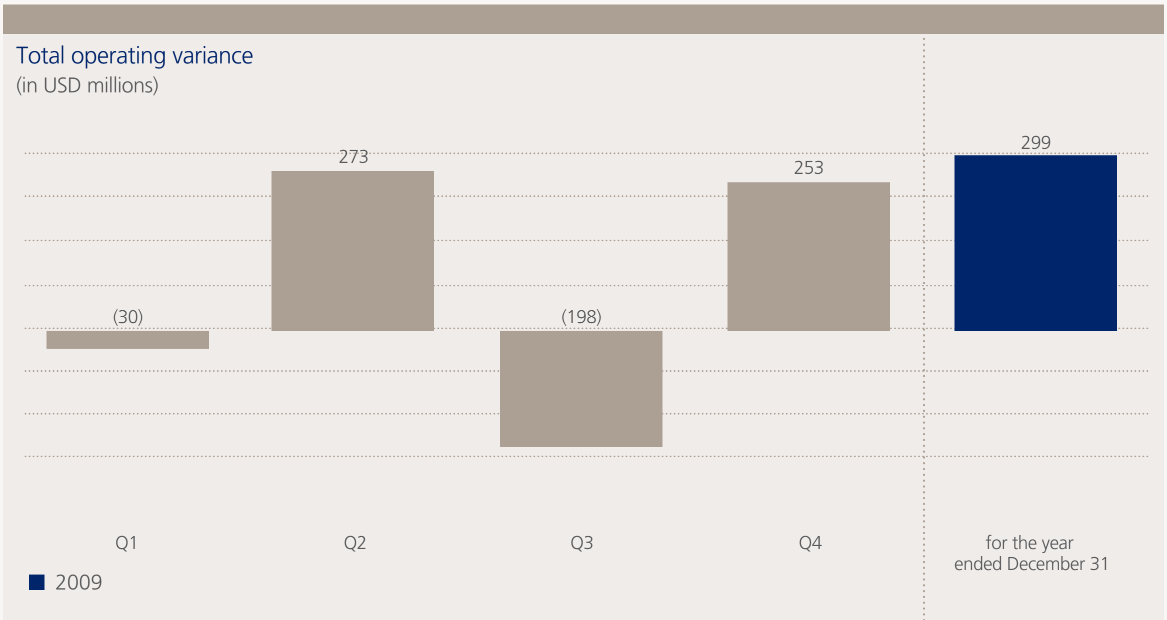
b) Transfer to Free Surplus

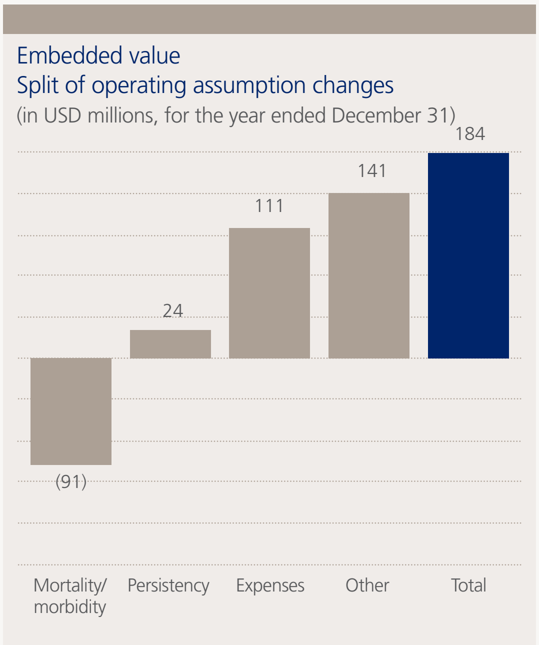
The expected transfer to shareholders' net assets shows the profits expected to emerge during the period in respect of business that was in force at the beginning of the period. The net effect is zero, as the reduction in value of business in force is offset by the increase in shareholders' net assets.

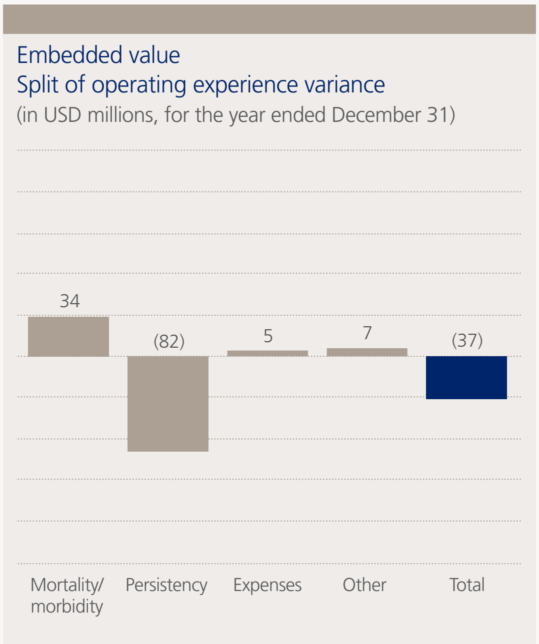
4. Operating, Economic and Other Non Operating Variance

Operating Variance

Operating variance measures the difference between actual experience during the period and that implied by the operating assumptions. It also includes the impact of changes in assumptions about future operating experience.







Operating variance

in USD millions, for the year ended December 31, 2009	Q1	Q2	Q3	Q4	YTD
Operating assumption changes					
Mortality/morbidity	1	14	(148)	42	(91)
Persistency	–	(64)	105	(17)	24
Expenses	(3)	21	(30)	123	111
Other	22	95	40	(16)	141
Total	**19**	**66**	**(33)**	**133**	**184**
Operating experience variance					
Mortality/morbidity	(1)	(3)	21	17	34
Persistency	(46)	23	(62)	2	(82)
Expenses	5	(17)	20	(4)	5
Other	(3)	2	–	7	7
Total	**(44)**	**5**	**(20)**	**23**	**(37)**
Other operating variances					
Global development expense	(4)	(6)	(18)	(28)	(56)
Modelling Changes	(4)	218	(134)	79	159
One-off expenses	(28)	(16)	(11)	(27)	(82)
Other	32	6	19	75	131
Total	**(4)**	**202**	**(144)**	**98**	**152**
Total operating variance	**(30)**	**273**	**(198)**	**253**	**299**

Operating variances occur in the normal course of business as short-term experience fluctuates around the long-term assumptions. The variances described below are immaterial compared to the total embedded value.

Mortality experience increased embedded value by USD 34 million. As a result of the regular reviews of mortality around Global Life we have updated some of our assumptions. This has led to a mixture of impacts but with a negative USD (148) million from the U.S. partially offset by a positive USD 47 million from Switzerland.

Persistency experience was negative in the first three quarters of the year, but stabilised or even improved in some countries in the final quarter as a result of the recovery in the economic outlook, giving an overall negative variance of USD (82) million for the year. Revisions to persistency assumptions mainly made in the third quarter reflected the management view that persistency will revert to normal long-term levels in the future. These assumption changes led to a mixture of positive and negative impacts, giving an overall positive variance of USD 24 million.

Expense assumptions were improved in several countries to reflect the outcome of management cost-saving initiatives with an overall impact of USD 111 million. Expense experience in the year resulted in a positive variance of USD 5 million.

Other assumption changes included a benefit from a change in management rules on policyholder profit sharing rules in Switzerland, a refinement of premium assumptions for protection products of USD 41 million and a benefit of USD 31 million following the renegotiation of rebates to ZIS from fund managers.

Other operating variances totalled USD 152 million. The new CRNHR methodology increased operating earnings by an estimated USD 140 million, and the application of frictional costs to required capital (rather than available capital) increased embedded value by an estimated USD 78 million. A positive variance of approximately USD 50 million came from improved modelling of operational risk for CRNHR and the recognition of internal reinsurance in ZIS. Switzerland benefited by approximately USD 50 million from releasing some reserves and from fund management initiatives. These gains were partially offset by corrections to variable premium rate tables in the U.S. during the third quarter with a negative impact of USD (165) million.

Economic Variance

Economic variance is the difference between actual experience during the period and that implied by the economic assumptions and also includes the impact of changes in assumptions in respect of future economic experience.

The economic variance of USD 1.3 billion was due to the recovery in equity markets in many countries during the second half of the year and in addition, interest rates have generally increased since the start of the year, which has reduced the time value of options and guarantees in many countries.

Other Non Operating Variances

Other non operating variance includes the impact of legal, tax and regulatory changes in the period.

The non operating variance of USD (123) million was mainly due to the implementation of the CRNHR methodology. This allows for non-hedgeable ALM risk and reinsurance credit risk, which were not previously allowed for under the old CNMR methodology.

5. Closing Adjustments

a) Non-controlling Interests

In 2009, the adjustment to embedded value to remove non-controlling interests from the new business value is shown in "Dividends & capital movements", and was mainly due to the joint ventures in Spain. In 2008, the adjustment of USD (23) million was included within operating variance.

b) Dividends and Capital Movements

Dividends and capital movements reflect dividends paid by Global Life to the Group and capital received from the Group. Capital movements can also relate to the value of business in force in respect of acquisitions and disposals, or corporate restructuring.

c) Foreign Currency Translation Effects

Foreign currency translation effects represent the impact of adjusting values to end-of-period exchange rates.

The weakening of the U.S. dollar against the Euro, Swiss Franc and British Pound during 2009 had a positive impact on embedded value.

6. Reconciliation of IFRS Net Assets to Embedded Value

Reconciliation of Global Life IFRS shareholders' equity to embedded value

in USD billions, as of December 31	Total	
	2009	2008
IFRS shareholders' net assets[1]	**14.0**	**11.9**
Less non-controlling interests[2]	(1.3)	(1.2)
IFRS shareholders' equity net of joint ventures and non-controlling interests	**12.7**	**10.7**
Plus IAS 19 liabilities[3]	0.3	0.4
Less Intangible assets[4]	(5.9)	(5.7)
Deferred acquisition costs/Deferred origination costs	*(13.1)*	*(11.5)*
Deferred front end fees	*5.5*	*4.7*
Present value of profits of acquired insurance contracts	*(0.9)*	*(1.0)*
Policyholder share of actuarial intangibles	*2.6*	*2.2*
Tax on shareholder share of actuarial intangibles	*2.1*	*1.9*
Goodwill	*(0.4)*	*(0.6)*
Other Intangibles	*(1.7)*	*(1.4)*
Valuation differences[5]	(0.5)	0.1
Embedded value shareholders' net assets[6]	**6.6**	**5.4**
Value of business in force[7]	10.2	7.4
Embedded value	**16.8**	**12.8**

[1] Global Life balance sheet value
[2] Includes Spanish joint ventures and other non-controlling interests
[3] Since IAS 19 liabilities are included in IFRS equity but not EV shareholders' net assets
[4] Actuarial intangibles (after allowance for tax and ph sharing), goodwill and other intangibles
[5] Unrealised gains/losses on investments, statutory vs IFRS reserving requirements
[6] EV shareholders' net assets net of joint ventures and non-controlling interests
[7] EV value of business in force

7. Sensitivities

Sensitivities

in USD millions, as of December 31, 2009	Change in embedded value			Change in new business value
	Shareholders' net assets	Value of business in force	Total	
Actual embedded value	**6,554**	**10,198**	**16,752**	**782**
Operating sensitivities				
10% increase in initial expenses and commissions	n/a	n/a	**n/a**	**(79)**
10% decrease in maintenance expenses	19	330	**349**	**37**
10% increase in voluntary discontinuance rates	–	(494)	**(494)**	**(89)**
10% decrease in voluntary discontinuance rates	–	590	**590**	**107**
5% improvement in mortality and morbidity for assurances	2	230	**232**	**32**
5% improvement in mortality and morbidity for annuities	(3)	(57)	**(60)**	**(2)**
Required capital set equal to minimum solvency capital	–	55	**55**	**–**
Economic sensitivities				
100 basis points increase in risk free yield curve	(226)	(299)	**(525)**	**9**
100 basis points decrease in risk free yield curve	115	(594)	**(479)**	**(13)**
10% fall in equity market values	(73)	(159)	**(233)**	**(2)**
10% fall in property market values	(34)	(206)	**(240)**	**(2)**
25% increase in implied volatilities for risk free yields	1	(353)	**(352)**	**5**
25% decrease in implied volatilities for risk free yields	(1)	59	**58**	**2**
25% increase in implied volatilities for equities and properties	–	(175)	**(175)**	**–**
25% decrease in implied volatilities for equities and properties	–	(36)	**(36)**	**2**

The key assumption changes represented by each of these sensitivities is given in Section 10(r).

In each sensitivity calculation, all other assumptions remain unchanged except where they are directly affected by the revised conditions. The results include any impact of the assumption changes on the time value of financial options and guarantees.

The 100 basis points increase in risk free yield curve reduces the value of some products, such as term assurance, with fixed cash flows that are discounted at higher rates. This reduction is offset by the increase in the value of other products, such as those with profit sharing, due to the higher assumed investment returns on investment of net cash flows.

We have also estimated the effect on the embedded value of allowing for a liquidity premium of 10 basis points. The estimated impact is USD 26 million and has been derived from linear interpolation of the "100 basis points increase in risk free yield" sensitivity on the individual savings and annuity lines of business.

8. Life Business Included in Non-Core Businesses

The Group has written life business in Kemper Investors Life Insurance Company and in Centre operations, some of which is not managed in Global Life. The main products that have been written by these businesses outside Global Life are:

- variable annuity contracts that provide annuitants with guarantees related to minimum death and income benefits;
- disability business; and
- bank owned life insurance business.

The Group has estimated the embedded value of these businesses based on the same principles as for the Global Life business, including deductions for the time value of financial options and guarantees, frictional costs and the cost of residual non-hedgeable risk, but using more approximate models. The results are set out in the following table.

Estimated embedded value of life businesses in Non-Core Businesses

in USD billions, as of December 31	2009	2008
Shareholders' net assets	**1.0**	**1.2**
Certainty equivalent value	*0.1*	*(0.6)*
Time value of financial options and guarantees	*(0.0)*	*(0.0)*
Frictional costs	*(0.0)*	*(0.0)*
Cost of residual non-hedgeable risk[1]	*(0.1)*	*(0.4)*
Value of business in force	**(0.1)**	**(1.1)**
Embedded value	**0.9**	**0.2**

[1] For 2008 this figure was calculated using the CNMR methodology

9. Group MCEV

The Group MCEV is presented in the following table as the Global Life covered business valued under the MCEV principles and the non-covered businesses, which include the non-core life businesses managed outside Global Life, valued as described in Section 8, and the remaining Group non-life business valued as the unadjusted IFRS net asset value.

Group MCEV, 2009

in USD billions, as of December 31, 2009	Covered Business MCEV	Non covered business	Total Group MCEV
Opening Group MCEV	**12.8**	**11.5**	**24.3**
Opening adjustments	0.0	0.0	0.0
Adjusted Opening MCEV	12.8	11.5	24.3
Operating MCEV earnings	1.9	2.5	4.4
Non-operating MCEV earnings	1.2	0.0	1.2
Total MCEV Earnings	3.1	2.5	5.6
Other movements in IFRS net equity	0.0	2.7	2.7
Closing adjustments	0.8	0.3	1.2
Closing Group MCEV	**16.8**	**17.0**	**33.8**

10. Embedded Value Methodology

Zurich Financial Services Group (the Group) has applied the Market Consistent Embedded Value Principles issued by the CFO Forum in October 2009, for its Embedded Value (EV) Report for the companies and business in its Global Life segment (the covered business) for the year ended December 31, 2009. This report primarily relates to Global Life, but information relating to the Non-Core Businesses is given in Section 8 and to the total Group in Section 9. The embedded value methodology adopted by the Group is based on a "bottom-up" market consistent approach to allow explicitly for market risk. In particular:

- asset and liability cash flows are valued using risk discount rates consistent with those applied to similar cash flows in the capital markets; and
- options and guarantees are valued using market consistent models calibrated to observable market prices. Where markets exhibit a limited capacity, the valuation is based on historical averages.

Embedded value represents the shareholders' interests in the entities included in Global Life as set out in the Group's consolidated IFRS Financial Statements. Embedded value excludes any value from future new business.

a) Covered Business

Covered business includes all business written by companies that are included in the Global Life segment, in particular:

- life and critical illness insurance;
- savings business (with profit, non-profit and unit-linked);
- pensions and annuity business; and
- long-term health and accident insurance.

For certain smaller companies, no embedded value has been calculated but these companies have been included in the embedded value at their shareholders' equity value, as calculated in accordance with IFRS. The contribution from these companies to the embedded value is approximately 1.9% percent.

b) Reporting of Embedded Value

In line with the Market Consistent Embedded Value Principles, the embedded value is broken down into the following components:

- shareholders' net assets, including free surplus and required capital; and,
- the value of business in force.

The results are disclosed in a format that the Group considers to be appropriate for the market consistent methodology adopted.

c) Shareholders' Net Assets
Shareholders' net assets represent the market value of net assets held in respect of the covered business, and consists of the required capital and free surplus. The level of required capital reflects the amount of capital considered by the local Directors to be appropriate to manage the business. This would be set at least at the level equal to the regulatory required capital, at which the regulator would intervene to request a capital injection and in addition, for the main territories, an adequate buffer to cover short term volatilities in solvency due to financial and non-financial risks or to achieve the capital required to maintain the desired credit rating.

The free surplus comprises the market value of shareholders' net assets allocated to the covered business in excess of the assets backing the required capital.

The shareholders' net assets are based on local statutory and regulatory accounting. Adjustments are made to the embedded value where appropriate, for example in respect of any unrealized gains attributable to shareholders. Any such adjustments are made consistently with the calculation of the value of business in force.

d) Value of Business in Force
The value of business in force is the present value of future projected profits, distributable after tax to shareholders from the covered business. It is defined as the certainty equivalent value of business in force less frictional costs, the time value of financial options and guarantees, and the cost of residual non-hedgeable risk. These components are explained below.

Certainty equivalent value is the value calculated using discount rates consistent with those applied to the underlying cash flows in the capital markets. It includes the intrinsic value but excludes the time value of financial options and guarantees which is allowed for separately, as described below.

Frictional costs reflect a deduction for the cost of holding shareholder capital. Under the Group's market consistent framework, these frictional costs represent tax in respect of future investment income on total required capital plus investment management costs. Before 2009, frictional costs applied to total available capital and the change was adopted to align with the CFO Forum's Market Consistent Embedded Value Principles. In Germany, the policyholders' share of investment income on the capital is also included.

The estimated impact of the change in frictional cost methodology at December 31, 2008 would have been to increase embedded value by USD 78 million.

For the purpose of these calculations, required capital is assumed to run off in line with existing business.

The allowance for frictional costs is included both in the value of business in force, and in the new business value. For new business, frictional costs are applied to the minimum solvency margin required to be held in respect of that business.

No allowance is made for "agency costs" as these are considered to be subjective and depend on the view of each shareholder.

Time value of financial options and guarantees represents additional costs in excess of the intrinsic value of options and guarantees which are already allowed for in the certainty equivalent value. These are based on the variability of investment returns which need to be allowed for explicitly under the Market Consistent Embedded Value Principles. The time value has been calculated on a market consistent basis using stochastic modeling techniques, and making allowance for expected management and policyholder behavior.

For products with significant guarantees, the time value has been calculated on a market consistent basis by deducting the average present value of shareholder cash flows using at least 1,000 stochastic economic simulations from the certainty equivalent value (both for the value of business in force and separately for new business value).

For most products, the average value has been calculated using Monte Carlo simulations. For a small number of products, the time value of financial options and guarantees has been derived using closed form solutions.

Where appropriate, the calculation of the time value of financial options and guarantees makes allowance for:

- dynamic actions that would be taken by management under different economic simulations, for example to implement a life business' investment strategy; and

- dynamic policyholder behavior, for example changes in surrender behavior as interest rates rise or fall, or take-up rates of guaranteed annuity options.

The **Cost of Residual Non-Hedgeable Risk (CRNHR)** has replaced, for reporting of embedded value from June 30, 2009, the previous allowance for the Cost of Non Market Risk. This is an explicit deduction for non hedgeable financial risks (non-hedgeable ALM risks, reinsurance credit risk), and non-financial risks (mortality, persistency, expenses and operational risk). The certainty equivalent value allows for the best estimate shareholder cashflows. The Cost of Residual Non-Hedgeable Risk is largely an allowance for uncertainty in shareholder cashflows, and for risks which are not already considered in the certainty equivalent value or time value of financial options and guarantees, such as operational risk. Most residual non-hedgeable risks have a symmetric impact on embedded value apart from operational risk.

It is calculated as a charge on the capital held for residual non-hedgeable risks. This is calculated according to Zurich's internal risk based capital model by applying 1 in 2000 shocks to the embedded value assumptions. To align with the MCEV Principles the risk based capital is scaled to 99.5 percent confidence level by using empirical distributions where available, or assuming probability distributions as appropriate.

The capital is projected over the lifetime of the business using appropriate risk drivers for each risk type. The present value of the risk capital is calculated by applying the swap curve as at the valuation date. The Cost of Residual Non-Hedgeable Risk allows for diversification across risk types and across geographical segments. It complies with all areas of the MCEV Principles except Guidance 9.7. This is because it allows for diversification between covered and non-covered business, which is consistent with the management view of the business and adds an estimated USD 179 million to embedded value.

A 2.5 percent cost of capital charge has been applied to the diversified present value of non-hedgeable risk based capital. This represents the risk premium that would be demanded by investors on capital exposed to non-hedgeable risks. It has been determined according to research performed by the CRO Forum which indicated that a suitable charge is in the range 2.5-4.5 percent. As the CRO Forum calculation allowed for financial distress costs and agency costs which are explicitly excluded from the embedded value calculation, the Group took the lower end of the range. The Cost of Residual Non-Hedgeable Risk varies linearly with the charge.

The estimated impact of introducing CRNHR at December 31, 2008 would have been to increase embedded value by USD 87 million.

Cost of non market risk (CNMR), the previous method that applied to the embedded value calculations in the reporting periods prior to June 30, 2009, was an explicit additional deduction from the value of in-force business, over and above the frictional costs, reflecting an allowance for the impact on shareholder value of variability in insurance, business and operational risks.

The Group's approach to the cost of non market risk was based on a valuation of the potential impacts on shareholder value of variance in certain best estimate assumptions to allow explicitly, at product level, for insurance (mortality, longevity and morbidity), business and operational risk.

The mortality, morbidity, persistency and expense assumptions used to calculate the value of business in force and new business value were best estimates based on recent past experience.

To the extent that the impact on shareholder value of variations in experience around the best estimate were symmetrical (for example, where the loss on a 10 percent increase in expenses was equal and opposite to the profit on a 10 percent reduction), and not correlated with investment markets, no further allowance for non market risk would be required. In such circumstances, the risk was considered to be diversifiable, and financial markets do not charge a risk premium for diversifiable risks.

However, in certain cases this symmetry does not hold, and the Group then considered that it was appropriate to make explicit allowance for this within the embedded value.

e) New Business

New business covers new contracts sold during the reporting period and includes recurring single premiums; new premiums written during the period on existing contracts; and variations to premiums on existing contracts where these premiums and variations have not previously been assumed as part of business in-force. Where recurring single premiums are projected over time to derive the corresponding new business value, they are treated as annual premium for the volume definition. Group Life business which is valued with a renewal assumption of the contracts is treated as annual premium.

The new business is valued as at point of sale. Explicit allowance is made for frictional costs, time value of financial options and guarantees, and cost of non residual non-hedgeable risk. New business value is valued using actual new business volumes.

The value generated by new business written during the period is the present value of the projected stream of after tax distributable profits from that business.

In certain profit sharing funds, the new business written can affect the time value of financial options and guarantees for business written in prior years. This effect is taken into account in the new business value by valuing on a marginal approach, the difference between embedded value with and without new business. This captures the effect of cross-subsidies between in-force and new business due to, for example, different interest rate guarantees operating in a shared common pool of assets.

Quarterly new business is valued on a discrete basis. New business value is calculated separately for each quarter using assumptions, both operating and economic, as of the start of the relevant quarter. New business strain is also calculated on a quarterly discrete basis, meaning that it takes account only of cash flows during that quarter and makes no allowance for any subsequent reduction in strain during the remainder of the period. Once calculated, the new business value will not change in local currency terms.

f) Asset and Liability Data

The majority of the Group's embedded value, has been calculated using a "hard close" approach. This means that all asset and liability data reflect the actual position as of the valuation date.

Germany has followed an approach where liability model points were set up in advance, using the structure of a previous run, and then projected to December 31, 2009 values, by scaling to match the expected balance sheet figures. The new business model points were set up at November 30, 2009, and scaled along the expected development of the APE.

g) Market Consistent Discounting

The Group has adopted a "bottom-up" market consistent approach for the projection and discounting of future cash flows in the calculation of the embedded value. As a result, the risks inherent in the cash flows are allowed for in a way that is consistent with the way the market is expected to allow for such risks.

In principle, this method values each cash flow using a discount rate consistent with that applied to such a cash flow in the capital markets. For example, an equity cash flow is valued using an equity risk discount rate, and a bond cash flow is valued using a bond discount rate. If a higher return is assumed for equities, the equity cash flow is discounted at this higher rate.

In practice, the Group has applied a computational method known as a "risk neutral" approach. This involves projecting the assets and liabilities using a distribution of asset returns where all asset types, on average, earn the same risk free rate.

The risk free yield curve assumptions are based on the swap curve in each major currency (U.S. dollars, Euros, British pounds and Swiss francs). For liabilities where payouts are either independent or move linearly with markets, deterministic techniques (referred to as "certainty equivalent") have been used. In such cases, the projection and discounting are based on the same risk free yield curve.

h) Economic Scenario Generator

All operations use actual yield curves observable as of December 31, 2009 for the calculation of the certainty equivalent value of business in force.

The calculations of the time value of financial options and guarantees are based on stochastic simulations using an Economic Scenario Generator ("ESG") provided by Barrie & Hibbert. The outputs ("simulations") have been calibrated to conform to the economic parameters specified by the Group.

The simulations used for calculation of time value of financial options and guarantees reflect the actual yield curves and implied volatilities observable as of December 31, 2009.

Simulations are produced for the economies in the U.S., the UK, Switzerland and the Euro-Zone. In each economic area, risk free nominal interest rates are modeled using a LIBOR market model. The excess return on other asset classes relative to the total returns on risk free assets are then modeled using a multi-factor lognormal model. Hong Kong uses US dollar simulations as their principal liabilities are U.S. dollar denominated. Chile uses closed form solutions rather than simulations. The other operations not mentioned above have no significant options and guarantees. Further details are set out under "Economic assumptions" in Section 11.

i) Corporate Center Costs

Corporate Center costs that relate to covered business have been allocated to the relevant countries and included in the projected expenses.

j) Holding Companies

Holding companies that belong to Global Life have been consolidated in the embedded value at their local statutory net asset value. Related expenses are small and so have been excluded from the projection assumptions. Holding companies outside Global Life are not included in the embedded value of the covered business.

k) Consolidation Adjustments

Where a reassurance arrangement exists between two life companies in Global Life, the value of the reassurance is shown in the embedded value of the ceding company. This has no material impact on the reported results.

Embedded value is shown net of non-controlling interests. Where the Group has a controlling interest in a subsidiary company, the new business value and the premium information are shown gross of non-controlling interests. The non-controlled share of new business value is eliminated through "Dividends & capital movements".

l) Debt

Where a loan exists between a company in Global Life and a Group company outside of Global Life, the loan is valued for embedded value purposes as if contracted with an external party.

m) "Look through" Principle – Service Companies

There are some companies within Global Life that provide administration and distribution services. These are valued on a "look through" basis. The results do not include any Group service companies outside Global Life.

In the UK, a multi-tie distribution company (Openwork) is included in the embedded value on a "look through" basis. After allowance for certain one-off expenses, profits and losses are attributed to new business value. Certain future revenue streams, mainly renewal commissions on business sold, are discounted and contribute to the new business value and to the value of business in force.

In Germany, the majority of distribution and administration is provided by service companies. These are valued on a "look through" basis. These companies also provide limited services to companies outside Global Life. The value of business in force and new business value reflect the services provided to companies within Global Life. Net asset value consists, however, of the full statutory equity of these service companies.

In Switzerland, an investment management company provides asset management services to pension schemes written in foundations and other pension funds. The present value of the net asset management fees, after tax, is included in the embedded value and the new business value.

n) Employee Pension Schemes

Actuarial gains and losses arising from defined benefit pension and other defined benefit post-retirement plans are recognized in full in the period in which they occur and are presented on a separate line in the statement of comprehensive income. In the Group's consolidated IFRS financial statements, a liability is recognized for IAS 19 Employee Benefit deficits. This adjustment has not been made in the detailed embedded value described in this embedded value report. If the adjustment had been made the embedded value as of December 31, 2009 would have been lower by USD 305 million. The actuarial and economic assumptions used for this adjustment are consistent with those used for the equivalent allowance made in the Group's consolidated IFRS financial statements.

As previously reported, expense assumptions for each life business include expected pension scheme costs in respect of future service entitlements.

o) Employee Share Options

The costs of share options granted to employees are not included in the embedded value, other than to the extent that they are allowed for in the local statutory accounts upon which the shareholders' net assets are based. Further information on the costs of share options is given in the Group's consolidated IFRS financial statements.

p) Change in Legislation or Solvency Regime

The impacts of changes in legislation or solvency regimes are included in economic variance for the analysis of movement.

q) Translation to Group Presentation Currency

To align embedded value reporting with the Group's consolidated IFRS financial statements, relevant results have been converted to the Group presentation currency, U.S. dollar, using average exchange rates for the period. This applies to new business value, new business volumes (APE and PVNBP) for the current period and comparative figures for December 31, 2008. This approach has also been applied to the analysis of movement. Valuations are translated at end-of-period exchange rates.

The rates can be found in note 1 to the Consolidated Financial Statements.

r) Sensitivities

The key assumption changes represented by each of the sensitivities in Section 7 are as follows:

Operating Sensitivities

A 10 percent decrease in voluntary discontinuance rates means that, for example, a base assumption of 5 percent p.a. would decrease to 4.5 percent p.a.

A 10 percent decrease in maintenance expenses means that, for example, a base assumption of USD 30 p.a. would decrease to USD 27 p.a.

A 10 percent decrease in initial expenses and commissions was considered for new business values only.

A 5 percent improvement in mortality and morbidity assumptions for assurances means that, for example, if the base mortality assumption for assurances was 90 percent of a particular table, this would decrease to 85.5 percent.

A 5 percent improvement in mortality assumptions for annuities means that, for example, if the base mortality assumption for annuities was 90 percent of a particular table, this would decrease to 85.5 percent.

Economic Sensitivities

A 100 basis points increase and decrease (subject to a minimum of zero percent) was applied to the risk free yield curve across all durations.

A 10 percent fall in equity and property market values was assessed for embedded value only. This is not applicable for new business.

A 100 basis points increase in the discount rates means that, for example, a discount rate of 6 percent p.a. would increase to 7 percent p.a.

A 25 percent increase in implied equity and property volatilities means that, for example, a volatility of 20 percent p.a. would increase to 25 percent p.a.

A 25 percent increase in implied risk free volatilities means that, for example, a volatility of 20 percent p.a. would increase to 25 percent p.a.

In each sensitivity calculation, all other assumptions remain unchanged except where they are directly affected by the revised conditions. The results include any impact of the assumption changes on the time value of financial options and guarantees.

11. Embedded Value Assumptions

Projections of future shareholder cash flows expected to emerge from covered business and for new business are determined using best estimate operating assumptions. These assumptions, including mortality, morbidity, persistency and expenses, reflect recent experience and are actively reviewed. Allowance is made for future improvements in annuitant mortality based on experience and externally published data. Favorable changes in operating efficiency are not anticipated in the assumptions – in particular for expenses and persistency.

Future economic assumptions, for example, investment returns and inflation, are based on period end conditions and assumed risk discount rates are consistent with these. For new business, the future economic (and operating) assumptions are based on conditions at the start of the relevant quarter.

Details of the economic assumptions for the major economies in which Zurich Global Life carries out business can be downloaded in a spreadsheet from the Investors section at www.zurich.com.

a) Economic Assumptions

Market Consistent Framework

The Group has adopted a computational method known as "risk neutral". With this method the key economic assumptions are:

- risk free rates;
- implied volatilities of different assets; and,
- correlations between different asset returns.

Expected asset returns in excess of the risk free rate have no bearing on the calculated embedded value other than in the expected return used for the analysis of movement. The expected return for equities comprises an equity risk premium added to the beginning of period one year swap rate. The expected return on corporate bonds is equal to the beginning of period one year swap rate plus a risk premium estimated by comparing the market yield on corporate bonds with the swap rates for equivalent durations. In addition, a reduction must be made to the yield to allow for the expected level of defaults.

Choice of "Risk Free Yield Curve"

The risk free yield curve is derived from mid-market swap rates applicable to each economy as of December 31, 2009. These curves were used to extract forward reinvestment yields that are used for all asset classes. The yield curves are consistent with the assumptions used by investment banks to derive their option prices and their use ensures consistency with the derivation of implied volatilities. They also have the advantage of being available for most of the markets in which the Group operates. Domestic yield curves are used by businesses in other countries, except Hong Kong and Argentina which use US dollar, as their liabilities are principally US dollar dominated.

Implied Asset Volatility

The Group's embedded value model is based on market consistent assumptions. Interest volatility is derived from the implied volatility of interest rate swaptions. Swaption implied volatilities vary both by the term of the option and also the term of the underlying swap contract, a fact that is reflected in the economic scenarios. The equity volatilities are based on at-the-money forward European options on capital indices, consistent with traded options in the market. Volatility of property investments is derived from relevant historical return data for each modelled economy.

The Group did not believe that the market in the fourth quarter of 2008 represented a deep and liquid market and so chose to base its volatility assumptions for the twelve months ended 2008 on 12 month averages. For interest rate instruments, for the USD, GBP and EUR economies, the average was based on end-of-month volatilities from 2008. For the CHF interest rate volatility and equity derivatives in all economies, the average was based on end-of quarter data.

Inflation

Inflation assumptions have been derived from the yields on index linked bonds relative to the risk free yield curve, where index linked bonds exist. Elsewhere, a statistical approach based on past inflation has been used. Appropriate allowance has been made for expense inflation to exceed the assumed level of price inflation as life company expenses include a large element of salary related expenses.

Risk Discount Rate

Under the "risk neutral" approach, risk discount rates are based on the same risk free yield curves as those used to project the investment return.

For stochastic modeling, the risk discount rates are simulation specific and also vary by calendar year consistently with the projected risk free yields in each simulation.

Liquidity Premiums

The CFO Forum continues to develop suitable methodology to quantify the liquidity premium. In advance of completion of this work, the Group has chosen to continue its previous market-consistent approach with a liquidity premium of zero.

"Expected Return" for the Analysis of Movement – Investment Return Assumptions

The expected return for the analysis of movement is based on a projection from beginning of period to end-of-period. This requires assumptions regarding the investment returns expected to be achieved over the period on different asset classes. The investment return assumptions (for this purpose only) are based on the "real world" returns expected by the Group. The use of real world investment assumptions gives a more realistic basis for the expected return calculation and allows for the risk underlying each asset. Any under or over performance will be reported through economic variance.

For fixed interest assets, the "real world" investment return assumptions are based on the gross redemption yield on the assets, less an allowance for defaults where appropriate, together with an adjustment to reflect the change over the year implied in the yield curve assumptions.

For equity and property assets, the investment return assumptions are based on the 1 year swap rate at the beginning of period plus a margin to reflect the additional risk associated with investment in these asset classes.

These assumptions have been set by asset class and separately for each sub-fund in each life business in order to best reflect the actual assets held.

Participating Business

Rates of future bonus or crediting rates have been set at levels consistent with the risk neutral investment return assumptions and current bonus plans. In the UK, bonus rates have been set so as to exhaust any remaining assets in the relevant long-term funds. In certain scenarios shareholder injections may be required to meet existing guaranteed benefits and this additional cost is included in the TVOG.

In other European life businesses and in the U.S., bonuses have been set to be consistent with the investment return assumptions and with the book value approach used by these life businesses in practice. Existing practice, contractual and regulatory requirements as well as the reasonable expectations of policyholders are considered in setting bonuses.

Taxation

Current tax legislation and rates have been assumed to continue unaltered, except where changes in future tax rates or practices have been announced.

b) Operating assumptions

Demographic assumptions

The assumed future mortality, morbidity and lapse rates have been derived from recent operating experience and relevant industry statistics. Where operating experience or industry statistics are limited, the assumptions are derived from a best estimate of future developments and are subject to regular review as more experience emerges. Where appropriate, surrender and option take-up rate assumptions that vary according to the investment simulation under consideration have been used, based on our assessment of likely policyholder behavior.

Expense assumptions

Management expenses have been analyzed between expenses related to acquisition of new business, the maintenance of in force business and, where appropriate, one-off project costs. Future expense assumptions allow for expected levels of maintenance expenses. In addition, Corporate Center expenses relating to covered business have been allocated to business units and are reflected in assumed future expenses.

The maintenance expense assumptions allow for the expected cost of providing future service benefits in respect of the Group staff pension schemes. An adjustment to the embedded value is noted in Section 10.n for pension scheme liabilities under IAS 19 and no allowance is made in the expense assumptions for any contributions as a result of past service benefits.

No allowance has been made for future productivity improvements in the expense assumptions.

None of the life companies included in the embedded value is considered to be in a "start-up" situation and so no allowance has been made for future development expenses.

Where service companies have been valued on a look through basis, the value of profits or losses arising from these services have been included in the embedded value and new business value.

c) Dynamic decisions

To reflect more realistically the outcome of stochastic simulations, the assumptions for each simulation make allowance for the behaviors of policyholders and management actions in response to the investment conditions modeled.

In many life businesses, policyholders can exercise an option against the life company in certain circumstances, such as to surrender a policy. This leads to an increase in the assumed lapse rates when interest rates rise (or a corresponding reduction when interest rates fall). This dynamic effect in relation to lapse rates has been allowed for in the stochastic models.

The stochastic models allow, where appropriate, for management actions to change investment strategy in response to market conditions.

Embedded value results Global Life

in USD millions, for the twelve months ended December 31

	Americas		United Kingdom	
	2009	2008	**2009**	2008
Embedded value information:				
Opening embedded value	**2,570**	**2,775**	**2,895**	**4,880**
Dividends & capital movements start of period	71	(6)	3	(6)
New business value Global Life	136	121	95	90
Expected contribution	222	206	253	287
Experience variance	(11)	(13)	7	7
Assumption changes	(47)	35	6	(42)
Other operating variances	(26)	4	(54)	144
Operating earnings	**273**	**353**	**308**	**485**
Economic variance	218	(347)	210	(1,040)
Other non-operating variances	(21)	(43)	(210)	(155)
Embedded value earnings	**471**	**(37)**	**307**	**(710)**
Dividends & capital movements end of period	(7)	(98)	147	(171)
Foreign currency translation effects	49	(63)	321	(1,097)
Closing embedded value	**3,154**	**2,570**	**3,672**	**2,895**
New business information:				
Annual premiums	215	190	296	378
Single premiums	438	334	4,887	4,999
Annual premium equivalent (APE)	259	223	785	878
Present value of new business premiums (PVNBP)	1,794	1,609	6,913	7,272
New business value	**136**	**121**	**95**	**90**
New business margin (as % of APE)	52.4%	54.3%	12.1%	10.2%
New business margin (as % of PVNBP)	7.6%	7.5%	1.4%	1.2%
Returns				
Expected return	8.4%	7.4%	8.7%	5.9%
Operating return	10.3%	12.8%	10.6%	10.0%
Embedded value return	17.8%	(1.3%)	10.6%	(14.6%)

	Germany		Switzerland		Ireland		Spain		Emerging Markets in Asia		Rest of the World		Global Life	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	1,627	**2,086**	**1,284**	**1,895**	**1,086**	**1,217**	**657**	**457**	**1,328**	**1,174**	**1,371**	**1,451**	**12,818**	**15,935**
	47	(5)	(28)	–	–	(31)	(4)	(95)	(2)	63	(15)	70	72	(12)
	144	265	24	36	69	61	111	44	128	100	75	35	782	753
	74	96	110	120	39	62	20	41	53	61	69	91	840	964
	–	–	(11)	5	14	(2)	–	(2)	(20)	(74)	(17)	(6)	(37)	(84)
	84	22	91	11	(18)	12	(15)	(31)	81	20	2	8	184	35
	97	25	71	54	(17)	16	7	37	15	6	59	30	152	316
	398	**408**	**285**	**226**	**88**	**149**	**124**	**89**	**257**	**114**	**188**	**158**	**1,921**	**1,983**
	398	(813)	111	(874)	50	(197)	78	(178)	136	(108)	89	(253)	1,290	(3,811)
	(28)	137	305	91	(9)	–	(15)	–	(133)	235	(12)	(11)	(123)	253
	768	**(268)**	**701**	**(557)**	**130**	**(48)**	**187**	**(89)**	**259**	**240**	**265**	**(106)**	**3,088**	**(1,575)**
	(109)	(111)	(15)	(164)	–	–	(47)	435	(12)	136	2	76	(41)	103
	68	(76)	68	110	36	(52)	23	(50)	104	(285)	147	(119)	815	(1,633)
	2,401	**1,627**	**2,010**	**1,284**	**1,251**	**1,086**	**816**	**657**	**1,677**	**1,328**	**1,770**	**1,371**	**16,752**	**12,818**
	501	633	73	75	152	199	124	71	484	452	148	120	1,993	2,118
	1,213	570	451	483	1,577	1,283	5,843	2,231	445	735	1,890	799	16,743	11,433
	622	690	118	123	310	327	709	294	528	526	336	200	3,667	3,261
	4,955	6,681	1,102	1,177	2,374	2,277	6,510	2,632	2,554	2,579	3,313	1,656	29,515	25,883
	144	**265**	**24**	**36**	**69**	**61**	**111**	**44**	**128**	**100**	**75**	**35**	**782**	**753**
	23.1%	38.3%	20.1%	29.4%	22.4%	18.7%	15.7%	14.9%	24.2%	19.1%	22.4%	17.6%	21.3%	23.1%
	2.9%	4.0%	2.2%	3.1%	2.9%	2.7%	1.7%	1.7%	5.0%	3.9%	2.3%	2.1%	2.6%	2.9%
	4.4%	4.6%	8.7%	6.3%	3.6%	5.2%	3.1%	11.3%	4.0%	5.0%	5.1%	6.0%	6.5%	6.1%
	23.8%	19.6%	22.7%	12.0%	8.1%	12.6%	18.9%	24.6%	19.4%	9.2%	13.9%	10.4%	14.9%	12.5%
	45.9%	(12.9%)	55.8%	(29.4%)	11.9%	(4.0%)	28.7%	(24.7%)	19.5%	19.4%	19.6%	(7.0%)	24.0%	(9.9%)

Embedded value results Americas, Emerging Markets in Asia and Rest of the World

in USD millions, for the twelve months ended December 31	Americas					
	United States		Latin America		Total	
	2009	2008	**2009**	2008	**2009**	2008
Embedded value information:						
Opening embedded value	**2,271**	**2,432**	**299**	**342**	**2,570**	**2,775**
Dividends & capital movements start of period	69	(7)	2	1	71	(6)
New business value Global Life	100	91	36	30	136	121
Expected contribution	201	184	22	22	222	206
Experience variance	(8)	(12)	(3)	(1)	(11)	(13)
Assumption changes	(39)	45	(8)	(9)	(47)	35
Other operating variances	(74)	10	48	(6)	(26)	4
Operating earnings	**179**	**317**	**94**	**36**	**273**	**353**
Economic variance	167	(335)	52	(13)	218	(347)
Other non-operating variances	(24)	(49)	3	6	(21)	(43)
Embedded value earnings	**322**	**(67)**	**149**	**30**	**471**	**(37)**
Dividends & capital movements end of period	(7)	(87)	–	(10)	(7)	(98)
Foreign currency translation effects	–	–	49	(63)	49	(63)
Closing embedded value	**2,655**	**2,271**	**499**	**299**	**3,154**	**2,570**
New business information:						
Annual premiums	91	94	124	96	215	190
Single premiums	60	68	378	266	438	334
Annual premium equivalent (APE)	97	101	161	122	259	223
Present value of new business premiums (PVNBP)	1,013	947	781	662	1,794	1,609
New business value	**100**	**91**	**36**	**30**	**136**	**121**
New business margin (as % of APE)	102.5%	90.4%	22.1%	24.6%	52.4%	54.3%
New business margin (as % of PVNBP)	9.8%	9.6%	4.6%	4.5%	7.6%	7.5%
Returns						
Expected return	8.6%	7.6%	7.2%	6.4%	8.4%	7.4%
Operating return	7.7%	13.1%	31.2%	10.6%	10.3%	12.8%
Embedded value return	13.7%	(2.7%)	49.4%	8.6%	17.8%	(1.3%)

[1] In the 2008 embedded value report ZIS new business value included USD 7 million of development costs that were incurred centrally, these are now shown separately in Emerging Markets in Asia under Other.

	Emerging Markets in Asia								Rest of the World					
	ZIS[1]		Hong Kong		Other		Total		Italy		Other		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	1,002	**830**	**336**	**344**	**(9)**	**–**	**1,328**	**1,174**	**539**	**571**	**831**	**879**	**1,371**	**1,451**
	–	31	(2)	32	–	–	(2)	63	–	130	(15)	(60)	(15)	70
	112	91	16	17	–	(7)	128	100	30	26	46	10	75	35
	29	40	23	21	–	–	53	61	35	43	34	48	69	91
	(12)	(50)	(8)	(25)	–	–	(20)	(74)	(8)	(6)	(9)	(1)	(17)	(6)
	110	27	(29)	(7)	–	–	81	20	(2)	(5)	4	13	2	8
	25	17	2	(4)	(11)	(7)	15	6	1	13	58	17	59	30
	264	**126**	**4**	**2**	**(11)**	**(14)**	**257**	**114**	**55**	**71**	**133**	**87**	**188**	**158**
	108	(20)	28	(88)	–	–	136	(108)	156	(248)	(67)	(5)	89	(253)
	(119)	230	(15)	5	–	–	(133)	235	(16)	(8)	4	(3)	(12)	(11)
	253	**336**	**18**	**(81)**	**(11)**	**(14)**	**259**	**240**	**196**	**(185)**	**70**	**79**	**265**	**(106)**
	–	93	(12)	39	–	5	(12)	136	5	49	(3)	26	2	76
	105	(287)	–	2	(1)	–	104	(285)	22	(26)	125	(93)	147	(119)
	1,360	**1,002**	**339**	**336**	**(22)**	**(9)**	**1,677**	**1,328**	**762**	**539**	**1,008**	**831**	**1,770**	**1,371**
					–	–								
					–	–								
	410	378	74	75	–	–	484	452	81	63	67	57	148	120
	432	710	13	25	–	–	445	735	661	585	1,229	214	1,890	799
	453	449	75	77	–	–	528	526	147	122	190	78	336	200
	2,263	2,220	290	359	–	–	2,554	2,579	1,476	981	1,837	675	3,313	1,656
	112	**91**	**16**	**17**	**–**	**(7)**	**128**	**100**	**30**	**26**	**46**	**10**	**75**	**35**
	24.7%	20.3%	21.4%	21.6%	n/a	n/a	24.2%	19.1%	20.1%	21.1%	24.1%	12.2%	22.4%	17.6%
	4.9%	4.1%	5.6%	4.6%	n/a	n/a	5.0%	3.9%	2.0%	2.6%	2.5%	1.4%	2.3%	2.1%
	2.9%	4.7%	6.9%	5.6%	n/a	n/a	4.0%	5.0%	6.4%	6.2%	4.2%	5.8%	5.1%	6.0%
	26.3%	14.6%	1.3%	0.5%	n/a	n/a	19.4%	9.2%	10.3%	10.2%	16.3%	10.6%	13.9%	10.4%
	25.2%	39.0%	5.3%	(21.6%)	n/a	n/a	19.5%	19.4%	36.3%	(26.4%)	8.5%	9.6%	19.6%	(7.0%)

Statement by Directors

This embedded value report has been prepared in all material respects in accordance with the Market Consistent Embedded Value Principles and Guidance issued by the European Insurance CFO Forum in October 2009.

The methodology and assumptions underlying the report are described in Sections 10 and 11.

Auditor's Report on Embedded Value

February 3, 2010

To the Board of Directors of
Zurich Financial Services Ltd
Zurich

Auditor's Report on Embedded Value

We have audited the Embedded Value Report ("EV Report") for the companies and business reported in Zurich Financial Services Ltd's Global Life segment included in pages 265 to 296 of the Financial Report 2009 for the year ended December 31, 2009. The embedded value information included in the EV Report has been prepared in accordance with the Market Consistent Embedded Value ("MCEV") Principles and Guidance issued by the European Insurance CFO Forum, as described on pages 282 to 288.

The Board of Directors is responsible for the preparation of the EV Report, including the applied methodology and the assumptions used. Our responsibility is to express an opinion on whether the EV Report has been properly prepared in accordance with the MCEV Principles and Guidance.

We conducted our audit in accordance with Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain rea-sonable assurance about whether the EV Report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the EV Report. An audit also includes assessing the principles used and significant estimates made by the Board of Directors, as well as evaluating the adequacy of the overall presentation of the EV Report. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the EV Report for the companies and business reported in Zurich Financial Services Ltd's Global Life segment for the year ended December 31, 2009 has been properly prepared in accordance with the MCEV Principles and Guidance.

This report has been prepared solely for the Board of Directors of Zurich Financial Services Ltd in accordance with the terms of our engagement letter. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown except where explicitly agreed by our prior consent in writing. This report does not extend to any financial statements of Zurich Financial Services Ltd.

PricewaterhouseCoopers AG

Patrick Shouvlin	Ray Kunz
Audit expert	Audit expert
Auditor in charge	

Principal activity and review of the year

Zurich Financial Services Ltd was incorporated on April 26, 2000 and is the holding company for the Zurich Financial Services Group with a principal activity of holding subsidiary companies. The company is listed on the SIX Swiss Exchange.

In December 2009, Zurich Financial Services Group completed an important step in the rationalization of its Group holding legal structure. As part of the overall legal restructuring Zurich Group Holding (ZGH), the Group's penultimate holding company has been merged with Zurich Financial Services Ltd. To enable this transaction, Allied Zurich Limited, a 100% owned subsidiary of Zurich Financial Services Ltd, sold its 42.3% share in ZGH to Zurich Financial Services Ltd on August 19, 2009. With the removal of these holding companies from the structure, Zurich Financial Services Ltd is now the immediate holding company of Zurich Insurance Company Ltd, the Group's main operating company. These transactions resulted in a net gain of CHF 2,642 million, which is included in other financial income.

Net income for the year was CHF 4,082 million compared with CHF 2,658 million in the prior year. The increase reflects the net gain from the restructuring of ZGH and Allied Zurich Limited offset by lower dividend income from subsidiary companies.

The Annual General Meeting on April 2, 2009, approved a gross dividend of CHF 11.00 per share. This gross dividend has been recognized through shareholders' equity.

On April 17, 2009, Zurich Financial Services Ltd placed 4,800,000 new shares issued under its authorized share capital and 1,914,096 existing treasury shares, bought back under the share buy-back program authorized in 2008, with institutional investors via an accelerated bookbuild. The proceeds of CHF 1.2 billion from the accelerated bookbuild were used in connection with the funding of the 21st Century acquisition.

The issuance of shares, net income for the year and the dividend paid in 2009 resulted in an increase in shareholders' equity to CHF 20,383 million as of December 31, 2009 from CHF 16,783 million as of December 31, 2008. The Board will propose a dividend of CHF 16 per share in respect of the year 2009 for approval at the Annual General Meeting to be held on March 30, 2010.

Income statements

in CHF thousands, for the years ended December 31	Notes	2009	2008
Revenues			
Interest income		249,729	244,463
Dividend income		1,500,594	2,708,654
Other financial income	3	2,704,381	46,162
Total revenues		4,454,704	2,999,279
Expenses			
Administrative expense	4	(55,279)	(12,301)
Other financial expense	5	(306,687)	(306,534)
Tax expense	6	(10,333)	(22,407)
Total expenses		(372,298)	(341,242)
Net income		**4,082,406**	**2,658,037**

Balance sheets

Assets

in CHF thousands, as of December 31	Notes	2009	2008
Non-current assets			
Investments in subsidiaries	7	11,678,292	10,953,361
Subordinated loans to subsidiaries	8	10,293,539	4,000,000
Total non-current assets		21,971,831	14,953,361
Current assets			
Cash and cash equivalents		11,341	1,081
Loans to subsidiaries		691,320	2,546,345
Own shares		415,945	850,613
Receivable from third parties		5	–
Accrued income from subsidiaries		6,482	100,446
Derivatives with subsidiaries		400	650
Total current assets		1,125,493	3,499,135
Total assets		**23,097,324**	**18,452,497**

Liabilities and shareholder's equity

Short-term liabilities			
Loans from subsidiaries		2,086,058	1,653,549
Other liabilities to third parties		35,632	14,828
Other liabilities to shareholders		239	199
Accrued liabilities to subsidiaries		15,179	–
Accrued liabilities to third parties		400	730
Derivatives with subsidiaries		3,585	–
Total short-term liabilities		2,141,093	1,669,306
Long-term liabilities			
Long-term loans from subsidiaries		542,555	–
Provisions		31,092	–
Total long-term liabilities		573,647	–
Total liabilities		2,714,740	1,669,306
Shareholders' equity (before appropriation of available earnings)			
Share capital	10	14,747	14,212
Legal reserves:			
General legal reserve		*10,551,524*	*9,525,071*
Reserve for treasury shares	11	*887,906*	*1,575,468*
Free reserve		3,425,820	2,738,258
Retained earnings:			
As of January 1		*2,930,181*	*2,360,275*
Dividends paid		*(1,510,001)*[1]	*(2,088,131)*[2]
As of January 1, adjusted for appropriations		*1,420,180*	*272,144*
Net income		4,082,406	2,658,037
Retained earnings, as of December 31		5,502,586	2,930,181
Total shareholders' equity (before appropriation of available earnings)		20,382,584	16,783,191
Total liabilities and shareholders' equity		**23,097,324**	**18,452,497**

[1] Dividends paid in the year, proposed in respect of the 2008 result
[2] Dividends paid in the year, proposed in respect of the 2007 result

Notes to the financial statements

1. Basis of Presentation

Zurich Financial Services Ltd (the Company) presents its financial statements in accordance with Swiss law.

Unless otherwise stated all amounts in these financial statements including the notes are shown in Swiss franc thousands, rounded to the nearest thousand.

2. Summary of significant accounting policies

a) Exchange rates

Unless otherwise stated, assets and liabilities expressed in currencies other than Swiss francs are translated at year-end exchange rates. Revenues and expenses are translated using the exchange rate at the date of the transaction. Unrealized exchange losses are recorded in the statement of income and unrealized exchange gains are deferred until realized.

b) Investments in subsidiaries

Investments in subsidiaries are equity interests, held on a long-term basis for the purpose of the holding company's business activities. They are carried at a value no higher than their cost price less adjustments for impairment.

c) Own shares

Own shares are held at lower of cost or market value.

3. Other financial income

Other financial income includes CHF 2,642 million net realized capital gains resulting from the restructuring of the Company's immediate subsidiary holding companies, Zurich Group Holding (ZGH) and Allied Zurich Limited completed during 2009.

4. Administrative expense

Administrative expense includes directors' fees of CHF 3.6 million for 2009 and CHF 3.5 million for 2008, see note 14 page 311, and overhead fees of CHF 10 million for 2009 and CHF 7 million for 2008.

5. Other financial expense

Other financial expense includes CHF 75 million net losses on own shares for 2009 and CHF 250 million for 2008.

6. Taxes

The tax expense consists of income, capital and other taxes.

7. Investments in subsidiaries

In December 2009, ZGH, the Group's penultimate holding company, has been merged into Zurich Financial Services Ltd. To enable this transaction, Allied Zurich Ltd., a 100% owned subsidiary of Zurich Financial Services Ltd, had already sold its 42.3% share in ZGH to Zurich Financial Services Ltd on August 19, 2009. As of December 31, 2008, Zurich Financial Services Ltd held a 57.7% interest in ZGH with a carrying value of CHF 6,355 million. As a result of the merger with ZGH, Zurich Financial Services EUB Holdings Limited is now owned directly by the Company.

Investment in subsidiaries

as of December 31	2009		2008	
		Ownership		Ownership
	Carrying value[1]	in %	Carrying value[1]	in %
Zurich Insurance Company Ltd	11,087,485	100.00	2,750	0.06
Zurich Financial Services EUB Holding Ltd	554,754	99.90	–	0.00
Allied Zurich Limited	175	100.00	4,595,865	100.00
Zurich Group Holding	–	0.00	6,354,746	57.70
Other investments in subsidiaries	35,878	–	–	–
Total	**11,678,292**	**–**	**10,953,361**	**–**

[1] in CHF thousands

8. Subordinated loans to subsidiaries

Subordinated loans of CHF 4,000 million and CHF 6,132 million have been made to the company's subsidiary, Zurich Insurance Company Ltd.

9. Commitments and contingencies

Zurich Financial Services Ltd has provided unlimited guarantees in support of various entities belonging to the Zurich Capital Markets group of companies. In addition, Zurich Financial Services Ltd has agreed with the Superintendent of Financial Institutions, Canada, to provide additional capital in case the applicable capital adequacy tests for the Canadian business are not met and to provide assistance in case of liquidity issues.

Zurich Financial Services Ltd has entered into various support agreements and guarantees for the benefit of certain of its subsidiaries and their directors. These contingencies amounted to CHF 15,851 million as of December 31, 2009 and CHF 4,714 million as of December 31, 2008. CHF 9,373 million of CHF 15,851 million relate to guarantees in the aggregate amount of GBP 5,595 million provided to a fully owned subsidiary and some of its directors in connection with the rationalization of the Group's top legal holding structure which resulted in the merger of Zurich Group Holding into Zurich Financial Services Ltd in December 2009. Furthermore, Zurich Financial Services Ltd has issued an unlimited guarantee in favour of the Institute of London Underwriters in relation to business transferred to Zurich Insurance Public Plc, from a group company, which no longer has insurance licenses.

Zurich Financial Services Ltd knows of no event that would require it to satisfy any of these guarantees or to take action under a support agreement.

10. Shareholders' equity

a) Issued share capital

As of December 31, 2009, Zurich Financial Services Ltd had 147,473,068 issued and fully paid registered shares of CHF 0.10 par value, amounting to total issued share capital of CHF 14,747,306.80. As of December 31, 2008, the share capital amounted to CHF 14,212,262.00, divided into 142,122,620 fully paid registered shares of CHF 0.10 par value.

As of December 31, 2008, Zurich Financial Services Ltd had bought back 3,750,500 of its registered shares over a second trading line within its buyback program authorized by the Board of Directors on February 13, 2008. In March 2009, the Board of Directors decided not to propose the destruction of these shares to the Annual General Meeting of shareholders but to keep the shares as treasury shares for use in connection with the funding of potential acquisitions in the future or for employee share-based compensation. This rededication of the shares has been approved by the Swiss Takeover Board.

At the Annual General Meeting on April 2, 2009 the shareholders approved an increase in both authorized and contingent share capital to a new maximum of CHF 1,000,000.00 each, allowing for enhanced financial flexibility of the company for future capital management. On April 17, 2009, Zurich Financial Services Ltd placed 4,800,000 new shares issued under its authorized share capital and 1,914,096 existing treasury shares, bought back under the share buy-back program authorized in 2008, with institutional investors via an accelerated bookbuild. This capital increase reduced the authorized but not issued capital to CHF 520,000. The proceeds from the accelerated bookbuild were used in connection with the funding of the 21st Century acquisition completed on July 1, 2009.

During the year 2009, a total of 550,448 shares were issued to employees out of the contingent capital.

At the Annual General Meeting on April 3, 2008, the shareholders approved a share capital reduction of CHF 343,250.00 from CHF 14,554,682.00 to CHF 14,211,432.00 by cancelling 3,432,500 registered shares that were bought back under the share buy-back program announced on February 15, 2007. The effective date of the capital reduction was June 27, 2008. During the year 2008, a total of 8,300 shares were issued to employees out of the contingent capital.

b) Authorized share capital

Until April 3, 2011, the Board of Zurich Financial Services Ltd is authorized to increase the share capital by an amount not exceeding CHF 520,000.00 by issuing up to 5,200,000 fully paid registered shares with a nominal value of CHF 0.10 each. An increase in partial amounts is permitted. The Board determines the date of issue of such new shares, the issue price, type of payment, conditions for exercising pre-emptive rights, and the beginning of dividend entitlement. The Board may issue such new shares by means of a firm underwriting by a banking institution or syndicate with a subsequent offer of those shares to current shareholders. The Board may allow the expiry of pre-emptive rights which have not been exercised, or it may place these rights as well as shares, the pre-emptive rights of which have not been exercised, at market conditions.

The Board is further authorized to restrict or withdraw the pre-emptive rights of shareholders and to allocate them to third parties if the shares are to be used for the take-over of an enterprise, or parts of an enterprise or of participations or if issuing shares for the financing including re-financing of such transactions, or for the purpose of expanding the scope of shareholders in connection with the quotation of shares on foreign stock exchanges.

c) Contingent share capital

Capital market instruments and option rights to shareholders

The share capital of Zurich Financial Services Ltd may be increased by an amount not exceeding CHF 1,000,000.00 by the issuance of up to 10,000,000 fully paid registered shares with a nominal value of CHF 0.10 each (i) by exercising of conversion and/or option rights which are granted in connection with the issuance of bonds or similar debt instruments by Zurich Financial Services Ltd or one of its Group companies in national or international capital markets; and/or (ii) by exercising option rights which are granted to current shareholders. When issuing bonds or similar debt instruments connected with conversion and/or option rights, the pre-emptive rights of the shareholders will be excluded. The current owners of conversion and/or option rights shall be entitled to subscribe for the new shares. The conversion and/or option conditions are to be determined by the Board.

The Board of Directors is authorized, when issuing bonds or similar debt instruments connected with conversion and/or option rights, to restrict or withdraw the right of shareholders for advance subscription in cases where such bonds are issued for the financing or re-financing of a takeover of an enterprise, of parts of an enterprise, or of participations. If the right for advance subscription is withdrawn by the Board, the convertible bond or warrant issues are to be offered at market conditions (including standard dilution protection provisions in accordance with market practice) and the new shares are issued at then current convertible bond or warrant issue conditions. The conversion rights may be exercisable during a maximum of ten years and option rights for a maximum of seven years from the time of the respective issue. The conversion or option price or its calculation methodology shall be determined in accordance with market conditions, whereby for shares of Zurich Financial Services Ltd the quoted share price is to be used as a basis.

Employee participation
On February 14, 2007, the Board of Directors of Zurich Financial Services Ltd decided to allow the issuance of up to 4,000,000 shares out of the contingent share capital to employees of the Group. A respective proposal for the increase of the contingent share capital was made by the Board of Directors to the shareholders and was approved at the Annual General Meeting on April 3, 2007. On January 1, 2008, the contingent share capital, to be issued to employees of Zurich Financial Services Ltd and Group companies, amounted to CHF 320,257.90 or 3,202,579 fully paid registered shares with a nominal value of CHF 0.10 each. During 2009 and 2008, 550,448 and 8,300 shares, respectively, were issued to employees out of the contingent share capital under the program described above. As a result, on December 31, 2009 and 2008, respectively, the remaining contingent share capital, which can be issued to employees of Zurich Financial Services Ltd and its subsidiaries, amounted to CHF 264,383.10 and CHF 319,427.90 or 2,643,831 and 3,194,279 fully paid registered shares, respectively, with a nominal value of CHF 0.10 each. The pre-emptive rights of the shareholders, as well as the right for advance subscription, are excluded. The issuance of shares or respective option rights to employees is subject to one or more regulations to be issued by the Board of Directors and take into account performance, functions, levels of responsibility and criteria of profitability. Shares or option rights may be issued to the employees at a price lower than that quoted on the stock exchange.

11. Reserve for treasury shares

This reserve fund corresponds to the purchase value of all Zurich Financial Services Ltd shares held by companies in the Zurich Financial Services Group as shown in the table below.

Reserve for treasury shares

	Number of shares 2009	**Purchase value 2009[1]**	Number of shares 2008	Purchase value 2008[1]
As of January 1	5,219,803	1,575,468	5,839,154	2,028,863
Additions during the year	1,410,162	343,345	3,750,700	1,100,609
Sales during the year	(3,360,627)	(1,030,907)	(937,551)	(304,107)
Decrease due to share cancellations			(3,432,500)	(1,249,897)
As of December 31	**3,269,338**	**887,906**	**5,219,803**	**1,575,468**
Average purchase price of additions, in CHF		243		293
Average selling price, in CHF		212		264

[1] in CHF thousands

In its meeting of February 3, 2010, the Board of Directors decided to propose to the Annual General Meeting 2010 the destruction of the remaining 1,836,404 shares from the share buyback program authorized by the Board of Directors on February 13, 2008. Since their rededication in March 2009 these shares were held as treasury shares for use in connection with the funding of potential acquisitions in the future or for employee share-based compensation plans.

12. Shareholders

The shares registered in the share ledger as of December 31, 2009, were owned by 117,331 shareholders of which 111,529 were private individuals holding 21.0% of the shares (or 12.8% of all outstanding shares), 2,047 were foundations and pension funds holding 7.9% of the shares (or 4.8% of all outstanding shares), and 3,755 were other legal entities holding 71.1% of the shares (or 43.3% of all outstanding shares).

According to the information available on December 31, 2009, no shareholder of Zurich Financial Services Ltd held more than 5% of the voting rights of the issued share capital.

Information required by art. 663c paragraph 3 of the Swiss Code of Obligations on the share and option holdings of the members of the Board of Directors and the members of the Group Executive Committee are disclosed in note 15.

13. Information on the risk assessment process

Refer to the disclosures in the Risk Review on pages 97 to 135 of this Financial Report.

14. Remuneration of the Board of Directors and the Group Executive Committee

This note sets out details of the compensation of the Board of Directors and of the members of the Group Executive Committee (GEC) in accordance with the information required by article 663bbis of the Swiss Code of Obligations. This information should be read in connection with the unaudited Remuneration Report, set out on pages 50 to 67, in which additional details of the remuneration principles and plans can be found.

The compensation paid to the Directors for their Board membership of Zurich Financial Services Ltd, the holding company of the Group, and Zurich Insurance Company Ltd is paid entirely by Zurich Financial Services Ltd. The fees for Mr de Swaan's additional Board membership in Zurich Insurance plc and for the additional Board memberships of Mrs Bies and Mr Nicolaisen in Zurich Holding Company of America (ZHCA) are paid by the respective companies. Compensation paid to the members of the GEC is not paid by Zurich Financial Services Ltd, but by the Group entities where they are employed. The compensation shown below includes the compensation that the members of the Board and the GEC received for all their functions in the Group. As the financial statements of the holding company are presented in Swiss francs, all figures are shown in Swiss francs, despite the fact that the fees paid by Zurich Financial Services Ltd to the Directors are defined in U.S. dollars. To be consistent with the figures in the unaudited Remuneration Report the totals of the remuneration paid to the members of the Board and the GEC are also presented in U.S. dollars, as set out in that report. Year-on-year comparison in Swiss francs is affected by the actual exchange rates during the year.

Remuneration of Directors

The following tables set out the total fees paid to Directors of Zurich Financial Services Ltd. All the Directors are also Directors of Zurich Insurance Company Ltd. The Directors receive a combined fee for their work in connection with Zurich Financial Services Ltd and Zurich Insurance Company Ltd. In addition, Mr. de Swaan is a member of the Board of Zurich Insurance plc in Ireland and during 2009 Mrs Bies and Mr Nicolaisen have been elected members of the Board in Zurich Holding Company of America (ZHCA). There were no changes in the fee structure in 2009 compared with 2008. A fixed portion of the fee was allocated towards the provision of sales-restricted Zurich Financial Services Ltd shares. As in 2008 the portion for the Chairman was set at USD 233,500 (CHF 254,824 for 2009 and CHF 250,846 for 2008), and the portion for the other Board of Directors at USD 68,500 (CHF 74,756 for 2009 and CHF 73,590 for 2008). The overall fees are set out in the following tables:

Directors' fees 2009

in CHF [1]	2009[2]						
	Basic Fee	Committee Fee[3]	Chair Fee[4]	U.S. Residence Fee/Other[5]	Total Fees	Of which paid in Cash[6]	Of which allocated in Shares[7,8]
M. Gentz, Chairman[9]	763,926	–	–	–	763,926	509,102	254,824
Ph. Pidoux, Vice Chairman[9]	360,137	–	–	–	360,137	285,381	74,756
S. Bies, Member	223,721	43,653	–	21,827 [10]	289,201	214,445	74,756
V. Chu, Member	223,721	43,653	–	–	267,374	192,618	74,756
Th. Escher, Member	223,721	43,653	–	–	267,374	192,618	74,756
F. Kindle, Member	223,721	43,653	–	–	267,374	192,618	74,756
A. Meyer, Member	223,721	43,653	–	–	267,374	192,618	74,756
D. Nicolaisen, Member	223,721	43,653	32,739	21,827 [10]	321,940	247,184	74,756
V.L. Sankey, Member	223,721	43,653	21,827	–	289,201	214,445	74,756
T. de Swaan, Member	223,721	43,653	21,827	54,566 [10]	343,767	269,011	74,756
R. Watter, Member	223,721	43,653	–	–	267,374	192,618	74,756
Total in CHF[11]	**3,137,552**	**392,877**	**76,393**	**98,220**	**3,705,042**	**2,702,658**	**1,002,384**
Total in USD	**2,875,000**	**360,000**	**70,000**	**90,000**	**3,395,000**	**2,476,500**	**918,500**

Directors' fees 2008

in CHF [1]	2008[2]						
	Basic Fee	Committee Fee[3]	Chair Fee[4]	U.S. Residence Fee/Other[5]	Total Fees	Of which paid in Cash[6]	Of which allocated in Shares[7,12]
M. Gentz, Chairman[9]	752,011	–	–	–	752,011	501,165	250,846
Ph. Pidoux, Vice Chairman[9]	354,519	–	–	–	354,519	280,929	73,590
S. Bies, Member[13]	163,338	31,871	–	7,968	203,177	148,598	54,579
V. Chu, Member[13]	163,338	31,871	–	–	195,209	140,630	54,579
Th. Escher, Member	220,232	42,972	–	–	263,204	189,614	73,590
F. Kindle, Member	220,232	42,972	–	–	263,204	189,614	73,590
A. Meyer, Member	220,232	42,972	–	–	263,204	189,614	73,590
D. Nicolaisen, Member[14]	220,232	42,972	29,454	10,743	303,401	229,811	73,590
V.L. Sankey, Member	220,232	42,972	21,486	–	284,690	211,100	73,590
G. Schulmeyer, Member[13]	56,894	11,101	8,325	2,775	79,095	79,095	–
T. de Swaan, Member[15]	220,232	42,972	15,935	32,408 [16]	311,547	237,957	73,590
R. Watter, Member	220,232	42,972	–	–	263,204	189,614	73,590
Total in CHF[11]	**3,031,724**	**375,647**	**75,200**	**53,894**	**3,536,465**	**2,587,741**	**948,724**
Total in USD	**2,822,042**	**349,667**	**69,999**	**50,167**	**3,291,875**	**2,408,767**	**883,108**

[1] The total fees (including the portion allocated in shares) provided to Directors by Zurich Financial Services Ltd amounted to CHF 3,705,042 for 2009 and to CHF 3,536,465 for 2008, calculated on the basis of the exchange rates at the dates of payment. These amounts, except for the fees earned by Mr de Swaan for his Board membership in Zurich Insurance plc and for the additional Board memberships of Mrs Bies and Mr Nicolaisen in Zurich Holding Company of America (ZHCA), are reflected in the income statement of the holding company. As the fees of the Directors are actually defined in U.S. dollars and the total of fees in U.S. dollars amounts to USD 3,395,000 for 2009 and to USD 3,291,875 for 2008, the average exchange rates were USD/CHF 1.0913 for 2009 and USD/CHF 1.0743 for 2008. All figures shown in Swiss francs in the above table have been translated from US dollars using the relevant average exchange rate.

[2] The remuneration shown in the tables does not include any business-related expenses incurred in the performance of Board members' services.

[3] Committee members receive a cash fee of USD 40,000 for all Committees on which they serve, irrespective of the number. The Committees on which the Board members serve are set out in the Corporate Governance Report on page 29.

[4] Committee chairs receive an annual fee of USD 20,000 and the chair of the Audit Committee receives an additional USD 10,000. The Committees on which the Board members serve and the chairs are set out in the Corporate Governance Report on page 29.

[5] Directors who reside in the United States receive a fee of USD 10,000 per annum.

[6] The cash fees are defined in U.S. dollars, but paid in the actual currencies where the Board members reside, based on the relevant exchange rate at the dates of the payment.

[7] The shares allocated to the Directors are sales-restricted for three years.

[8] As of June 30, 2009, Mr Gentz was allocated 1,296 shares and the other Board members 380 shares based on a full year's membership. The share price (CHF 197.10) and the exchange rate (USD/CHF 1.0942) as of June 15, 2009, were adopted to calculate the number of shares based on the fixed portion of the fee allocated in shares for the respective members. Where the value of the allocated shares did not equal the value of the portion of the fee to be allocated in shares, the difference was paid in cash. The amounts shown in the table above reflect the fixed amount in U.S. dollars (translated into Swiss francs) of the portion of the fee to be allocated in shares.

[9] Neither the Chairman nor the Vice Chairman receive any additional fees for their Committee work.

[10] In addition to the fees received as Directors of Zurich Financial Services Ltd and Zurich Insurance Company Ltd, Mrs Bies, Mr Nicolaisen and Mr de Swaan earned fees for their board memberships of the following Zurich Financial Group companies:
– Mrs Bies, Mr Nicolaisen a pro rata fee of USD 10,000 for their membership on the board of Zurich Holding Company of America (ZHCA) since October 19, 2009 (based on an annual fee of USD 40,000). The amounts shown in the table also include a US Residence Fee of USD 10,000.
– Mr de Swaan earned an annual fee of USD 40,000 for his membership of the board of Zurich Insurance plc and an annual fee of USD 10,000 for being Chair of the audit committee of Zurich Insurance plc in Ireland.

[11] In line with applicable laws, Zurich paid the company-related portion of contributions to social security systems, which amounted to USD 80,670 (CHF 87,371) in 2009. The corresponding contributions amounted to USD 69,305 (CHF 74,454) in 2008. Any personal contributions of the Directors to social security systems are included in the amounts shown in the table above.

[12] As of June 30, 2008, Mr Gentz was allocated 861 shares and the other Board members 252 shares based on a full year's membership. The share price (CHF 284.00) and the exchange rate (USD/CHF 1.0476) as of June 15, 2008, were adopted to calculate the number of shares based on the fixed portion of the fee allocated in shares for the respective members. Where the value of the allocated shares did not equal the value of the portion of the fee to be allocated in shares, the difference was paid in cash. The amounts shown in the table above reflect the fixed amount in U.S. dollars (translated into Swiss francs) of the portion of the fee to be allocated in shares.

[13] The following Board membership changes occurred in 2008:
– Mrs Bies and Mr Chu joined the Board on April 3, 2008 and received pro rata fees in cash and shares for their Board work from that date.
– Mr Schulmeyer retired from the Board on April 3, 2008 and received a pro rata fee in cash for his Board work up to that date.

[14] Mr Nicolaisen became Chairman of the Audit Committee on April 3, 2008 following the retirement of Mr Schulmeyer. He received a pro rata fee for being Chair. Prior to that he was Chairman of the Risk Committee.

[15] Mr de Swaan became Chairman of the Risk Committee on April 3, 2008. He received a pro rata fee for being Chair.

[16] In addition to the fees he received as a Director of Zurich Financial Services Ltd and Zurich Insurance Company Ltd, Mr de Swaan earned a pro rata fee of USD 28,111 for his membership of the board of Zurich Insurance plc from April 17, 2008 (based on an annual fee of USD 40,000). He additionally also earned a pro rata fee of USD 2,056 for being Chair of the audit committee of Zurich Insurance plc from October 16, 2008 (based on an annual fee of USD 10,000).

The Directors' fees are not pensionable. None of the Directors received any benefits-in-kind or any other compensation other than those set out in the tables above.

Except for Mr Watter none of the Directors had outstanding loans, advances or credits as of December 31, 2009 or 2008. Unrelated to his Board membership and on terms and conditions available to other customers, Mr Watter had a collateralized policy loan of CHF 2.5 million outstanding as of December 31, 2009 and 2008. The annual interest rate charged on the loan is 4%.

No benefits (or waiver of claims) have been provided to former members of the Board during the year 2009, or during the year 2008. Neither had any former member of the Board outstanding loans, advances or credits as of December 31, 2009 or 2008.

No benefits (or waiver of claims) have been provided to related parties of the Directors or related parties of former members of the Board during the year 2009, nor during the year 2008. Neither had any related party of the Directors or of former members of the Board outstanding loans, advances or credits as of December 31, 2009 or 2008.

Remuneration of Group Executive Committee

The total remuneration of the members of the GEC for 2009 comprised the value of cash compensation, pensions, other remuneration and the value of the target equity grants made under the Group's Long-Term Incentive Plan in 2009 and is calculated on the same basis as in 2008. Overall compensation of the GEC members in total and the overall compensation of the highest paid executive are set out in the following tables:

All GEC members (incl. the highest paid)

in CHF million[1], [2] for the years ended December 31	**2009[3]**	2008[4]
Base compensation	12.00	14.50
Cash incentive awards earned for the year	15.50	14.40
Service Costs for pension benefits[5]	3.90	4.80
Value of other remuneration[6]	2.30	3.10
Value of target performance share and restricted share grants[7]	9.10	9.90
Value of target performance option grants[7]	9.10	9.90
Total in CHF million[8]	**51.90**	**56.60**
Total in USD million as shown in the Remuneration Report	**47.80**	**53.90**

[1] The figures have been translated from U.S. dollars into Swiss francs using the relevant exchange rates throughout the year.
[2] The remuneration shown in the table does not include any business related expenses incurred in the performance of the GEC members' services.
[3] On the basis of 11 GEC members of whom 10 served during the full year 2009.
[4] On the basis of 12 GEC members, all of whom served during the full year 2008.
[5] The amounts reflect the total value of pension benefits accruing to members of the GEC during 2009 and 2008, respectively, calculated on the basis of the Service Costs for the company as assessed under IAS 19 accounting principles. Service Costs value the amount of the pension benefits accruing during the year and for defined contribution plans takes the amount of the company contribution paid during the year. Service Costs do not include the interest cost on accrued benefits, adjustments for actuarial gains and losses, nor the expected return on any assets held.
[6] Includes employee benefits, expatriate allowances, perquisites, benefits-in-kind and any other payments due under employment contracts. Benefits-in-kind have been valued using market rates.
[7] The share and share option grants will vest in the future according to achievement of defined performance conditions. The value of the share and share options assumes that the grant will vest in the future at 100% of the target level with the valuation of the options based on the Black-Scholes option pricing model as set out in note 25 to the consolidated financial statements, the valuation of the target performance share grants based on the share price on the day prior to the grants (CHF 198.10 for 2009 and CHF 336.50 for 2008) and the valuation of the restricted share grants based on the share price on the date of the grants.
[8] In line with applicable laws where the executives are employed, Zurich paid the company related portion of contributions to social security systems, which amounted to USD 1.9 million (CHF 2.0 million) in 2009 and to USD 3.4 million (CHF 3.7 million) in 2008. Since the contributions are based on full earnings, whereas benefits are capped, there is not a direct correlation between the costs paid to the social security system and the benefits received by the executives.

Highest paid executive James J. Schiro, Chief Executive Officer

in CHF millions[1], [2] for the years ended December 31	2009	2008
Base compensation	1.60	1.60
Cash incentive awards earned for the year	4.20	2.40
Service Costs for pension benefits[3]	1.00	0.90
Value of other remuneration[4]	0.95	0.50
Value of target performance share and restricted share grants[5]	2.55	2.30
Value of target performance option grants[5]	2.55	2.30
Total in CHF million	**12.85**	**10.00**
Total in USD million as shown in the Remuneration Report	**11.85**	**9.55**

[1] The figures have been translated from U.S. dollars into Swiss francs using the relevant exchange rates throughout the year.
[2] The remuneration shown in the table does not include any business related expenses incurred in the performance of the CEO's services.
[3] The amounts reflect the total value of pension benefits, calculated on the basis of the Service Costs for the company as assessed under IAS 19 accounting principles. Service Costs value the amount of the pension benefits accruing during the year and for defined contribution plans takes the amount of the company contribution paid during the year. Service Costs do not include the interest cost on accrued benefits, adjustments for actuarial gains and losses, nor the expected return on any assets held.
[4] Includes employee benefits, expatriate allowances, perquisites, benefits-in-kind and any other payments due under the employment contract. Benefits-in-kind have been valued using market rates.
[5] The share and share option grants will vest in the future according to achievement of defined performance conditions. The value of the share and share options assumes that the grant will vest in the future at 100% of the target level with the valuation of the options based on the Black-Scholes option pricing model as set out in note 25 to the consolidated financial statements, the valuation of the target performance share grants based on the share price on the day prior to the grants (CHF 198.10 for 2009 and 336.50 for 2008) and the valuation of the restricted share grants based on the share price on the date of the grants.

As of December 31, 2009, and 2008, the total of loans, advances or credits outstanding from GEC members was CHF 1,073,000 and CHF 1,082,000, respectively. These loans represent mortgage loans, the terms of which are similar to those available to all employees in Switzerland. Mortgage loans are issued with a reduced interest rate of up to one percentage point less than the prevailing market interest rates on mortgage balances, up to a maximum of CHF 1,500,000. As of December 31, 2009 and 2008, the highest mortgage loan was held by Mr Lehmann (Group Chief Risk Officer), in the amount of CHF 773,000 (CHF 782,000 in 2008), which had an overall interest rate of 2.1% (2.6% in 2008).

One of the GEC members retired at the end of 2008. During 2009 one member retired at the end of April 2009 and another member retired at the end of the year. No termination payments were made.

No benefits (or waiver of claims) have been provided to former members of the GEC during the year 2009, nor during the year 2008.

Former members of the GEC are eligible to continue their mortgage loans following retirement on similar terms to those when they were employed, in line with the terms available to employees in Switzerland as stated above. In this respect, one former member, Mr Eckert, held an outstanding mortgage loan of CHF 2,500,000 as of December 31, 2009 (CHF 3,000,000 as of December 31, 2008), with a reduced interest rate of 2.0% (2.5% in 2008) applying on the first CHF 1,000,000 (CHF 1,500,000 in 2008). Apart from this, no former members of the GEC had any outstanding loans, advances or credits as of December 31, 2009, and 2008.

No benefits (or waiver of claims) have been provided to related parties of GEC members or related parties of former members of the GEC during the year 2009 or 2008. Neither had any related party of GEC members or of former members of the GEC outstanding loans, advances or credits as of December 31, 2009 or 2008.

15. Shareholdings of the Board of Directors and the Group Executive Committee

Share and share option holdings of the Directors and of the members of the Group Executive Committee (GEC), who held office at December 31, 2009 and 2008, are set out below in accordance with the information required by article 663c paragraph 3 of the Swiss Code of Obligations. This information is also included in the unaudited Remuneration report, set out on pages 50 to 67 of the Financial Report in which additional details can be found.

Shareholdings of Directors

Directors' shareholdings

Number of Zurich Financial Services Ltd shares[1], as of December 31	Ownership of shares	
	2009	2008
M. Gentz, Chairman	4,274	2,978
Ph. Pidoux, Vice Chairman	2,850	2,470
S. Bies, Member	567	187
V. Chu, Member	567	187
Th. Escher, Member	5,850	5,470
F. Kindle, Member	10,850	10,470
A. Meyer, Member	2,174	1,794
D. Nicolaisen, Member	850	470
V.L. Sankey, Member	2,020	1,640
T. de Swaan, Member	850	470
R. Watter, Member	3,818	3,438
Total	**34,670**	**29,574**

[1] None of the Directors together with related parties to them held more than 0.5% of the voting rights as at December 31, 2009 or 2008, respectively.

All interests are beneficial, include sales-restricted shares allocated to the members as part of their fees and shares held by related parties of the Directors.

None of the Directors, nor any related party of a Director, hold any share options or conversion rights over Zurich Financial Services Ltd shares as of December 31, 2009 or 2008.

Share and share option holdings of the Group Executive Committee members

The following table sets out the actual share and share option holdings of GEC members as of December 31, 2009 and 2008. In addition to any shares acquired in the market, the numbers include vested shares, whether sales-restricted or not, and vested share options received under the Group's Long-Term Incentive Plan. However, the table does not include the share interests of the members of the GEC through their participation in the currently unvested performance shares, unvested restricted shares or unvested performance share options.

All interests are beneficial and include Zurich Financial Services Ltd shares or share options held by parties related to the GEC members. One vested option gives the right to one share with normal voting and dividend rights. Further details on the overall number of share options allocated under the Group's Long-Term Incentive Plan and the terms of the options are set out in the tables "Summary of outstanding options.

Share and vested share option holdings of the GEC members

Number of vested shares and vested share options[1], as of December 31	2009		2008	
	Ownership of shares	Ownership of vested options over shares[2]	Ownership of shares	Ownership of vested options over shares[2]
J.J. Schiro, Chief Executive Officer[3]	97,426	286,165	85,726	230,415
J. Amore, Chief Executive Officer General Insurance	19,264	82,522	19,606	76,096
A. Court, Chief Executive Officer Europe General Insurance	6,722	16,515	3,062	5,696
M. Foley, Chief Executive Officer North America Commercial	6,696	11,696	4,107	3,857
M. Greco, Chief Executive Officer Global Life	2,403	5,076	492	–
P. Hopkins, Chairman of the Board of Farmers Group, Inc. & Chief Executive Officer Americas	5,932	33,662	6,678	21,184
A. Lehmann, Group Chief Risk Officer	15,174	56,257	13,066	49,871
P. O'Sullivan[4]	n.a.	n.a.	15,848	54,315
G. Riddell, Chairman of Global Corporate & Chief Executive Officer Asia-Pacific and Middle East	16,918	52,533	12,410	44,846
M. Senn, Chief Investment Officer	11,662	31,729	6,780	16,019
P. van de Geijn[5]	n.a.	n.a.	10,952	44,034
D. Wemmer, Chief Financial Officer	12,612	48,868	9,267	36,630
Total	**194,809**	**625,023**	**187,994**	**582,963**

[1] None of the GEC members together with parties related to them held more than 0.5% of the voting rights as at December 31, 2009 or 2008, either directly or through share options.
[2] The distribution of the vested options according to the grants identified in the tables "Summary of outstanding options" is shown in the table below.
[3] Includes an amount of 3,800 shares as of December 31, 2009 and 2008, for Mr Schiro, which are held by family run charitable foundations.
[4] Mr O'Sullivan retired from the GEC on April 30, 2009.
[5] Mr van de Geijn retired from the GEC on December 31, 2008.

The following tables show how the totals of vested share options owned by GEC members as of December 31, 2009 and 2008, are distributed according to the grants identified in the tables "Summary of outstanding options."

Distribution of vested share options 2009

Number of vested share options as of December 31, 2009	Year of grant							Total
	2008	2007	2006	2005	2004	2003	2001	
J.J. Schiro	22,730	56,980	83,690	98,567	24,198	–	–	286,165
J. Amore	6,440	15,865	17,893	17,269	15,913	–	9,142	82,522
A. Court	5,585	10,930	–	–	–	–	–	16,515
M. Foley	4,293	7,403	–	–	–	–	–	11,696
M. Greco	5,076	–	–	–	–	–	–	5,076
P. Hopkins	4,830	11,899	13,420	10	3,503	–	–	33,662
A. Lehmann	6,344	11,899	13,420	15,962	8,632	–	–	56,257
G. Riddell	5,319	13,014	12,194	15,633	6,373	–	–	52,533
M. Senn	6,344	13,583	11,802	–	–	–	–	31,729
D. Wemmer	6,873	14,715	11,802	12,850	2,628	–	–	48,868
Total	**73,834**	**156,288**	**164,221**	**160,291**	**61,247**	**–**	**9,142**	**625,023**

Distribution of vested share options 2008

Number of vested share options as of December 31, 2008	Year of grant							Total
	2007	2006	2005	2004	2003	2002	2001	
J.J. Schiro	30,166	61,857	98,567	24,198	–	15,627	–	230,415
J. Amore	8,268	13,002	17,269	15,913	–	12,502	9,142	76,096
A. Court	5,696	–	–	–	–	–	–	5,696
M. Foley	3,857	–	–	–	–	–	–	3,857
M. Greco	–	–	–	–	–	–	–	–
P. Hopkins	6,201	9,752	10	3,503	–	1,718	–	21,184
A. Lehmann	6,201	9,752	15,962	8,632	5,363	3,961	–	49,871
P. O'Sullivan[1]	8,815	11,311	19,955	11,647	–	2,587	–	54,315
G. Riddell	6,782	8,861	15,633	6,373	5,694	1,503	–	44,846
M. Senn	7,342	8,677	–	–	–	–	–	16,019
P. van de Geijn[2]	7,074	9,848	17,386	9,726	–	–	–	44,034
D. Wemmer	7,954	8,677	12,850	2,628	3,290	1,231	–	36,630
Total	**98,356**	**141,737**	**197,632**	**82,620**	**14,347**	**39,129**	**9,142**	**582,963**

[1] Retired from the GEC on April 30, 2009.
[2] Retired from the GEC on December 31, 2008.

The following tables set out additional details of the options outstanding for members of the GEC as at December 31, 2009 and 2008, respectively. Further details can be found in the unaudited Remuneration report, pages 50 to 67.

Summary of outstanding options 2009

as of December 31, 2009

Year of grant	Number of options vested	Number of options unvested	Total number of shares under option	Exercise price per share CHF	Year of expiry
2009	–	143,228	143,228	198.10	2016
2008	73,834	82,861	156,695	336.50	2015
2007	156,288	41,061	197,349	355.75	2014
2006	164,221	–	164,221	308.00	2013
2005	160,291	–	160,291	206.40	2012
2004	61,247	–	61,247	213.25	2011
2003	–	–	–	120.50	2010
2001	9,142	–	9,142	322.30	2012
Total	**625,023**	**267,150**	**892,173**		

Summary of outstanding options 2008

as of December 31, 2008

Year of grant	Number of options vested	Number of options unvested	Total number of shares under option	Exercise price per share CHF	Year of expiry
2008	–	148,154	148,154	336.50	2015
2007	98,356	99,300	197,656	355.75	2014
2006	141,737	38,181	179,918	308.00	2013
2005	197,632	–	197,632	206.40	2012
2004	82,620	–	82,620	213.25	2011
2003	14,347	–	14,347	120.50	2010
2002	39,129	–	39,129	331.10	2009
2001	9,142	–	9,142	322.30	2012
Total	**582,963**	**285,635**	**868,598**		

Proposed appropriation of available earnings

as of December 31	2009	2008
Registered shares eligible for dividends		
Eligible shares	147,473,068	142,122,620

in CHF thousands	2009	2008
Appropriation of available earnings as proposed by the Board of Directors		
Net income	4,082,406	2,658,037
Balance brought forward	1,420,180	272,144
Retained earnings	5,502,586	2,930,181
Dividend	(2,359,569)[2]	(1,510,001)[1]
Balance carried forward	3,143,017 [2]	1,420,180 [1]

[1] These figures are based on the issued share capital on April 7, 2009. The proposed dividend published in the Annual Report 2008 was CHF 1,563,349 thousand resulting in a balance carried forward of CHF 1,366,832 thousand. The difference is due to the purchase of treasury shares and a resolution of the Board of Directors on February 14, 2007, according to which, contingent capital shares for employees have been issued (as described in note 10).
Treasury shares are not entitled to dividends.

[2] These figures are based on the issued share capital as of December 31, 2009. They may change following a resolution of the Board of Directors dated February 14, 2007, according to which the remaining contingent capital shares for employees may be issued (as described in note 10).
Treasury shares are not entitled to dividends.

The Board of Directors proposes a dividend of CHF 16 per share to the Annual General Meeting on March 30, 2010.

If this proposal is approved, a payment of CHF 10.40 per share, after deduction of 35% Swiss withholding tax, is expected to be paid starting from April 8, 2010, free of charge and in accordance with dividend payment instructions.

Zurich, February 3, 2010

On behalf of the Board of Directors of Zurich Financial Services Ltd

Manfred Gentz

Report of the Statutory Auditor

To the General Meeting of Zurich Financial Services Ltd, Zurich

As statutory auditor, we have audited the financial statements of Zurich Financial Services Ltd, which comprise the income statement, balance sheet and notes (pages 305 to 319), for the year ended December 31, 2009.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2009 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings (page 320) complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Richard Burger	Raphael Kissling
Audit expert	Audit expert
Auditor in charge	

Zurich, February 3, 2010

Auditor's Confirmation

To the Board of Directors of Zurich Financial Services Ltd Zurich

Confirmation in respect of the authorized capital increase

According to your engagement, we have audited your report on the capital increase dated April 17, 2009 in accordance with the provisions of the Swiss Code of Obligations (CO), article 652f, para. 1.

The capital increase report is the responsibility of the Board of Directors. Our responsibility is to perform an audit on the completeness and accuracy of your report. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance as to whether the report on the capital increase was free of material error. We have performed the procedures appropriate in the circumstances. We believe that our audit provides a reasonable basis of our opinion.

In our opinion the report on the capital increase is complete and accurate.

OBT AG

Samuel Brunner

Licensed audit expert

Auditor in charge

Patrick Zahno

Licensed audit expert

Zurich, April 17, 2009

Auditor's Confirmation

To the Board of Directors of Zurich Financial Services Ltd Zurich

Confirmation in respect of the contingent capital increase

According to your engagement, we have audited the issuance of new shares during the period from January 1, 2009 to December 31, 2009 based on the resolutions of the general meetings as of October 16, 2000 and April 3, 2007 in accordance with the provisions of the Swiss Code of Obligations (CO), article 653f. para 1.

The issuance of new shares in accordance with the provisions of Zurich Financial Services Ltd's articles of incorporation is the responsibility of the Board of Directors. Our responsibility is to express an opinion whether the issuance of new shares is in accordance with the provisions of Swiss law and the articles of incorporation. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance as to whether the issuance of new shares was free of material error. We have performed the audit procedures appropriate in the circumstance. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the issuance of total 550,448 registered shares of a nominal value of CHF 0.10 per share and total amount of CHF 55,044.80 was in accordance with the provisions of the Swiss law and the articles of association.

OBT AG

Willi Holdener	Daniel Schweizer
Licensed audit expert	Licensed auditor

Zurich, January 8, 2010

Aktionärsinformationen

Inhaltsübersicht

Aktionärsinformationen

Die Namenaktie der Zurich Financial Services AG

Kennzahlen

per 31. Dezember	2009	2008
Anzahl der ausgegebenen Aktien	147’473’068	142’122’620
Anzahl der dividendenberechtigten Aktien[1]	147’473’068	142’122’620
Börsenkapitalisierung (in Millionen CHF per Ende Berichtsperiode)	33’403	32’262
Genehmigtes Kapital, Anzahl der Aktien	5’200’000	6’000’000
Bedingtes Kapital, Anzahl der Aktien	12’643’831	8’676’107

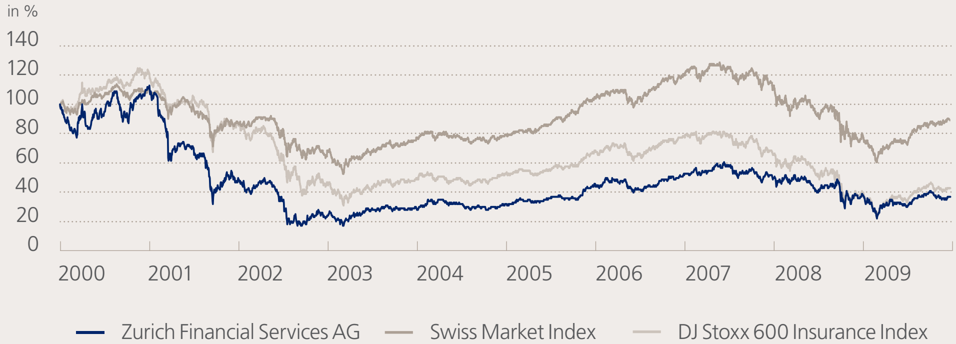
[1] Eigene Aktien sind nicht dividendenberechtigt.

Angaben je Aktie

in CHF	2009	2008
Bruttodividende	16.00 [1]	11.00
Basis-Gewinn je Aktie	24.39	23.53
Verwässerter Gewinn je Aktie	24.21	23.35
Buchwert je Aktie per 31. Dezember	209.27	167.92
Nennwert je Aktie	0.10	0.10
Aktienkurs am Ende der Berichtsperiode	226.50	227.00
Höchster Aktienkurs während der Berichtsperiode	260.00	336.50
Tiefster Aktienkurs während der Berichtsperiode	127.80	175.80

[1] Vorgeschlagene Bruttodividende, vorbehaltlich der Genehmigung durch die Aktionäre an der Generalversammlung 2010; die Auszahlung erfolgt voraussichtlich ab dem 8. April 2010.

Kursverlauf (indexiert) über die vergangenen zehn Jahre



Quelle: Thomson Datastream

Ausgeschüttete Dividende

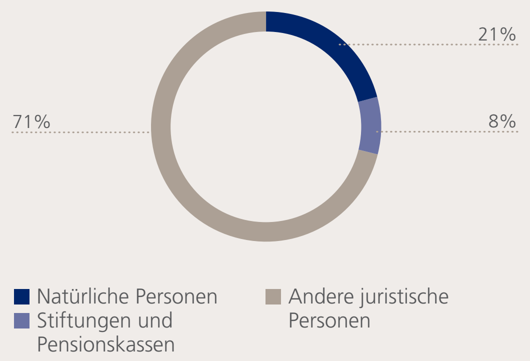
	Geschäftsjahr	Bruttobetrag in CHF je Namenaktie	Ausschüttungsdatum ab dem
Dividende	2009	16.00 [1]	8. April 2010[1]
Dividende	2008	11.00	7. April 2009
Dividende	2007	15.00	8. April 2008
Dividende	2006	11.00	10. April 2007
Dividende/Nennwertreduktion	2005	7.00	4. Juli 2006
Nennwertreduktion	2004	4.00	4. Juli 2005
Nennwertreduktion	2003	2.50	1. Juli 2004
Nennwertreduktion	2002	1.00	15. Juli 2003

[1] Vorgeschlagene Bruttodividende, vorbehaltlich der Genehmigung durch die Aktionäre an der Generalversammlung 2010; die Auszahlung erfolgt voraussichtlich ab dem 8. April 2010.

Aktienhandel

Die Aktien der Zurich Financial Services AG sind an der SIX Swiss Exchange kotiert. Der Handel erfolgt im Blue Chip Segment von SIX Swiss Exchange mit dem Ticker-Symbol: ZURN; die Schweizer Wertpapiernummer (Valorennummer) ist 1107539. Der Handel der Aktien der Zurich Financial Services AG am Blue Chip Segment erfolgt in Schweizer Franken.

Eingetragene Aktionäre der Zurich Financial Services AG



Die per 31. Dezember 2009 eingetragenen Namenaktien befinden sich im Besitz von 117'331 Aktionären, und zwar in folgender Verteilung: 111'529 natürliche Personen besitzen 21% der eingetragenen Aktien (oder 13% aller ausgegebenen Aktien), weitere 8% der eingetragenen Aktien (oder 5% aller ausgegebenen Aktien) werden von 2'047 Stiftungen und Pensionskassen gehalten, und 71% der eingetragenen Aktien (oder 43% aller ausgegebenen Aktien) befinden sich im Besitz von 3'755 anderen juristischen Personen.

Bedeutende Aktionäre

Der Zurich Financial Services AG ist – abgesehen von folgenden Personen oder Institutionen – niemand bekannt, der als wirtschaftlich Berechtigter per 31. Dezember 2009 direkt oder indirekt Aktien, Optionsrechte und/oder Umwandlungsrechte von mehr als 3% der ausgegebenen Aktien der Zurich Financial Services AG hielt.

- BlackRock, Inc., 40 East 52nd Street, New York, 10022, USA, meldete zusammen mit seinen Tochtergesellschaften per 15. Dezember 2009 eine Kaufposition von 3,39% der Namenaktien der Zurich Financial Services AG.
- Barclays Plc, 1 Churchill Place, London E14 5HP, Grossbritannien, meldete zusammen mit seinen Tochtergesellschaften per 1. Mai 2009 eine Kaufposition von 3,02% der Namenaktien der Zurich Financial Services AG.

Wertpapiere Aktionärsdepot

Die Aktionäre von Zurich haben die Möglichkeit, Namenaktien der Zurich Financial Services AG gebührenfrei bei der SIX SAG AG Aktienregister AG in der Schweiz zu hinterlegen. Das Depotreglement und das Antragsformular für das Aktionärsdepot können von ihrer Homepage heruntergeladen werden: www.six-sag.com

Wichtige Daten

Ordentliche Generalversammlung 2010
30. März 2010

Ex-Dividende Zeitpunkt
1. April 2010

Dividende – Stichtag
7. April 2010

Zahlung der Dividende ab dem
8. April 2010

Berichterstattung über die Ergebnisse für die per 31. März 2010 abgeschlossenen drei Monate
6. Mai 2010

Investorentag – Business Update
22. Juni 2010

Halbjahresberichterstattung 2010
5. August 2010

Berichterstattung über die Ergebnisse für die per 30. September 2010 abgeschlossenen neun Monate
4. November 2010

Publikationen

Geschäftsentwicklung 2009
Der Bericht Geschäftsentwicklung enthält Informationen zu den Produkten und Dienstleistungen sowie zur Geschäftsperformance von Zurich, einschliesslich einer kurzen Zusammenfassung der Finanzinformationen. Er ist auf Englisch, Deutsch und Französisch erhältlich.

Jahresbericht 2009
Der Jahresbericht enthält ausführliche Informationen zur finanziellen Performance von Zurich, zu ihrer Struktur , zu den Exekutivorganen, zum Risikomanagement, zur Corporate Governance sowie zu den Vergütungen. Er steht auf Englisch, Deutsch und Französisch zur Verfügung, der Finanzteil ist nur auf Englisch erhältlich.

Weitere Informationen finden Sie unter
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Internet: www.six-sag.com

American Depositary Receipts
Zurich Financial Services AG verfügt über ein ADR-Programm mit The Bank of New York Mellon (BNY). Nähere Auskünfte zu einem ADR-Konto erteilt BNY Mellon's Shareowner Services in den USA unter +1-888-BNY-ADRs (1-888-269-2377) oder ausserhalb der USA unter +1-201-680-6825. Allgemeine Informationen zum ADR-Programm des Unternehmens sind erhältlich bei The Bank of New York Mellon unter www.adrbnymellon.com.

Glossary

Group

Business operating profit
is a measure that is the basis on which we manage all our business units. It indicates the underlying performance of our business units by eliminating the impact of financial market volatility and other non-operational variables. Business operating profit reflects adjustments for shareholders' taxes, net capital gains on investments and impairments (except for the capital markets and banking operations included in Other Businesses and investments in hedge funds and certain securities held for specific economic hedging purposes), policyholders' share of investment results for the life businesses, non-operational foreign exchange movements, and significant items arising from special circumstances, including gains and losses on divestments of businesses. Adjusted business operating profit is adjusted for notional investment income on the difference between the average actual International Financial Reporting Standards (IFRS) equity and the average allocated IFRS equity using one global swap rate. Allocated IFRS equity is equal to a segment's pro rata share of the Group's risk-based capital at the respective period end. These measures are not a substitute for net income as determined in accordance with IFRS.

Business operating profit (after-tax) return on common shareholders' equity
indicates the level of business operating profit or loss relative to resources provided by common shareholders. It is calculated as business operating profit or loss, annualized on a linear basis and adjusted for preferred shareholder dividends and taxes, divided by the average value of common shareholders' equity on a simple basis using the value at the beginning and end of the period. Adjusted business operating profit return on common shareholders' equity is based on average IFRS Group equity and is allocated to each segment based on its share of risk-based capital.

Group investments
are those for which we bear part or all of the investment risk. They also include investments related to investment policies with discretionary participation features. Average invested assets exclude cash collateral received for securities lending. We manage our diversified Group investments portfolio to optimize benefits for both shareholders and policyholders while ensuring compliance with local regulatory and business requirements under the guidance of our Asset/Liability Management and Investment Committee.

Investments for unit-linked products
include such investments where the policyholder bears the investment risk, and are held for liabilities related to unit-linked investment contracts and reserves for unit-linked insurance contracts. They are managed in accordance with the investment objectives of each unit-linked fund. The investment result for unit-linked products is passed to policyholders through a charge to policyholder dividends and participation in profits.

Operational debt
is a non-IFRS term referring to debt items that are excluded from ratings agency leverage calculations such as collateralized loans, debt related to banking activities and obligations to repurchase securities.

Other related intangible assets
are assets on our Global Life and Farmers Management Services balance sheets and consist of the present value of profits of acquired insurance contracts and attorney-in-fact relationships.

Return on common shareholders' equity (ROE)
is a measure that indicates the level of profit or loss relative to resources provided by common shareholders. It is calculated as net income after taxes attributable to common shareholders, annualized on a linear basis, divided by the average value of common shareholders' equity on a simple basis using the value at the beginning and end of the period.

General Insurance

The following General Insurance measures are net of reinsurance.

Net underwriting result
is calculated as the difference between earned premiums and policy fees and the sum of insurance benefits and losses and net technical expenses.

Total net technical expenses
includes underwriting and policy acquisition costs, as well as the technical elements of administrative and other operating expenses, amortization of intangible assets, interest credited to policyholders and other interest, and other income.

Combined ratio
is a performance measure that indicates the level of claims and net technical expenses during the period relative to earned premiums and policy fees. It is calculated as earned premiums and policy fees minus the net underwriting result, divided by net earned premiums and policy fees.

Loss ratio
is a performance measure that indicates the level of claims during the period relative to earned premiums and policy fees. It is calculated as insurance benefits and losses, which include paid claims, claims incurred but not reported (IBNR) and claims handling costs, divided by earned premiums and policy fees.

Expense ratio
is a performance measure that indicates the level of technical expenses during the period relative to earned premiums and policy fees. It is calculated as the sum of net technical expenses and policyholder dividends and participation in profits, divided by earned premiums and policy fees.

Net non-technical result
includes the non-technical elements of administrative and other operating expenses, amortization of intangible assets, interest credited to policyholders and other interest, other income, as well as net gains and losses on divestments of businesses and interest expense on debt.

Global Life

Embedded value (EV) principles
is a methodology using a "bottom-up" market consistent approach, which explicitly allows for market risk. In particular, asset and liability cash flows are valued using risk discount rates consistent with those applied to similar cash flows in the capital markets, and options and guarantees are valued using market consistent models calibrated to observable market prices.

Insurance deposits
are deposits, similar to customer account balances, not recorded as revenues. However, the fees charged on insurance deposits are recorded as revenue within the gross written premiums and policy fees line item. These deposits arise from investment contracts and insurance contracts that are accounted for under deposit accounting. They represent the pure savings part, which is invested.

New business annual premium equivalent (APE)
is calculated as new business annual premiums plus 10 percent of single premiums. Present value of new business premiums (PVNBP) is calculated as the value of new business premiums discounted at the risk-free rate.

New business value, after tax
is a measure that reflects the value added by new business written during the period, including allowing for frictional costs, time value of options and guarantees, and the cost of non-market risk, and is valued at the point of sale. It is calculated as the present value of the projected after-tax profit from life insurance contracts sold during the period.

Farmers

Farmers includes Farmers Management Services and Farmers Re. Farmers Management Services provides non-claims related management services to the Farmers Exchanges, prominent writers of personal lines and small commercial lines business in the U.S., which the Group manages, but does not own. Farmers Re includes all reinsurance assumed from the Farmers Exchanges by the Group.

Gross management result
is a performance measure of Farmers Management Services calculated as management fees and other related revenues minus management and other related expenses, which include amortization and impairments of intangible assets.

Managed gross earned premium margin
is a performance measure calculated as gross operating profit of Farmers Management Services divided by the gross earned premiums of the Farmers Exchanges, which we manage but do not own.

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Personen, die hinsichtlich einer Anlage im Zweifel sind, sollten sich an einen unabhängigen Finanzberater wenden.

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Gestaltung: Addison, www.addison.co.uk

Produktion: Multimedia Solutions AG, Zürich, Schweiz

Übersetzung: 24translate GmbH, Speicherschwendi, Schweiz

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Gedruckt: Ende Februar 2010 durch St Ives Westerham Press Ltd, England, ISO14001, FSC-zertifiziert und CarbonNeutral®.

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