Zurich Financial Services Group

Rapport de gestion 2010

ZURICH

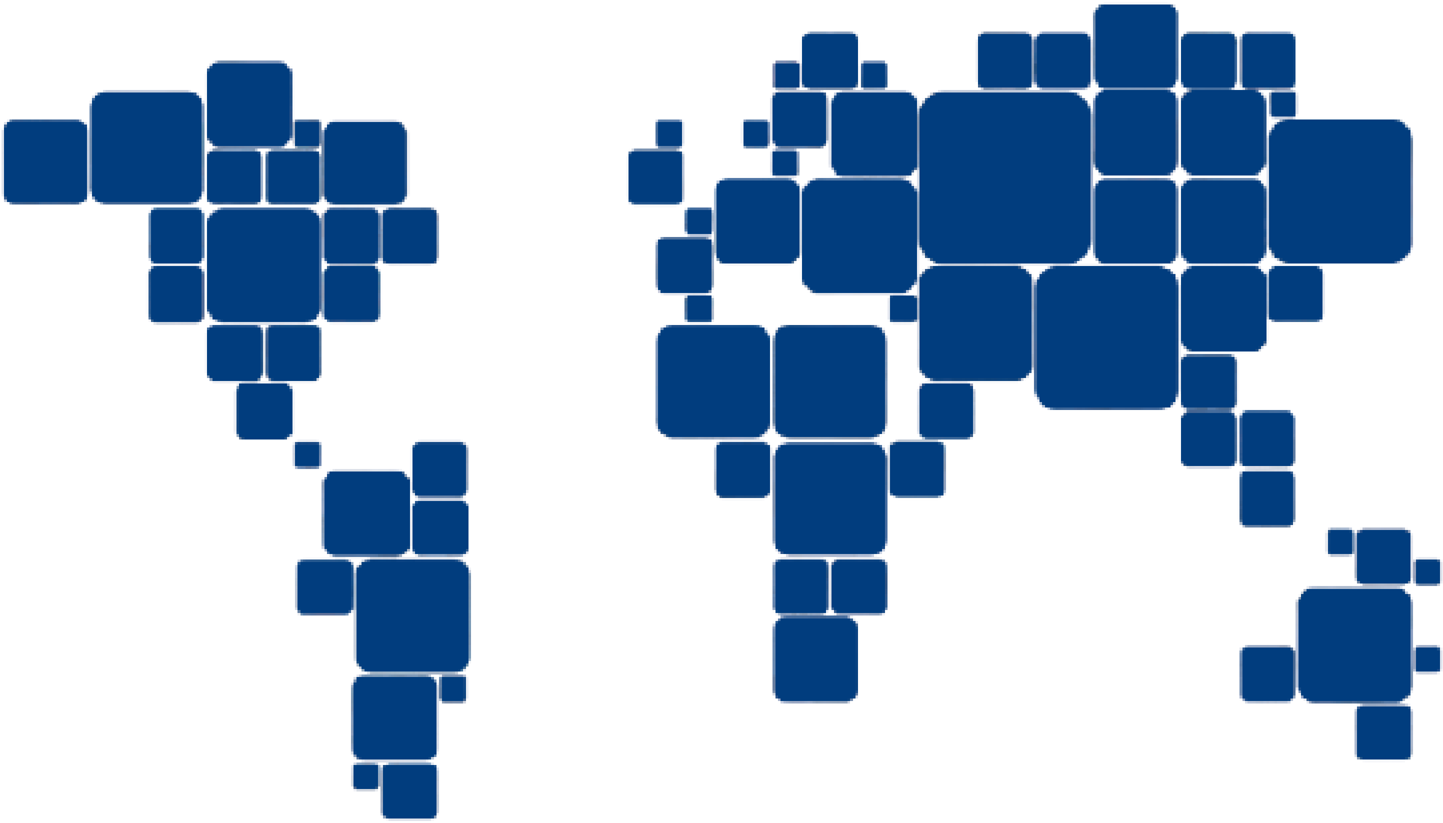
Préparer Zurich pour demain

Zurich HelpPoint

À propos de Zurich

Zurich est l'un des principaux groupes d'assurance au monde, et l'un des rares à opérer de façon véritablement globale. Notre mission consiste à aider nos clients à comprendre et à se protéger contre le risque.

Avec plus de 60 000 collaborateurs au service de nos clients dans plus de 170 pays, nous aspirons à devenir le meilleur assureur mondial aux yeux de nos actionnaires, de nos clients et de nos collaborateurs.



Principaux chiffres opérationnels

- General Insurance: une organisation rationalisée et centrée sur des lignes de produits ciblées
- Global Life met en œuvre une stratégie de croissance associée à un mode de fonctionnement efficace, avec de nouvelles plateformes prévues en Amérique latine et en Asie
- L'intégration complète de 21st Century stimule les résultats de Farmers
- Création de Group Operations pour superviser les mesures de rationalisation et de réduction des coûts dans l'ensemble du groupe et fournir les capacités nécessaires au changement au niveau mondial.
- Un bilan particulièrement sain avec un ratio Solvabilité I de 243%
- Des acquisitions clés en Indonésie et au Liban et une présence accrue en Turquie

Aperçu du groupe

Gouvernance

Group performance review

Financial information

Aperçu du groupe

Principaux chiffres financiers (non audités)

Le tableau suivant présente un résumé des résultats consolidés du groupe pour les exercices arrêtés aux 31 décembre 2010 et 2009, respectivement. Sauf indication contraire, tous les montants sont indiqués en millions de dollars américains (USD) et arrondis au million le plus proche, de sorte que les sommes ne correspondent pas toujours aux totaux arrondis. Tous les pourcentages et variations sont calculés sur la base du résultat original et non du montant arrondi. Ce document doit être lu conjointement avec le Rapport de gestion 2010 de Zurich Financial Services Group, ainsi que ses Consolidated Financial Statements audités arrêtés au 31 décembre 2010. Certains chiffres comparatifs ont été retraités pour refléter un changement de norme comptable tel que défini à la note 1 des Consolidated Financial Statements.

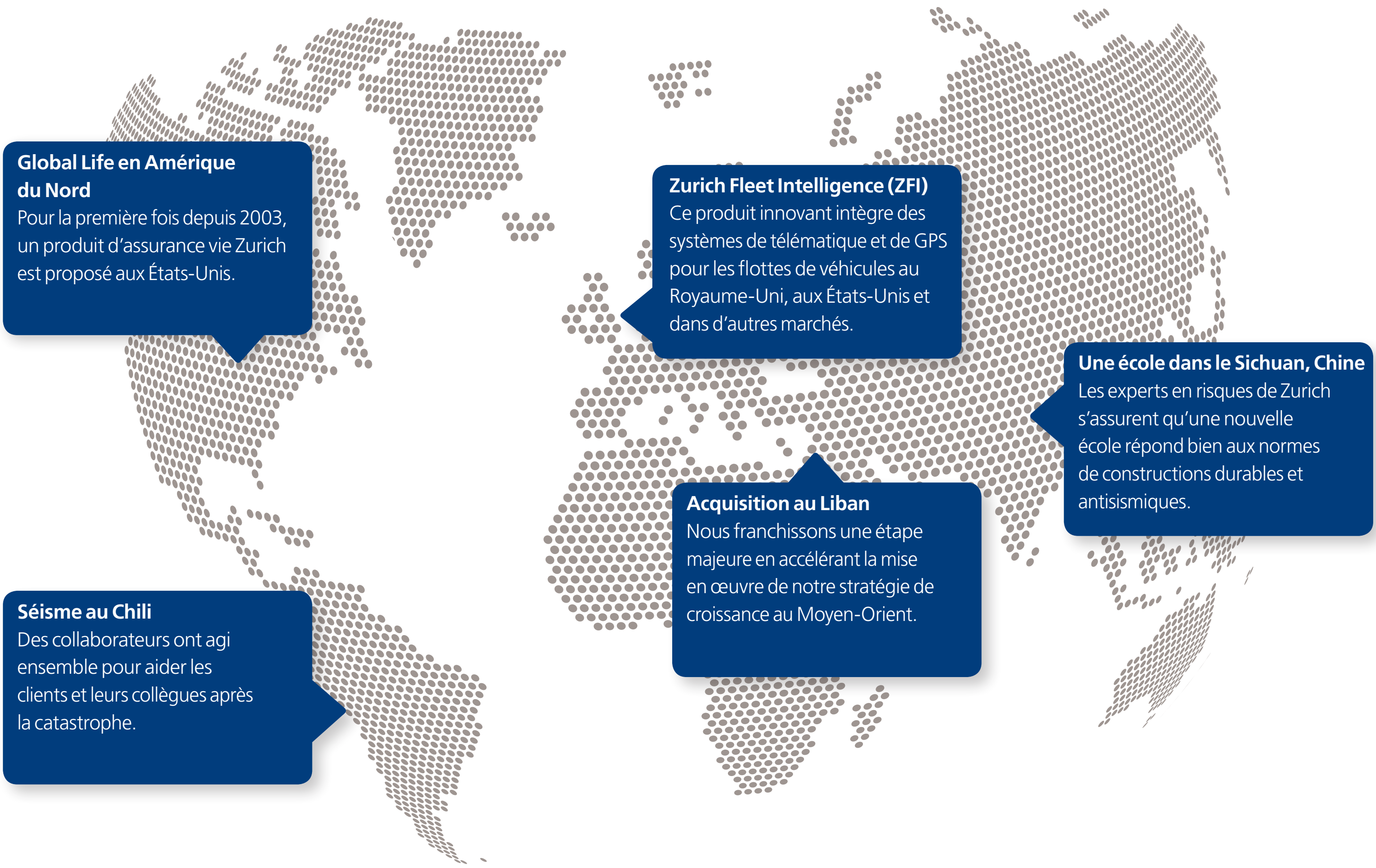
en millions d'USD, pour les exercices arrêtés au 31 décembre (sauf indication contraire)	2010	2009 [2]	Variation [1]
Bénéfice d'exploitation	**4 875**	5 593	(13%)
Bénéfice net attribuable aux actionnaires	**3 434**	3 963	(13%)
Primes émises brutes et accessoires de primes de General Insurance	**33 066**	34 157	(3%)
Primes émises brutes, accessoires de primes et dépôts à caractère de placement de Global Life	**27 675**	26 029	6%
Commissions de gestion et autres produits assimilés de Farmers Management Services	**2 778**	2 690	3%
Primes émises brutes et accessoires de primes de Farmers Re	**4 194**	6 615	(37%)
Bénéfice d'exploitation de General Insurance	**2 673**	3 463	(23%)
Ratio combiné de General Insurance	**97,9%**	96,8%	(1,1 pt)
Bénéfice d'exploitation de Global Life	**1 474**	1 477	–
Équivalent de primes annuelles nouvelles affaires (APE) de Global Life	**3 699**	3 667	1%
Marge bénéficiaire des nouvelles affaires, après impôts (en % de l'APE), de Global Life	**22,1%**	21,3%	0,8 pt
Valeur des nouvelles affaires (après impôts) de Global Life	**817**	782	4%
Bénéfice d'exploitation de Farmers	**1 686**	1 554	8%
Résultat brut de gestion de Farmers Management Services	**1 338**	1 291	4%
Marge sur les primes acquises brutes sous gestion de Farmers Management Services	**7,3%**	7,2%	0,1 pt
Moyenne des actifs investis en tant que placements du groupe [3]	**195 532**	187 063	5%
Résultat net des placements du groupe	**7 990**	5 929	35%
Rendement des placements du groupe (en % de la moyenne des actifs investis)	**4,1%**	3,2%	0,9 pt
Rendement total des placements du groupe	**5,4%**	6,4%	(1,1 pt)
Fonds propres attribuables aux actionnaires	**31 984**	29 304	9%
Ratio Solvabilité I	**243%** [5]	195% [4]	48 pts
Bénéfice dilué par action (en CHF)	**24.38**	29.88	(18%)
Valeur comptable par action (en CHF)	**202.69**	206.58	(2%)
Rendement des fonds propres ordinaires (ROE)	**11,4%**	16,1%	(4,7 pts)
Rendement du bénéfice d'exploitation (après impôts) sur les fonds propres ordinaires (BOPAT ROE)	**12,9%**	17,6%	(4,7 pts)

1 Les chiffres entre parenthèses indiquent une variation négative.
2 Retraité pour refléter un changement de norme comptable (voir note 1 des Consolidated Financial Statements).
3 Hors liquidités moyennes reçues comme garantie pour prêt de titres de 246 millions d'USD et 335 millions d'USD au cours des exercices arrêtés au 31 décembre 2010 et 2009, respectivement.
4 Finalisé, retraité en vue d'un changement de comptabilisation et tel que déposé auprès de l'autorité de surveillance suisse; après le dividende 2009.
5 En tenant compte du dividende proposé en 2010.

Zurich en un coup d’œil

Nous offrons un large éventail de produits et de services d’assurance dommages et vie aux particuliers, aux petites, moyennes et grandes entreprises et aux multinationales.

Zurich – assureur mondial



General Insurance

General Insurance est le plus important de nos trois segments. Nous proposons des produits et des services d'assurance automobile, habitation et professionnelle pour les particuliers, les petites et les grandes entreprises. Nous sommes une société mondiale organisée de façon à servir au mieux nos clients.

Bénéfice d'exploitation

2,673 millions d'USD

Primes émises brutes et accessoires de primes

33,066 millions d'USD

Pour plus d'informations, consulter page 72

Global Life

Global Life est un moteur de croissance clé pour notre groupe. Nous aidons nos clients à avoir confiance dans leur avenir financier en offrant ce qui se fait de mieux en matière de solutions d'assurance vie, d'épargne, de placements et de retraite.

Bénéfice d'exploitation

1,474 millions d'USD

Primes émises brutes, accessoires de primes et dépôts à caractère de placement

27,675 millions d'USD

Pour plus d'informations, consulter page 78

Farmers

Farmers comprend Farmers Management Services, qui fournit des services de gestion (à l'exception des sinistres) aux Farmers Exchanges (que nous ne détenons pas), ainsi que les marques Foremost et 21st Century aux États-Unis et Farmers Re.

Bénéfice d'exploitation

1,686 millions d'USD

Commissions de gestion et autres produits assimilés

2,778 millions d'USD

Pour plus d'informations, consulter page 81

Message du président du Conseil d'administration et du CEO

Nous sommes bien positionnés pour surperformer dans un environnement qui reste incertain.

Dr Manfred Gentz et Martin Senn

Mesdames, Messieurs les actionnaires,

Nous avons le plaisir de vous présenter les résultats pour l'exercice 2010. Le groupe a signé une belle performance; notre solidité financière et notre performance d'exploitation sous-jacente, conjuguées à la réussite actuelle de notre stratégie d'affaires, nous confortent dans l'intention de proposer un dividende de 17.00 CHF par action, en hausse de 6%. Le dividende sera payé à partir de la réserve d'apport en capital, et exonéré de l'impôt anticipé suisse.

Pour l'exercice arrêté au 31 décembre 2010, notre bénéfice d'exploitation s'élève à 4,9 milliards d'USD, en repli de 13%, et le bénéfice net s'élève à 3,4 milliards d'USD, en baisse lui aussi de 13%.

Ces chiffres voilent la forte rentabilité sous-jacente de notre groupe et reflètent la fréquence supérieure à la moyenne des sinistres de grande ampleur, des provisions pour prêts dans une activité subsidiaire bancaire, ainsi que le règlement d'une class action aux États-Unis.

Malgré ces éléments adverses, le rendement de notre bénéfice d'exploitation (après impôts) sur les fonds propres ordinaires est de 12,9%, un résultat solide dans le contexte économique actuel. Comme vous le savez, nous avons réaffirmé en décembre dernier notre objectif à long terme de 16% pour le rendement du bénéfice d'exploitation (après impôts) sur les fonds propres ordinaires, à horizon moyen.

Aperçu de la stratégie

Notre stratégie de création de valeur durable pour les actionnaires repose sur six piliers visant à favoriser la fidélisation des clients et des collaborateurs, à stimuler la rentabilité et à exploiter les synergies au sein de notre entité mondiale.

Cette approche accorde la priorité au respect de la promesse de notre marque, au développement d'une organisation agile et au maintien de notre discipline financière tout en restant fidèles à nos principales valeurs d'intégrité, de centrage sur le client, d'excellence, de travail d'équipe et de création de valeur durable.

Voir www.zurich.com/annualreport2010

Croissance rentable	• Une gestion du marché améliorée • Des acquisitions ciblées
Centrage sur le client	• Profonde compréhension du client • Des paramètres de satisfaction client à l'échelle du groupe
Transformation opérationnelle	• L'excellence transactionnelle et la gestion des dépenses • Intensifier le Zurich Way
Gestion des collaborateurs	• Une implication des collaborateurs, une culture de la performance • Une planification systématique des besoins futurs de recrutement
Agilité organisationnelle	• Des responsabilités clairement définies et ciblées • Une organisation plus compétitive
Discipline financière	• Une vision à long terme pondérée en fonction du risque, disciplinée et de tous les instants • Un suivi continu des décisions opérationnelles

Message du président du Conseil d'administration et du CEO *suite*

Les volumes d'affaires totaux du groupe – comprenant les primes émises brutes, les accessoires de primes, les dépôts à caractère de placement et les commissions de gestion – s'élèvent à 67,7 milliards d'USD, en baisse de 3%.

Notre ratio Solvabilité I a progressé de 48 points de pourcentage, à 243%. Les fonds propres attribuables aux actionnaires ont augmenté de 9%, à 32,0 milliards d'USD après le versement de 2,2 milliards d'USD de dividendes en 2010.

En ce début d'année 2011, nous sommes convaincus d'être bien positionnés pour surperformer dans un environnement qui reste incertain. Bien que l'économie mondiale semble s'améliorer, certains facteurs nous invitent à rester prudents. En conséquence, nous pensons qu'il est prudent de rester concentré sur la solidité financière et l'agilité organisationnelle afin d'être en mesure de faire face aux événements adverses et de saisir les opportunités lorsqu'elles se présentent.

Quant aux résultats du groupe par segment, Global Life et Farmers ont contribué à la rentabilité du groupe par la croissance régulière de leur chiffre d'affaires, conjuguée à de solides marges bénéficiaires. La stratégie tarifaire ciblée de General Insurance a contribué à la performance sous-jacente et permis une croissance du chiffre d'affaires dans les domaines où cela peut être rentable.

Les primes émises brutes, accessoires de primes et dépôts à caractère de placement de Global Life ont augmenté de 6%, à 27,7 milliards d'USD. Cette augmentation est liée à un accroissement dans les nouvelles affaires, notamment dans les produits à prime unique, ainsi qu'aux progrès continus dans la souscription. En conséquence, Global Life a dégagé un bénéfice d'exploitation de 1,5 milliard d'USD, conforme à celui atteint en 2009 malgré une diminution de l'apport des éléments non récurrents. Corporate Life & Pensions s'est implanté sur de nouveaux marchés nationaux en 2010 et a enregistré des volumes significatifs de nouvelles affaires, notamment au Royaume-Uni et en Amérique latine. Bank Distribution a modifié

Augmenter l'efficacité de notre organisation

Nous restons concentrés sur la simplification de notre structure commerciale pour obtenir des synergies opérationnelles et structurelles tout en soulageant nos segments d'activité pour qu'ils se concentrent sur ce qu'ils font de mieux, à savoir aider nos clients à comprendre les risques et à se couvrir.

Trois segments qui gèrent nos activités d'assurance dans le monde

Des présidents régionaux chargés du développement stratégique et des relations avec les parties prenantes dans trois régions

Fusion des fonctions essentielles au niveau mondial pour étayer les stratégies d'affaires respectives de nos segments

* À compter de 2011, l'Africa fera partie d'une région Asia-Pacific & Middle East élargie.

sa stratégie produits pour répondre aux besoins des clients dans l'environnement d'après-crise, avec une forte croissance en Espagne et en Allemagne. IFA/Brokers a vu ses volumes et ses marges augmenter.

Chez Farmers, le bénéfice d'exploitation a augmenté de 8%, à 1,7 milliard d'USD, grâce aux résultats solides de Farmers Management Services et Farmers Re. L'acquisition de 21st Century a apporté une contribution significative à Exchanges, que Farmers Group Inc., filiale à 100% du groupe, gère sans détenir. Les stratégies multicanaux et d'innovation-produits mises en œuvre par Exchanges ont continué à s'intensifier en 2010. Le produit «Farmers Auto 2.0» était disponible dans 27 États en fin d'année. Il a permis aux agents d'enregistrer une croissance des nouvelles affaires et d'améliorer la compétitivité sur le marché de l'assurance auto. «Next Generation 2.0», un nouveau produit destiné aux propriétaires de leur logement, était disponible dans 17 États en fin d'année et a permis d'accroître le taux de pénétration sur des segments de clientèle recherchés.

Le bénéfice d'exploitation du segment General Insurance s'élève à 2,7 milliards d'USD, en baisse de 23% par rapport à l'exercice précédent. Cette diminution est essentiellement imputable à une fréquence supérieure à la moyenne de sinistres tels que les séismes, les phénomènes météorologiques extrêmes ainsi qu'à un niveau plus élevé des sinistres de grande ampleur. Des hausses tarifaires et des campagnes de souscription ciblées ont permis d'améliorer le taux de sinistres sous-jacent. General Insurance a achevé la cartographie de tous ses portefeuilles dans le cadre de sa stratégie exhaustive de re-souscription. Il est encore trop tôt pour dresser le bilan intégral de cette stratégie mais les premiers signes sont encourageants, avec des ajustements bénéfiques en fin d'année, conformes à nos attentes, chez Global Corporate et North America Commercial.

Au cours de l'année 2010, nous avons réalisé des acquisitions modestes mais stratégiques en Indonésie et au Moyen-Orient. Nous avons également renforcé notre présence en Turquie et participé avec d'autres actionnaires à l'augmentation de capital de New China Life. Par ailleurs, le segment Global Life a relancé la commercialisation des produits d'assurance vie de la marque Zurich aux États-Unis, interrompue en 2003.

Nous profitons de cette occasion pour remercier John Amore pour ses nombreuses années au service de Zurich. John a pris sa retraite du Comité exécutif du groupe le 31 décembre 2010 après une longue et remarquable carrière dans le secteur de l'assurance. Il a intégré Zurich en 1992 et, en 2001, est devenu membre du Comité exécutif du groupe. John a été nommé au poste de CEO du segment General Insurance en 2004. Il a joué un rôle central dans le développement de nos affaires aux États-Unis et dans le monde et laisse un solide héritage.

En conclusion, nous tenons à exprimer notre reconnaissance aux plus de 60 000 collaborateurs de Zurich qui ont rendu possible ces résultats. En 2010, ils n'ont pas cessé de répondre aux besoins de nos clients tout en créant de la valeur à long terme pour nos actionnaires.

Enfin, nous tenons à vous remercier, Mesdames, Messieurs les actionnaires de Zurich, de votre fidèle soutien. La confiance que vous nous accordez est vivement appréciée et sera toujours un facteur essentiel de notre réussite.

Dr Manfred Gentz
Président du Conseil d'administration

Martin Senn
Chief Executive Officer

Environnement du marché

Le marché de l'assurance est ouvert au changement comme rarement observé.

Le marché de l'assurance a été profondément affecté par la faiblesse des rendements des placements, la pression concurrentielle accrue, la faible croissance économique et l'incertitude au niveau de la réglementation. Chez Zurich, nous avons ajusté notre stratégie pour nous adapter à ces changements, en positionnant notre entreprise non seulement pour surperformer ce qui se fait sur le marché en termes de rentabilité, mais aussi pour concrétiser notre aspiration plus vaste à être le meilleur assureur aux yeux de nos clients, de nos collaborateurs et de nos actionnaires.

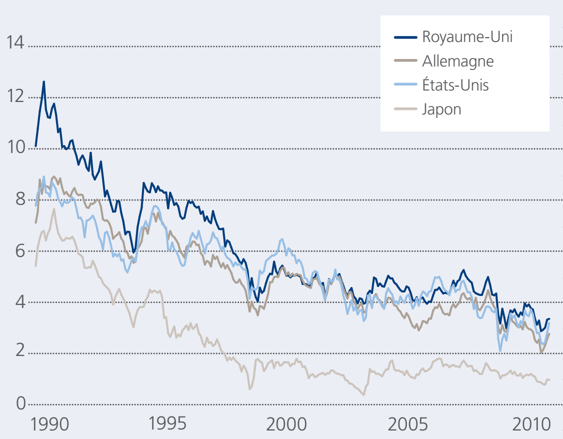
S'adapter à la «nouvelle norme»

L'un des défis pour les assureurs aujourd'hui est l'érosion généralisée des rendements attendus des placements (voir graphique 1). Le produit tiré autrefois des placements doivent être remplacés par de meilleurs résultats techniques.

Zurich a été parmi les premiers à réagir à ce changement. Dès que la crise a éclaté, nous avons commencé à nous adapter en vue des faibles taux d'intérêt qui nous semblaient inévitables dans l'optique d'une reprise. Compte tenu de l'ampleur de la crise, nous sommes convaincus que les taux resteront faibles pendant un certain temps. L'importance que nous attachons au recrutement et à la formation des meilleurs collaborateurs du secteur – des collaborateurs de premier plan dans les domaines essentiels de la souscription et de la gestion des sinistres – est l'un de nos atouts maîtres. Le contrôle des coûts, qui caractérise depuis longtemps l'approche de Zurich, est désormais supervisée par la fonction Group Operations, qui vise des économies annuelles de 500 millions d'USD d'ici à 2013. Le centrage de nos stratégies de croissance afin de dominer dans les segments de marché rentables nécessitant moins de capital – une approche qui avance à grands pas au sein de Global Life – accroît notre capacité à surmonter le défi posé par les faibles rendements des placements. Un processus de décision en fonction du risque qui examine la valeur économique de nos transactions nous aide à évaluer précisément quelles opportunités remplissent ces critères.

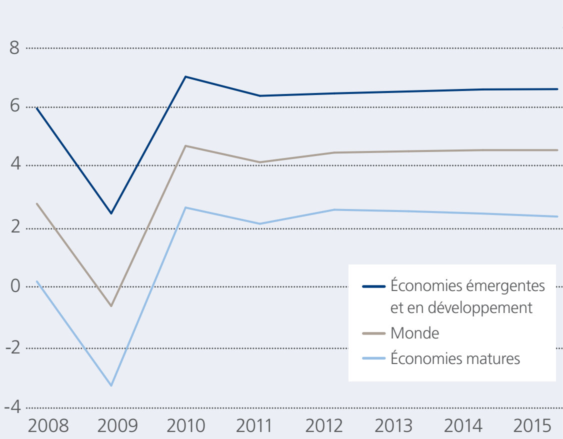
La capacité de choisir avec discernement les marchés devient doublement importante lorsque l'on envisage un autre aspect de la «nouvelle norme»: un monde dans lequel la faible croissance économique est la règle, notamment sur les marchés arrivés à maturité (voir graphique 2). Dans cette optique, nous voulons à nous positionner sur les branches d'assurance les plus attrayantes en appliquant un savant mélange de discipline et de rapidité – doner la priorité aux segments qui correspon

Graphique 1: Rendements des placements
Rendements des emprunts d'État à 10 ans, en %



Source: Thomson, Datastream

Graphique 2: Croissance du PIB mondial
Glissement trimestriel annualisé, en %



Source: Fonds monétaire international

dent à nos forces comme, l'assurance des entreprises de taille moyenne pour General Insurance et celle des petites sociétés pour Farmers. Dans les économies en plein essor épargnées par la récession, nous touchons les clients des grandes entreprises ainsi que les classes moyennes qui émergent dans ces régions, en particulier via Global Life.

La faiblesse de la croissance économique a également fait émerger un nouveau défi pour notre secteur lié au surplus de capacité excédentaire. Tous les assureurs sont en concurrence sur un volume de valeurs assurables en décroissance. Le ralentissement a pesé sur l'activité économique au sens large – du niveau salarial aux ventes de véhicules, en passant par la recherche et le développement. Cela accentue inévitablement la pression à la baisse sur les volumes de primes des assureurs, et donc sur leurs bénéfices.

Exploiter nos forces

Notre anticipation d'un contexte de faibles taux d'intérêt nous a plus que jamais incités à faire en sorte que le niveau de nos primes suffisent à préserver notre rentabilité. Nous sommes convaincus que cet engagement sur le long terme est au cœur de la relation fiduciaire que nous entretenons avec nos actionnaires. Nous considérons également qu'il s'agit d'une force pour les clients soucieux de la stabilité et du risque de contrepartie, comme en témoigne notre chiffre d'affaires 2010, qui est resté solide par rapport à 2009, malgré notre positionnement ferme et parfois inflexible sur les marchés où nous observons une tendence des tendances de tarification intenables.

Analyse de données
Des méthodes sophistiquées d'analyse de données nous permettent de croître dans des marchés où l'assurance des particuliers décline.

« Nos pratiques commerciales saines et la solidité de la marque Zurich nous permettent de viser la place de leader sur le marché.»

Enfin, le dernier défi qui se pose sur nos marchés est celui du manque de visibilité sur le plan réglementaire. Nous assistons aux réformes les plus profondes de ces dernières décennies en matière de marchés financiers. Si de nombreux changements vont dans le bon sens (comme ceux qui appellent à davantage de coordination internationale), la forme finale du régime réglementaire mondial dans lequel Zurich évoluera est encore floue. Cette incertitude constitue, au mieux, un défi opérationnel permanent. Dans le pire des cas, les ratios de fonds propres imposés aux assureurs se verront aligner sur ceux des banques, et la prolifération de nouvelles réglementations, de standards et d'agences quasi-réglementaires continuera sans répit.

Zurich a relevé ce défi de plusieurs manières. Tout d'abord, en tant qu'assureur régi par le droit suisse, Zurich a une longueur d'avance dans la prise en compte des exigences d'une réglementation qui applique une approche économique basée sur les risques. Le Test suisse de solvabilité (SST) nous a déjà permis d'anticiper la plupart des étapes impliquées par Solvabilité II. Notre modèle interne a déjà été validé à titre provisoire pour 2011 par la FINMA, l'autorité suisse de réglementation, dans l'attente d'une approbation définitive. En 2010, nous avons déclaré auprès de la FINMA un ratio de capitalisation SST supérieur à 200%. Plus généralement, nous saisissons les occasions de dialogue avec les organismes de réglementation et nos homologues pour faire avancer le débat sur la manière dont les assureurs peuvent servir les intérêts de la société. Et alors que nous continuons de gérer notre entreprise dans un contexte d'incertitude réglementaire et de turbulences sur les marchés, nous avons confiance dans notre agilité organisationnelle – atout stratégique et pierre angulaire de l'approche Zurich.

L'environnement du marché de l'assurance est volatil et ouvert au changement comme rarement observé dans le passé, y compris dans la longue histoire de Zurich. Et comme le dit un vieil adage, le changement est aussi synonyme d'opportunités. Nous sommes convaincus qu'un assureur de rang mondial comme Zurich, appliquant un modèle d'affaires qui exploite pleinement les compétences fondamentales du métier d'assureur, peut s'élever pour devenir le meilleur.

Nos valeurs

Un engagement d'intégrité et d'ouverture qui encourage la confiance, augmente la loyauté et promeut l'innovation.

Nos valeurs forgent la culture de Zurich et définissent notre identité. Elles sont également un facteur de différenciation crucial dans un secteur de plus en plus concurrentiel.

Notre engagement en matière d'intégrité, de centrage sur le client, de création de valeur à long terme, d'excellence et de travail d'équipe entretient la confiance avec nos actionnaires et nos clients. Cet engagement nous permet d'attirer et de retenir les meilleurs collaborateurs et encourage le dialogue nécessaire à l'innovation et à la croissance. Il entretient le talent et atténue les risques internes grâce à l'ouverture et à la transparence. Enfin, il nous permet d'obtenir le soutien des autorités de réglementation et de la communauté des investisseurs.

De ce fait, nos valeurs sont une composante essentielle de notre succès. Elles nous ont rendu bien des services depuis 135 ans et constituent des fondations solides en vue d'une croissance qui confortera notre marque.

Nous pensons que cet attachement est indissociable de notre aspiration à devenir la meilleure compagnie d'assurances au monde, comme évalué par nos clients, nos actionnaires et nos collaborateurs, plutôt qu'en fonction de paramètres purement mathématiques comme la capitalisation boursière ou le nombre de polices vendues.

Nos valeurs ne sont pas de simples aspirations ou des idéaux empreints de naïveté. Elles sont perceptibles chaque jour dans la manière dont nous conduisons nos activités et dans notre souci d'être une entreprise citoyenne responsable. Elles sont reflétées par notre réussite économique, la stabilité de nos équipes, la fidélisation de nos clients, la croissance de notre clientèle et notre implication au sein de notre secteur et de la communauté au sens large.

Nos valeurs essentielles sont:

L'intégrité
Traiter toute personne de manière juste et honnête. Respecter toutes les lois et réglementations en vigueur et les politiques internes.

Le centrage sur le client
Placer les clients au centre de toutes les activités. Mettre à profit la dimension mondiale pour transformer les points de vue et les observations en idées utiles mises au service des clients.

Nos collaborateurs
Nos valeurs sont essentielles pour faire ressortir ce qu'il y a de mieux en nous et chez les autres.

Notre responsabilité
Être une entreprise responsable constitue un élément-clé de la bonne gestion et de notre modèle d'affaires.

L'excellence
Viser une qualité irréprochable et faire tout son possible pour s'améliorer continuellement dans toutes les activités. Trouver de nouveaux moyens de résoudre les problèmes. Loyauté, diversité, confiance et respect mutuel sous-tendent toutes les actions.

Le travail d'équipe
Travailler ensemble comme une seule et même équipe… une seule Zurich. Collaborer et appliquer ses idées globales pour satisfaire au mieux les parties prenantes. Apprécier le talent et la diversité des collaborateurs et les soutenir afin qu'ils puissent exploiter pleinement leur potentiel.

La création de valeur à long terme
Créer de la valeur dans la durée pour les clients, les actionnaires, les collaborateurs et la société en général. Entretenir une culture de la précision, de la stabilité et de la fiabilité qui inspire confiance dans l'engagement à fournir des prestations lorsque cela est important, aujourd'hui et demain.

Notre sens aigu de la responsabilité d'entreprise est une composante essentielle de la création de valeur à long terme et, en fait, de notre système de valeurs. Nous recherchons proactivement des solutions aux enjeux environnementaux, sociaux et de gouvernance. Nous privilégions le succès à long terme aux gains à court terme. Nous voulons être agiles et gérer le changement en douceur.

Vous trouverez des exemples de ce que nous avons accompli cette année dans le Compte rendu des activités 2010 ou sur **www.zurich.com/corporateresponsibility.**

Notre approche de responsabilité d'entreprise

Nous croyons qu'une entreprise bien gérée est une entreprise responsable et soucieuse du développement durable. Cette philosophie a une influence essentielle sur la manière dont nous menons notre activité. Dans nos activités principales, nos offres et nos services, ainsi que dans nos engagements envers les communautés au sein desquelles nous vivons et travaillons, nous répondons de façon proactive aux enjeux sociaux et environnementaux ainsi qu'aux questions de gouvernance, qui intéressent à juste titre toutes nos parties prenantes. Nous définissons les enjeux prioritaires en fonction de leur impact potentiel sur nos activités, de l'écho qu'ils rencontrent auprès de la société et de notre capacité de les influencer et de nous démarquer. Nous reconnaissons que nos besoins sont indissociables du développement durable et nous y travaillons intensivement afin de bâtir un meilleur avenir pour notre groupe, nos collaborateurs et la société dans son ensemble.

Les Zurich Basics détaillent nos valeurs élémentaires et les règles de conduite qui garantissent que toutes nos actions respectent les normes les plus strictes sur le plan éthique, juridique et professionnel. Nos valeurs d'intégrité, de création de valeur à long terme, de centrage sur le client, d'excellence et de travail d'équipe guident nos actions et nourrissent la relation de confiance que nous maintenons avec nos parties prenantes. Elles nous aident à répondre à leurs attentes, voire à les dépasser.

Zurich accorde une grande importance aux liens et au dialogue avec ses parties prenantes, car le retour d'information fourni par des baromètres tels que les indices FTSE-4Good Index Series et Dow Jones Sustainability (DJSI) aide Zurich à suivre ses progrès et guider ses actions à l'avenir.

Notre stratégie

Une stratégie fondée sur six piliers visant à exploiter notre force mondiale et à créer de la valeur pour nos actionnaires.

Croissance rentable

Centrage sur le client

Transformation opérationnelle

Gestion des collaborateurs

Agilité organisationnelle

Discipline financière

En 2010, nous avons réalisé un état des lieux stratégique à l'échelle du groupe pour assurer une croissance rentable durable, mieux soutenir la compétitivité de nos activités orientées clients et fixer des priorités pour 2011 à 2013.

A la fin de cet état des lieux, nous avons confirmé notre vision selon laquelle la meilleure façon de croître dans l'environnement actuel est de continuer à augmenter nos capacités mondiales en appliquant un modèle organisationnel et opérationnel agile tout en accélérant le Zurich Way, notre programme global, visant à délivrer une performance de premier plan. En outre, nous avons perçus des opportunités d'améliorer notre force mondiale en optimisant l'allocation des ressources à l'échelle de notre organisation, en renforçant notre marque et en veillant à respecter les standards et disciplines les plus élevés en ligne avec nos capacités et notre tolérance globale aux risques.

Notre approche repose sur six piliers visant à exploiter les synergies au sein et entre nos entités, tout en pilotant la rentabilité de nos segments d'activités principales.

Une croissance rentable

Le premier pilier consiste à générer une croissance rentable durable. Le moyen le plus simple d'y parvenir est de jouer sur notre expertise et notre force mondiale. Notre division International Program Zurich (IPZ) connaît un vif succès en fournissant à la clientèle des entreprises des solutions intégrées et flexibles valables sur les marchés dans lesquels ces clients opèrent. Nous accordons également une attention particulière à Zurich Fleet Intelligence (ZFI), un autre domaine d'expertise que nous pouvons exploiter à l'échelle mondiale. ZFI est un produit innovant qui permet aux entreprises de révolutionner la façon dont elles gèrent leurs flottes de véhicules. ZFI utilise la télématique avec des systèmes embarqués qui, grâce à des capteurs GPS, transmettent aux propriétaires et aux gestionnaires de flottes des informations précises sur le comportement du conducteur, la localisation du véhicule et sa performance. Lorsque ces appareils sont associés à un programme complet de gestion des risques de flotte, la sécurité routière devient une routine. ZFI est en cours de déploiement aux États-Unis, au Royaume-Uni et en Australie et de nouveaux marchés sont en préparation.

Un autre moyen de croître est de renforcer notre présence sur les marchés en plein essor, qu'il s'agisse de nouveaux pays ou de nouvelles lignes de produits. En décembre 2010, nous avons conclu un accord en vue de l'acquisition de la Compagnie libanaise d'assurances SAL, un assureur à capitaux privés qui détient des filiales aux Émirats arabes unis, au Koweït et à Oman. En Indonésie, nous avons acquis 80% de PT Mayapada Life pour nous implanter sur l'un des marchés de l'assurance vie les plus dynamiques d'Asie.

Centrage sur le client

Nos clients sont au centre de tout ce que nous faisons. Cela signifie que nous comprenons les besoins de notre clientèle de particuliers, de PME et de grandes entreprises et que nous nous consacrons entièrement à la satisfaction de ces besoins.

Nos activités de marketing – des supports papier à l'Internet en passant par les spots publicitaires télévisés, l'événementiel et les sponsorings – nous permettent d'entretenir un dialogue avec nos clients actuels et futurs sur notre engagement vis à vis des clients de par le monde. L'efficacité de ces activités est validée par nos propres recherches, nos groupes de réflexion et nos enquêtes. Nos excellents résultats ont été confirmés cette année par Interbrand. Ce réputé cabinet de conseils place Zurich dans les 100 plus grandes marques au monde et valorise notre marque à hauteur de 3,5 milliards d'USD.

«Zurich est là lorsqu'il le faut», telle est la promesse de notre marque. Après des pluies diluviennes au mois de juin, une concession d'automobiles de Kansas City (Missouri) aux États-Unis a pu mesurer la valeur de cette promesse quand ses locaux se sont retrouvés sous les eaux et ses stocks quasiment anéantis. Dix heures après la déclaration du sinistre, l'équipe Sinistres de Zurich avait déjà instruit la réclamation et l'équipe Salvage Recovery avait organisé le retrait des 59 véhicules endommagés par les eaux. Notre client pouvait prendre livraison de son nouveau stock et nous l'avions également indemnisé à hauteur de 1,6 millions d'USD en moins de 48 heures.

Si nous répondons présents en cas de sinistre, nous sommes encore meilleurs dans la prévention. Toujours en Amérique du Nord, où la façade atlantique était balayée par de violentes tempêtes de neige, des entreprises risquaient de voir leurs toits s'effondrer du fait de l'accumulation de la neige. Notre équipe locale Risk Engineering n'a pas ménagé ses efforts pour trouver des spécialistes en toiture, des grues et de la main-d'œuvre pour assurer le déblaiement au rythme des chutes de neige. Pour un client du Delaware, où près de 70 centimètres de neige étaient tombés en l'espace d'un week-end, nous avons mené une course contre la montre pour déblayer avant le passage d'une deuxième tempête quelques heures plus tard. Notre réactivité et notre faculté à mobiliser les réseaux de fournisseurs – y compris au cours de chutes de neige historiques – ont montré notre capacité à fournir à ce client les services nécessaires pour qu'il continue de son activité.

Transformation opérationnelle

En créant cette année la fonction Group Operations, nous avons réaffirmé notre engagement en faveur de la transformation et de l'amélioration de nos opérations. Plus de 6 000 collaborateurs, ajoutés aux quelque 6 000 personnes qui travaillent pour nos principaux fournisseurs, unissent leurs forces pour piloter l'amélioration des processus à l'échelle mondiale. Group Operations est également responsable de la série d'initiatives Le Zurich Way, qui sera elle-même étendue pour devenir le programme global visant à augmenter les capacités mondiales nécessaires au groupe pour réaliser son objectif de devenir le meilleur assureur mondial aux yeux de nos actionnaires, de nos clients et de nos collaborateurs.

Les améliorations proviendront essentiellement de la poursuite de la consolidation des services administratifs, augmentant ainsi la valeur des produits et des services offerts sans compromettre l'expérience client.

Les avantages vont bien au-delà de l'optimisation des coûts et de l'efficacité. Nos ambitions de transformation opérationnelle visent à rendre nos activités plus rapides et plus flexibles afin d'offrir une expérience Zurich homogène. À l'interne, la transformation opérationnelle améliorera les carrières et les opportunités pour nos collaborateurs. En d'autres termes, la transformation opérationnelle doit s'imbriquer dans deux de nos autres pierres angulaires stratégiques: l'agilité organisationnelle et la gestion des collaborateurs.

Gestion des collaborateurs

Nous aspirons à devenir le meilleur assureur aux yeux de nos clients, de nos actionnaires et de nos collaborateurs. Nous ambitionnons d'être l'employeur de choix. La gestion des collaborateurs est l'une des pierres angulaires de notre stratégie et souligne notre attachement à mobiliser et promouvoir de façon optimale les ressources les plus précieuses de notre entreprise.

Chaque collaborateur doit se sentir – et être – capable de donner le meilleur de lui-même dans un rôle bien défini. Nos processus d'intégration efficaces et les systèmes de gestion des collaborateurs à l'échelle mondiale constituent une bonne fondation pour y parvenir. Les collaborateurs et leurs responsables ont à leur disposition des outils pour mesurer en toute transparence leur performance, avec une juste récompense et reconnaissance en adéquation.

Les collaborateurs restent motivés lorsqu'ils comprennent notre mission et la façon dont leur travail nous permet de la remplir. Pour encourager cette compréhension, nous misons sur des leaders au sein de l'entreprise, auxquels nous consacrons des ressources significatives en termes de coaching et de formation. Pour stimuler l'ambition de tous les collaborateurs, nous leur offrons un plan de développement individuel et des opportunités de formation complémentaires. Nous développons des plans de remplacement afin que nos collaborateurs les plus talentueux puissent assumer des fonctions plus larges. Pour confirmer nos progrès, nous mesurons chaque année le niveau d'engagement de nos collaborateurs et tirons les leçons des résultats de ce sondage.

Agilité organisationnelle

Nos marchés évoluent, parfois radicalement, tout comme la réglementation qui les gouverne. Conscients des défis qui nous attendent sur ces deux fronts et de la rapidité avec laquelle nous devrons nous adapter, et à la suite de notre revue stratégique annuelle, nous avons identifié l'agilité organisationnelle comme une aptitude cruciale, et une pierre angulaire. Notre première action a consisté à réduire considérablement la charge de travail qui pesait sur nos segments en regroupant l'ensemble des tâches liées aux services administratifs (comme les services Achats et Informatique) au sein de la division Group Operations. Nos segments peuvent ainsi se concentrer sur les aspects concrets de l'expérience client, comme la distribution et le service à la clientèle.

L'agilité organisationnelle est l'un des leviers essentiels pour exploiter notre force mondiale. Notre relation de plus en plus étroite avec Computer Sciences Corporation, (CSC), en est l'une des meilleures illustrations cette année. CSC, l'un des principaux clients de notre division Global Corporate, emploie 94 000 personnes dans plus de 90 pays. En début d'année, CSC nous a demandé si nous pouvions mieux répondre à leurs besoins en proposant à leurs collaborateurs des produits d'assurance destinés aux particuliers, et ce via leurs portails d'avantages du personnel. En intégrant les atouts de nos trois segments, nous avons répondu avec une offre de produits affinitaires mondiaux et polyvalents pour les collaborateurs de CSC à travers le monde. Voilà un bon exemple d'agilité organisationnelle d'une organisation centrée sur le client mise en pratique à l'échelle mondiale.

Discipline financière

La discipline financière a toujours fait partie intégrante de notre philosophie d'entreprise. Cette année, nous avons élevé cette caractéristique au rang de pierre angulaire de notre stratégie, pour souligner l'urgence de réduire nos coûts à l'échelle du groupe et être en mesure de saisir les opportunités historiques qui se présenteront. Chaque segment met en œuvre des plans spécifiques qui nous permettront de contenir nos dépenses. Ensemble, nous avons réalisé plus de 900 millions d'USD d'économies en 2010 (valeur économique après impôt) dans le cadre du programme Le Zurich Way. La variété de nos diverses initiatives de par le monde est immense, mais elles ont toutes le même objectif: renforcer une croissance rentable et durable.

Pour de plus amples informations
www.zurich.com/sixcornerstones

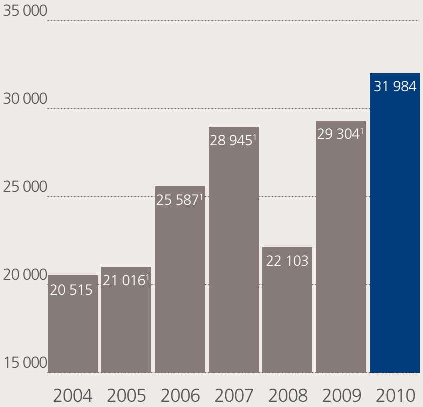
Notre stratégie

Évaluation de notre performance

Suivi de nos progrès à créer de la valeur pour nos actionnaires et à mettre en œuvre notre stratégie.

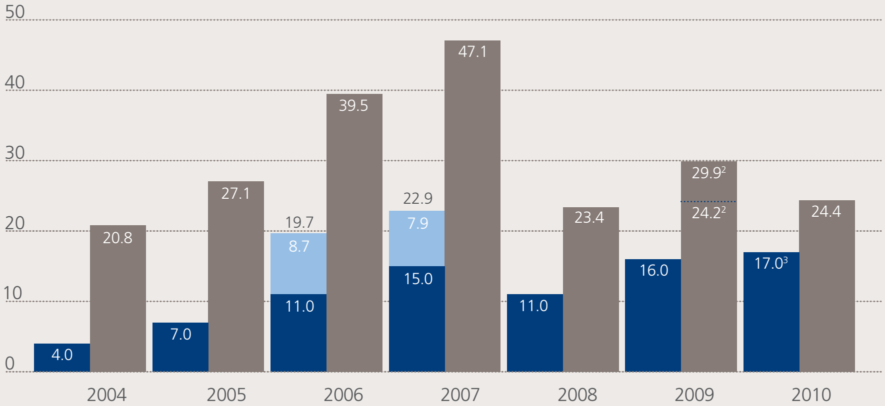
Création de valeur en faveur des actionnaires

Fonds propres attribuables aux actionnaires
(en millions d'USD)



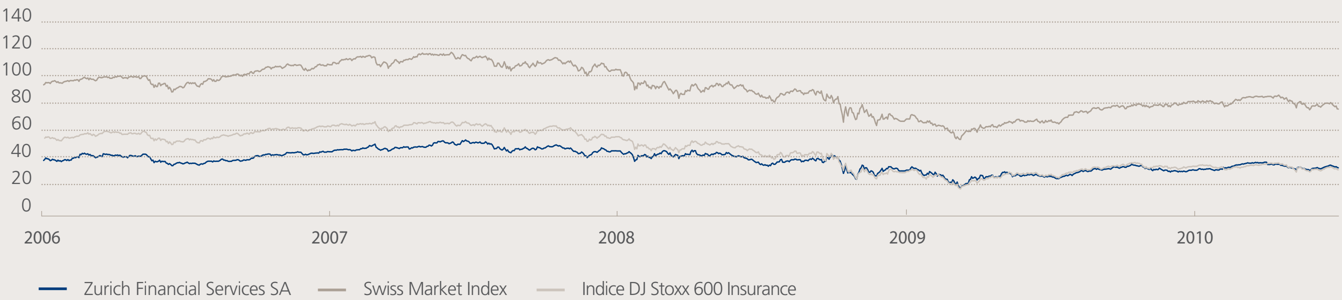
[1]Recalculé.

Dividende proposé de 17 CH[3] par action pour 2010, soit un ratio de distribution de 70%
Dividendes / BPA relatifs à l'exercice (en CHF)[1]



[1] Le dividende inclut le dividende brut et le versement d'une réduction de la valeur nominale par action nominative..
[2] 29.9 CHF tel que recalculé; 24.2 CHF tel qu'indiqué en 2009.
[3] Dividende proposé par le Conseil d'administration à l'Assemblée générale ordinaire 2011, prévue le 31 mars 2011.

Performance de l'action Zurich (indexée) sur les cinq dernières années
en %

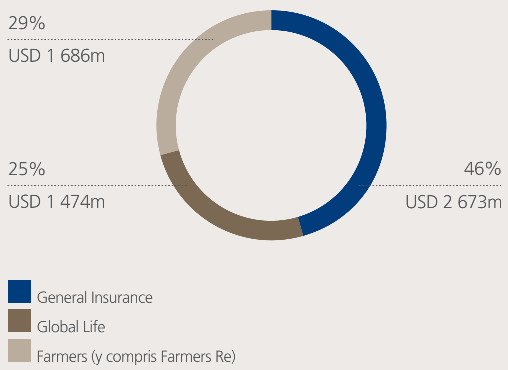


Source: Thomson Datastream

Aperçu du groupe

Croissance rentable

Bénéfice d'exploitation 2010, par segment[1]

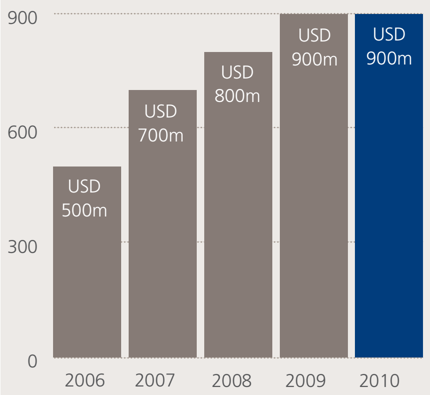


[1] À l'exception d'Other Operating Businesses et Non-Core Businesses.

Transformation opérationnelle

Le Zurich Way

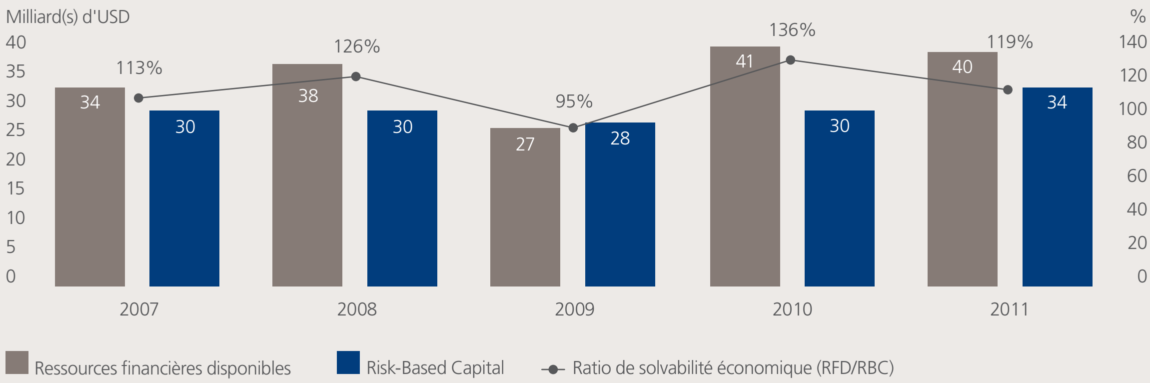
Objectif 2010 réalisé de 900 millions d'USD de valeur économique (après impôts)



Maintien de la solidité financière

Analyse du Risk-Based Capital et des ressources financières disponibles du groupe

(en milliards d'USD, au 1er janvier)



Notre performance

Des résultats qui reflètent notre capacité sous-jacente à nous développer même dans des conditions de marché incertaines.

Notre groupe a dégagé un bénéfice d'exploitation de 4,9 milliards d'USD en 2010.

Ce chiffre reflète la position solide de chacun de nos trois segments d'affaires – General Insurance, Global Life et Farmers – qui leur permet d'afficher d'excellentes performances sous-jacentes, y compris dans des conditions incertaines. Pour renforcer ces positions, nous avons défini un plan pour chaque segment et amélioré leur capacité à contribuer à la dimension mondiale du groupe en fusionnant les fonctions communes au sein de la nouvelle fonction Group Operations.

General Insurance

Environ deux tiers des primes émises brutes de General Insurance proviennent de la clientèle entreprises et grandes entreprises, le tiers restant provenant de l'assurance des particuliers. Nos clients entreprises et des grandes entreprises exigent des solutions sur mesure qui peuvent faire appel à un large éventail de compétences et de savoir-faire. Il peut s'agir d'assurer les activités d'une grande multinationale ou plus simplement d'aider une petite entreprise à gérer les risques qui pèsent sur la devanture de son magasin ou sur ses employés.

En revanche, dans l'assurance de particuliers, les produits sont assez standardisés, d'où un accent particulier sur la distribution et le prix.

Ce qui les rassemble est une rentabilité qui repose en dernier ressort sur la mise en œuvre des compétences du métier d'assureur. Dans ce domaine, General Insurance porte le sceau de Zurich: une priorité accordée à l'excellence en faisant passer notre compétence d'assureur avant toute chose. Celle-ci nous confère un avantage décisif par rapport à nos concurrents

En nous concentrant à chaque instant sur l'excellence de la souscription et des activités techniques, cela fait déjà six ans que General Insurance s'efforce de maximiser sa rentabilité et de revendiquer une place de leader sur le marché. Nous sommes engagés dans un programme du changement qui ne fait que commencer, avec une série de mesures pour mieux identifier les besoins des clients et y répondre, développer les capacités des collaborateurs de Zurich, réduire les coûts, améliorer l'excellence et l'efficacité opérationnelle et stimuler encore une croissance rentable. Nous sommes en train de simplifier notre structure organisationnelle, en réduisant la distance

IPZ
La division International Programs (IPZ) chez Zurich aide les grandes entreprises à gérer le risque dans le monde entier.

Corporate Life & Pensions chez Global Life fournit aux employeurs et à leurs collaborateurs des solutions d'épargne efficaces.

entre tous les collaborateurs et les marchés que nous desservons. En continuant d'investir dans nos collaborateurs et en jouant de nos forces mondiales, nous ambitionnons d'améliorer notre ratio combiné de 3 à 4 points de pourcentage d'ici à 2013 par rapport à nos concurrents à l'échelle mondiale.

Global Life

La réussite de Global Life est fondée sur une stratégie essentielle de mondialisation. Nous avons ciblé nos efforts pour mieux comprendre et répondre aux besoins de nos clients et distributeurs. En mettant en place des centres d'activités mondiaux et des centres d'expertise partagés, nous sommes capables de fonctionner de façon plus efficace et efficiente, en commercialisant plus vite de meilleures solutions sur le marché.

Cette stratégie s'est révélée payante pendant la crise financière et continue de bien nous servir. Global Life complète nos segments General Insurance et Farmers, en équilibrant le portefeuille global du groupe et en constituant une source d'opportunités de vente croisée et d'économies dans l'ensemble de ces trois segments.

Quatre tendances actuelles nous laissent espérer une performance encore meilleure: l'importance du patrimoine des «baby-boomers» qui recherchent des solutions de planification de succession et de retraite; le besoin accru de régimes de retraite et de soins de santé complémentaires, face à l'érosion des prestations versées par les régimes gouvernementaux; le transfert du risque de retraite des employeurs aux individus et enfin l'émergence rapide d'une classe moyenne dans les marchés en

Pour plus d'informations, consulter **www.zurich.com/aboutus**

Consultation interne (iCON)
En mettant sur place une équipe de consultants internes, nous réduisons les coûts et créons un portefeuille de futurs leaders.

Notre performance *suite*

développement. Global Life est bien positionné pour tirer parti de ces tendances.

Nous avons réaffirmé notre engagement envers la stratégie de Global Life et nous nous attachons désormais à accélérer sa mise en œuvre. Pour mieux servir nos clients, nous avons simplifié notre structure pour tirer profit des synergies plus fortes et mieux atteindre les clients retail. Nous avons défini et mettons désormais en œuvre des stratégies de croissance en Asie-Pacifique, au Moyen-Orient, en Amérique latine et aux États-Unis tout en ciblant des opportunités de croissance en Europe. Parallèlement à la mise en œuvre de ces stratégies, nous rééquilibrons l'empreinte géographique de Global Life vers des marchés qui offrent un potentiel de croissance plus fort et une meilleure rentabilité. Nous gérons soigneusement la composition de notre portefeuille de produits en nous concentrant sur les propositions nécessitant relativement peu importantes en capital et compatibles avec nos indicateurs de rentabilité internes basés sur le risque.

Compte tenu de notre position privilégiée et des opportunités de choix qui se profilent, nous sommes convaincus que la stratégie mise en place chez Global Life nous permettra de faire partie d'ici à 2013 des cinq plus grands assureurs européens de dimension mondiale en termes de valeur des nouvelles affaires.

Farmers

Farmers exploite un modèle de commissionnement unique aux États-Unis qui comprend Farmers Management Services et Farmers Re, que nous détenons, et les Farmers Exchanges détenus par les sociétaires. Farmers Management Services reçoit une commission pour la gestion dissociés des sinistres aux Farmers Exchanges, qui commercialise des produits d'assurance aux particuliers et aux petites entreprises. Farmers Re réassure les Farmers Exchanges.

Dans le cadre de cette structure singulière, Farmers ambitionne de maintenir sa position dans le groupe de tête en termes de croissance par rapport à ses concurrents aux États-Unis, en accordant la priorité à des mesures ciblées de fidélisation du client, à l'amélioration continue de la distribution et à l'expansion géographique vers la façade atlantique des États-Unis.

Les objectifs de croissance ambitieux de Farmers peuvent paraître surprenants compte tenu de la faiblesse persistante des marchés clés de l'assurance auto et habitation aux États-Unis. Le modèle multi-marques se prête à ce défi. 21st Century aide les clients qui souhaitent s'assurer sans rencontrer d'agent. Le réseau d'agences des Farmers Exchanges, fort de 17 000 collaborateurs, s'adresse aux clients qui préfèrent le contact personnel. Les clients de 21st Century sont donc une source d'opportunités de ventes croisées pour nos agents Farmers et nous nous efforçons activement de faire ce lien. Cette dynamique est particulièrement importante dans l'optique de l'expansion

Farmers Auto 2.0
Un nouveau produit qui offre des tarifs plus compétitifs, source de hausses des nouvelles affaires et de fidélisation.

de Farmers vers la côte atlantique des États-Unis, où 21st Century lui ouvre la voie. Cette expansion est également soutenue par la promotion de la marque Farmers à l'échelle nationale, qui permet d'attirer de nouveaux clients et de fidéliser les clients existants. Farmers est en permanence à la recherche de telles initiatives pour améliorer notre relation client puis vérifier, chiffres à l'appui, que les changements ont amélioré la fidélité et non le contraire.

Group Operations

Cette année, nous avons fusionné un grand nombre des processus élémentaires communs aux trois segments dans une nouvelle fonction intitulée Group Operations. Une grande partie de ce travail était certes en cours ces dernières années mais c'est la première fois qu'ils sont rassemblés sous la même bannière.

Nous mettons tout notre poids derrière cette nouvelle fonction. Group Operations compte plus de 6 000 collaborateurs, auxquels il convient d'ajouter quelque 6 000 autres personnes qui travaillent pour des fournisseurs stratégiques. Dotée d'un budget de 4,4 milliards d'USD, dont 2,1 milliards alloués aux technologies de l'information, Group Operations gère environ 40% des dépenses totales du groupe. La fonction assiste 70 centres d'activités répartis dans 40 pays.

En échange, toutes nos unités peuvent espérer des économies régulières et une amélioration de la qualité des services partagés, une gamme très large qui va des achats aux solutions d'impression. Les fonctions de soutien essentielles, comme les services informatiques et la gestion de projets, continueront de s'améliorer en flexibilité et en réactivité. Elles aideront ainsi les centres à atteindre leurs objectifs ambitieux en matière de croissance et d'économies. Tout l'éventail d'améliorations et de changements infrastructurels durables regroupés sous le label Le Zurich Way est également aux mains de Group Operations à présent. Le Zurich Way restera le programme destiné à piloter les capacités mondiales et à diffuser les meilleures pratiques.

En 2010, Group Operations a réalisé plus de 100 millions d'USD d'économies en harmonisant les procédures d'achat, avec une marge d'amélioration à l'avenir. Group Operations a notamment fusionné deux plateformes de services partagées qui opéraient indépendamment jusqu'ici en Europe et en Amérique du Nord. Nous générons des économies substantielles en transformant les coûts d'infrastructure des IT en coûts variables, et ce en ayant recours à l'externalisation au niveau mondial. En plus de saisir ces opportunités, nous allons surtout construire une nouvelle organisation Group Operations, qui aura les moyens de piloter les missions encore plus importantes prévues en 2011 et au-delà.

Global Earthquake Model (GEM)
Zurich aide à la mise au point d'une ressource ouverte pour examiner le risque sismique partout dans le monde.

Gouvernance

Rapport sur la gouvernance d'entreprise

Zurich Financial Services SA s'engage à pratiquer une gouvernance d'entreprise efficace, fondée sur les principes d'équité, de transparence et de responsabilité dans l'intérêt de ses actionnaires, de ses clients, de ses collaborateurs et autres parties prenantes. Les structures, les règlements et les processus sont conçus de manière à assurer une organisation et une marche des affaires correctes au sein du Zurich Financial Services Group (le «groupe» ou «Zurich») ainsi qu'à définir les pouvoirs et les responsabilités de ses organes et collaborateurs.

Le présent rapport décrit l'approche du groupe en matière de gouvernance d'entreprise et en présente les éléments clés. Il comprend les informations requises par la Directive concernant les informations relatives à la Corporate Governance de la SIX Swiss Exchange (en vigueur depuis le 1er janvier 2007 et amendée le 1er juillet 2009). Il explique également comment, en 2010, le groupe s'est mis en conformité avec le Code suisse de bonne pratique pour le gouvernement d'entreprise élaboré par economiesuisse en 2002, tel qu'amendé en octobre 2007. Par ailleurs, le groupe continue de publier une Déclaration de gestion des risques et de contrôle interne (voir pages 44 à 45) conformément à la Turnbull Guidance édictée au Royaume-Uni.

Les principes de la gouvernance d'entreprise et les standards décrits ci-dessus ont été intégrés dans de nombreux documents, en particulier dans les statuts, les règlements organisationnels ainsi que les chartes et règlements des comités du Conseil d'administration. Le comité de gouvernance et des nominations du Conseil d'administration, qui supervise la gouvernance du groupe, compare régulièrement la gouvernance aux normes de bonne pratique et veille à ce qu'elle soit conforme aux exigences dans ce domaine.

Une structure efficace est en place afin d'assurer la coopération entre le Conseil d'administration, la Direction générale et les fonctions de contrôle interne. Cette structure effectue des contrôles et veille à équilibrer les responsabilités. Elle a également pour but d'assurer l'indépendance institutionnelle du Conseil d'administration par rapport au Chief Executive Officer du groupe (CEO) et au Comité exécutif du groupe (GEC), responsables de gérer le groupe au quotidien. Le Conseil d'administration de Zurich Financial Services SA est constitué exclusivement de membres indépendants sans pouvoir exécutif. Les rôles de président du Conseil d'administration et de CEO sont séparés, ce qui garantit la séparation des pouvoirs entre les fonctions et assure l'autonomie du Conseil d'administration.

Ce rapport est structuré conformément aux recommandations formulées dans la Directive concernant les informations relatives à la Corporate Governance de la SIX Swiss Exchange. Le chapitre consacré aux rémunérations, participations et prêts des membres du Conseil d'administration et des membres du GEC fait l'objet d'un rapport distinct: le Rapport sur les rémunérations (voir pages 46 à 65), qui complète le présent Rapport sur la gouvernance d'entreprise. Il contient également les informations requises par la Circulaire 2010/1 sur les systèmes de rémunération (normes minimales des systèmes de rémunération dans les établissements financiers) publiée par l'Autorité fédérale de surveillance des marchés financiers (FINMA) le 21 octobre 2009.

Structure du groupe et actionnaires

Structure opérationnelle du groupe

Zurich Financial Services SA, la société holding du groupe, est une société suisse organisée en conformité avec la législation suisse.

Le groupe poursuit une stratégie centrée sur les clients et est géré sur une base matricielle correspondant à la fois aux branches d'activités et à la répartition géographique, ce qui se reflète dans les domaines de responsabilité assignés aux membres du GEC. Le GEC est présidé par le CEO du groupe et est composé des CEO des segments opérationnels, du Chief Financial Officer, du Chief Investment Officer, du Chief Risk Officer, du Chief Administrative Officer et du Group Head of Operations. Les secteurs géographiques Europe & Africa, Americas et Asia-Pacific & Middle East sont représentés par des présidents de région chargés de la gestion des relations avec les parties prenantes et du développement des affaires dans leur région. Pour de plus amples informations sur le GEC, veuillez vous référer aux pages 29, et 36 à 40.

Cette structure de direction mène à l'établissement de rapports du groupe sur la base des segments opérationnels primaires suivants:

- General Insurance répond aux besoins en matière d'assurance dommages d'un large éventail de clients allant des particuliers aux petites et moyennes entreprises, aux sociétés commerciales et aux grandes multinationales.

- Global Life poursuit une stratégie fondée sur des offres leaders sur le marché des produits «unit-linked» et de prévoyance, via une distribution et des piliers d'offres mondiaux, en vue de développer une position de leader dans les segments sélectionnés.

- Par le biais de Farmers Group et ses filiales (FGI), Farmers offre aux Farmers Exchanges des services de gestion dissociés des sinistres. FGI perçoit des honoraires pour la prestation de services à Farmers Exchanges, que Farmers Group, Inc., filiale à 100% du groupe, gère sans détenir. Ce segment englobe également l’activité Farmers Re, qui comprend tous les contrats de réassurance acceptés par le groupe auprès des Farmers Exchanges. Les Farmers Exchanges apportent une contribution massive à la souscription d’assurance dans les branches pour les particuliers et petites entreprises aux États-Unis.

- Other Operating Businesses correspond essentiellement aux activités de Headquarters et de Holding & Finance. En outre, certaines positions en placements alternatifs non allouées aux principaux segments opérationnels sont reportées dans ce segment.

- Non-Core Businesses regroupe les activités d’assurance que le groupe considère comme étant en marge des activités du métier d’assureur et qui, par conséquent, sont surtout gérées pour obtenir un run-off bénéficiaire. Non-Core Businesses englobe également les activités bancaires du groupe.

En 2010, le format secondaire de présentation des informations sur les segments du groupe était toujours géographique et se déclinait comme suit: Americas, Europe & Africa, Asia-Pacific & Middle East et Central region. À compter de 2011, l’Africa fera partie de la région Asia-Pacific & Middle East élargie.

Pour de plus amples informations sur les segments du groupe et sur sa structure géographique, veuillez vous référer à la note 30 des Consolidated Financial Statements, à partir de la page 234. Un examen détaillé des résultats par segment opérationnel et par division pour l’exercice 2010 est présenté dans la section Operating and financial review à partir de la page 68. Par ailleurs, un aperçu des points forts et des activités commerciales du groupe est présenté dans le Compte rendu des activités disponible sur le site Internet de Zurich www.zurich.com (http://zdownload.zurich.com/main/reports/annual_review_2010_fr.pdf).

Zurich Financial Services SA est cotée à la SIX Swiss Exchange. Certaines sociétés du groupe ont émis des obligations cotées dans le cadre du programme Euro Medium Term Note et d’autres instruments financiers.

Une liste des principales filiales du groupe comprenant de plus amples informations sur les principales filiales cotées figure dans ce Rapport de gestion aux pages 256 à 258. Pour de plus amples informations sur la cotation de l’action de Zurich Financial Services SA, veuillez vous référer aux Informations pour les actionnaires aux pages 312 à 316.

Principaux actionnaires

Conformément aux règles relatives à la déclaration des participations significatives dans les sociétés suisses cotées en Suisse, ces déclarations doivent être faites en cas d’atteinte ou de franchissement à la baisse de certains seuils, à compter de 3%. Les options d’achat et autres instruments financiers doivent être ajoutés à toutes les positions d’actions, même s’ils permettent uniquement le règlement en espèces. Aux termes de ce régime, une déclaration doit avoir lieu séparément pour les positions d’achat (y compris les actions, les options long call et les options short put) et les positions de vente (y compris les options long put et les options short call). Les seuils de pourcentage sont calculés sur la base du montant total des droits de vote tels qu’inscrits au registre du commerce.

Zurich Financial Services SA est dans l’obligation d’annoncer les participations détenues par des tiers dans son capital après notification par le tiers qu’un seuil a été franchi. Au cours de l’année 2010, le groupe a reçu plusieurs notifications de tiers déclarant qu’ils avaient dépassé ou n’atteignaient plus le seuil de 3% dans les positions d’achat ou de vente. Au 31 décembre 2010, à la connaissance de Zurich Financial Services SA, aucune personne ou aucun établissement autre que BlackBock, Inc. et Norges Bank ne détenait, directement ou indirectement, de participations en tant qu’ayant droit économique d’actions, de droits d’option et/ou de droits de conversion relatifs à des actions de Zurich Financial Services SA, représentant 3% ou plus des actions émises. Vous trouverez les annonces respectives par le biais du moteur de recherche sur la plateforme de l'Instance pour la publicité des participations de la SIX: http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_fr.html.

Zurich Financial Services SA n’a pas non plus connaissance de personnes ou d’établissements qui, en date du 31 décembre 2010, directement ou indirectement, seuls ou avec d’autres, exerçaient un contrôle ou étaient partie à un accord quelconque visant à exercer un contrôle sur Zurich Financial Services SA.

Participations croisées

Zurich Financial Services SA ne détient aucune participation dans une autre société excédant 5% des droits de vote de ladite société, qui détiendrait elle-même une participation au capital de Zurich Financial Services SA excédant 5% des droits de vote de Zurich Financial Services SA.

Rapport sur la gouvernance d'entreprise *suite*

Structure du capital

Capital-actions

Au 31 décembre 2010, le capital-actions ordinaire de Zurich Financial Services SA s'élevait à 14 658 689.60 CHF, étant divisé en 146 586 896 actions nominatives entièrement libérées, d'une valeur nominale de 0.10 CHF chacune. Le Conseil d'administration proposera aux actionnaires, lors de l'Assemblée générale ordinaire du 31 mars 2011, le paiement d'un dividende ordinaire de 17.00 CHF par action. Ce paiement provenant de la réserve d'apport en capital, il sera exonéré de l'impôt anticipé suisse.

Capital-actions autorisé et conditionnel

A compter du 31 décembre 2010, conformément à l'article 5^{bis}(1) des statuts, le Conseil d'administration de Zurich Financial Services SA est autorisé à augmenter, d'ici au 30 mars 2012 au plus tard, le capital-actions à hauteur de 1 000 000.00 CHF, soit 10 000 000 d'actions nominatives entièrement libérées d'une valeur nominale de 0.10 CHF chacune. Conformément à l'article 5^{bis}(1) des statuts, le capital-actions conditionnel de Zurich Financial Services SA peut être augmenté d'un montant ne dépassant pas 1 000 000.00 CHF par l'émission de 10 000 000 d'actions nominatives entièrement libérées d'une valeur nominale de 0.10 CHF chacune en exerçant des droits de conversion et/ou d'option accordés dans le cadre de l'émission d'obligations d'emprunt ou d'obligations semblables lancée par Zurich Financial Services SA ou l'une des sociétés du groupe sur les marchés de capitaux nationaux ou internationaux et/ou des droits d'option accordés aux actionnaires. Il existe par ailleurs un capital-actions conditionnel supplémentaire de 470 836 30 CHF, tel que mentionné à l'article 5^{ter}(2a) des statuts, représentant 4 708 363 actions nominatives entièrement libérées d'une valeur nominale de 0.10 CHF chacune, pouvant être émises en faveur des collaborateurs du groupe. Pour de plus amples informations sur la structure du capital ainsi que sur le capital-actions autorisé et conditionnel, veuillez consulter les Consolidated Financial Statements, note 23 aux pages 207 à 210.

Modifications du capital-actions en 2009

Au 31 décembre 2008, Zurich Financial Services SA avait racheté 3 750 500 de ses actions nominatives via une deuxième ligne de transaction dans le cadre de son programme de rachat d'actions autorisé par le Conseil d'administration le 13 février 2008. En mars 2009, le Conseil d'administration a décidé de ne pas proposer la destruction de ces actions à l'Assemblée générale ordinaire mais de constituer une réserve pour propres actions dans l'optique d'éventuelles acquisitions futures ou pour rémunérer des collaborateurs en actions. Cette réaffectation des actions avait été approuvée par la Commission suisse des OPA.

Lors de l'Assemblée générale ordinaire du 2 avril 2009, les actionnaires ont approuvé une augmentation du capital-actions autorisé ainsi que du capital-actions conditionnel jusqu'à un nouveau montant maximum de 1 000 000.00 CHF chacun, ce qui a permis d'améliorer la flexibilité financière de la société dans la gestion future du capital. Le 17 avril 2009, Zurich Financial Services SA a placé 4 800 000 nouvelles actions émises dans le cadre de son capital-actions autorisé et 1 914 096 propres actions réallouées, rachetées dans le cadre du programme de rachat d'actions autorisé en 2008, auprès d'investisseurs institutionnels via la constitution accélérée d'un livre d'ordres. Cette augmentation de capital a réduit le capital autorisé à 520 000.00 CHF. Les produits tirés de l'augmentation du capital réalisée le 17 avril 2009 et les propres actions réallouées ont servi au financement de l'acquisition de 21st Century, finalisée le 1er juillet 2009.

Au cours de l'année 2009, 550 448 actions ont été émises en faveur des collaborateurs à partir du capital-actions conditionnel. En conséquence, au 31 décembre 2009, le capital-actions s'élevait à 14 747 306.80 CHF (147 473 068 actions); le capital autorisé ainsi que le capital-actions conditionnel (tels que spécifiés respectivement dans l'article 5^{bis}(1) et l'article $5t^{er}$(1a) des statuts), s'élevaient à 1 million de CHF (10 millions d'actions) et l'autre capital-actions conditionnel (tel que spécifié dans l'article 5^{ter}(2a) des statuts) s'élevait à 264 383.10 CHF (2 643 831 actions).

Modifications du capital-actions en 2010

Lors de l'Assemblée générale ordinaire du 30 mars 2010, les actionnaires ont approuvé une réduction du capital-actions de 183 640.40 CHF, celui-ci passant de 14 747 306.80 CHF à 14 563 666.40 CHF en annulant 1 836 404 actions nominatives. La réduction du capital-actions est entrée en vigueur le 15 juin 2010. En outre, les actionnaires ont approuvé une augmentation du capital-actions autorisé jusqu'à un nouveau montant maximum de 1 000 000.00 CHF, permettant d'améliorer la flexibilité financière de la société dans la gestion future du capital, et une augmentation du capital-actions conditionnel jusqu'à un nouveau montant maximum de 500 000.00 CHF pouvant être émis en faveur des collaborateurs de Zurich Financial Services SA et de ses filiales dans le cadre des programmes de participation des salariés.

Au cours de l'année 2010, 950 232 actions ont été émises en faveur des collaborateurs à partir du capital conditionnel. En conséquence, au 31 décembre 2010, le capital-actions s'élevait à 14 658 689.60 CHF (146 586 896 actions); le capital autorisé ainsi que le capital-actions conditionnel (tels que spécifiés respectivement dans l'article 5^{bis}(1) et l'article 5^{ter}(1a) des statuts), s'élevaient à 1 000 000.00 CHF (10 000 000 actions) et l'autre capital-actions conditionnel (tel que spécifié dans l'article 5^{ter}(2a) des statuts) s'élevait à 470 836 CHF (4 708 363 actions).

Résumé des modifications du capital-actions ordinaire au cours des deux dernières années

	Capital-actions en CHF	Nombre d'actions	Valeur nominale en CHF
Au 31 décembre 2008	14 212 262.00	142 122 620	0.10
Actions nouvellement émises à partir du capital autorisé	480 000.00	4 800 000	0.10
Actions nouvellement émises à partir du capital conditionnel	55 044.80	550 448	0.10
Au 31 décembre 2009	14 747 306.80	147 473 068	0.10
Réduction du capital par l'annulation d'actions rachetées dans le cadre duprogramme de rachat d'actions annoncé le 13 février 2008	183 640.40	1 836 404	0.10
Actions nouvellement émises à partir du capital conditionnel	95 023.20	950 232	0.10
Au 31 décembre 2010	14 658 689.60	146 586 896	0.10

Pour obtenir des informations sur les modifications du capital-actions au cours de l'exercice 2008, veuillez consulter le Rapport de gestion 2009 de Zurich Financial Services SA, Rapport annuel, pages 26 à 27, pages 146 à 147 et pages 219 à 222.

Actions et bons de participation

Les actions de Zurich Financial Services SA sont des actions nominatives d'une valeur nominale de 0.10 CHF chacune. Ces actions sont entièrement libérées. Conformément à l'article 14 des statuts, chaque action donne droit à une voix aux Assemblées générales des actionnaires et autorise le détenteur inscrit à exercer tous les autres droits liés à l'action, à condition que l'actionnaire soit inscrit au registre des actions.

Certaines participations en actions sont détenues par des investisseurs sous la forme de CREST Depository Interests (CDI)[1] ou d'American Depositary Receipts (ADR)[2]. Au 31 décembre 2010, les investisseurs détenaient 190 104 CDI (représentant 190 104 actions de Zurich Financial Services SA) et 22 544 200 ADR (représentant 2 254 420 actions de Zurich Financial Services SA).

Bons de jouissance

Zurich Financial Services SA n'a pas émis de bons de jouissance.

Restrictions de transfert et inscriptions des mandataires

Les statuts ne prévoient pas de restrictions de transfert, à l'exception des formalités de transfert des actions non documentées.

L'inscription en tant qu'actionnaire nécessite une déclaration selon laquelle l'actionnaire a acquis les actions en son propre nom et pour son propre compte. Les mandataires détenant des actions de Zurich Financial Services SA peuvent se faire enregistrer pour le compte ou en tant que nominee d'une autre personne pour 200 000 actions au maximum avec droit de vote, sans égard au fait qu'ils n'ont pas dévoilé l'identité de l'ayant droit économique. Un nominee a cependant le droit de se faire enregistrer en tant qu'actionnaire avec droit de vote de plus de 200 000 actions s'il s'engage à dévoiler l'identité de chaque ayant droit économique et à informer les ayants droit économiques des agissements de la société, à les consulter en ce qui concerne l'exercice des droits de vote et des droits de souscription préférentiels, à transférer les dividendes et à agir dans l'intérêt et en conformité avec les instructions de l'ayant droit économique.

Il existe des dispositions spéciales concernant l'enregistrement d'actions et l'exercice des droits qui y sont rattachés par la Bank of New York Mellon en relation avec le programme ADR de Zurich Financial Services SA.

Emprunts convertibles et options

Zurich Financial Services SA n'avait pas d'emprunts convertibles ou d'options en cours au 31 décembre 2010. Pour plus d'informations sur les programmes des options d'achat d'actions en faveur des collaborateurs, veuillez consulter les Consolidated Financial Statements, note 25 aux pages 216 à 218.

[1] CREST est le système de règlement dématérialisé des opérations sur titres et de détention de titres sans certificat au Royaume-Uni. CREST est le dépositaire des actions et émet des certificats de dépôts dématérialisés (connus également sous le sigle CDI) représentant les droits aux actions de Zurich Financial Services SA. Les détenteurs de CDI ne sont pas les détenteurs légaux des actions rattachées aux CDI: ils ne sont donc pas en mesure de faire valoir ou d'exercer directement les droits au même titre qu'un détenteur d'actions. Les détenteurs de CDI ont toutefois un droit de jouissance sur les actions représentées par les CDI et sont habilités à exercer les droits économiques rattachés aux actions. Chaque CDI correspond à une action de Zurich Financial Services SA.

[2] Zurich Financial Services SA a créé un programme d'American Depositary Share (ADS) de niveau 1 aux États-Unis. La Bank of New York Mellon est chargée d'émettre les ADS dans le cadre de ce programme. Chaque ADS donne droit au dixième d'une action de Zurich Financial Services SA. Chaque ADS représente également les titres, liquidités et autres biens déposés à la Bank of New York Mellon mais non distribués aux détenteurs d'ADS. Les ADS de Zurich sont négociées de gré à gré (OTC) et matérialisées par des American Depositary Receipts (ADR). Depuis le 1er juillet 2010, les ADR de Zurich sont négociées sur «OTCQX», une plateforme électronique opérée par OTC Markets Group Inc. (anciennement «Pink OTC Markets Inc.») sous le symbole ZFSVY. Les détenteurs d'ADS ne sont pas considérés comme des actionnaires de Zurich Financial Services SA et ne sont pas en mesure de faire valoir ou d'exercer directement les droits rattachés à ce statut. Seule la Bank of New York Mellon, en tant que dépositaire, peut être amenée à exercer les droits de vote conformément aux instructions données par les ayants droit économiques des ADR.

Conseil d'administration

Les relations entre notre Conseil d'administration et notre Direction générale sont structurées de manière à soutenir les deux groupes dans la réalisation de leur engagement. Cette structure réalise des contrôles et veille à équilibrer les responsabilités. Elle a également pour but d'assurer l'indépendance institutionnelle du Conseil d'administration par rapport au Chief Executive Officer (CEO) et au Comité exécutif du groupe (GEC).

1 Manfred Gentz
Président du Conseil d'administration,
président du comité de gouvernance et des nominations,
membre du comité des rémunérations

2 Josef Ackermann
Vice-président du Conseil d'administration,
membre du comité de gouvernance et des nominations,
membre du comité des rémunérations

3 Susan Bies
Administratrice,
membre du comité des risques

4 Victor L.L. Chu
Administrateur,
membre du comité de gouvernance et des nominations

5 Thomas K. Escher
Administrateur,
membre du comité des rémunérations

6 Fred Kindle
Administrateur,
membre du comité d'audit

7 Armin Meyer
Administrateur,
membre du comité de gouvernance et des nominations,
membre du comité des risques

8 Don Nicolaisen
Administrateur,
président du comité d'audit,
membre du comité des risques

9 Vernon L. Sankey
Administrateur,
président du comité des rémunérations

10 Tom de Swaan
Administrateur,
président du comité des risques,
membre du comité d'audit

11 Rolf Watter
Administrateur,
membre du comité d'audit

Comité exécutif du groupe (GEC)

Notre Comité exécutif s'efforce de nous aider à réaliser notre ambition: devenir le meilleur assureur mondial aux yeux de nos actionnaires, de nos clients et de nos collaborateurs.

1 Martin Senn
Chief Executive Officer

2 John Amore[1]
Senior Advisor

3 Mike Foley
Chief Executive Officer
North America Commercial

4 Mario Greco
Chief Executive Officer
General Insurance

5 Kevin Hogan
Chief Executive Officer
Global Life

6 Paul N. Hopkins
Président du Conseil d'administration de Farmers Group, Inc.,
président de la région Americas

7 Axel P. Lehmann
Chief Risk Officer

8 Christian Orator
Chief Administrative Officer

9 Cecilia Reyes
Chief Investment Officer

10 Geoff Riddell
Président de la région
Asia-Pacific & Middle East

11. Kristof Terryn
Group Head of Operations

12. Dieter Wemmer
Chief Financial Officer,
président de la région Europe & Africa

[1] A quitté son poste de Senior Advisor du CEG le 31 décembre 2010.

Rapport sur la gouvernance d'entreprise *suite*

Conseil d'administration

Membres du Conseil d'administration, au 31 décembre 2010

Nom	Nationalité	Né(e) en	Fonction	Année de nomination initiale	Expiration du mandat actuel
Manfred Gentz	Allemand	1942	Président du Conseil d'administration Président du comité de gouvernance et des nominations Membre du comité des rémunérations	2005	2011
Josef Ackermann	Suisse	1948	Vice-président du Conseil d'administration Membre du comité de gouvernance et des nominations Membre du comité des rémunérations	2010	2012
Susan Bies	Américaine	1947	Administratrice Membre du comité des risques	2008	2013
Victor Chu	Britannique	1957	Administrateur Membre du comité de gouvernance et des nominations	2008	2013
Thomas Escher	Suisse	1949	Administrateur Membre du comité des rémunérations	2004	2012
Fred Kindle	Suisse	1959	Administrateur Membre du comité d'audit	2006	2011
Armin Meyer	Suisse	1949	Administrateur Membre du comité de gouvernance et des nominations Membre du comité des risques	2001	2013
Don Nicolaisen	Américain	1944	Administrateur Président du comité d'audit Membre du comité des risques	2006	2012
Vernon Sankey	Britannique	1949	Administrateur Président du comité des rémunérations	1998[1]	2012
Tom de Swaan	Néerlandais	1946	Administrateur Président du comité des risques Membre du comité d'audit	2006	2011
Rolf Watter	Suisse	1958	Administrateur Membre du comité d'audit	2002	2013

[1] M. Sankey a été membre de plusieurs conseils d'administration de la structure de holding du groupe issue de la fusion en 1998 entre B.A.T. Financial Services et Zurich Compagnie d'Assurances. La structure du groupe holding composée à l'origine de Zurich Group Holding (renommée « Zurich Financial Services »), Allied Zurich p.l.c. et Zurich Allied AG a été réorganisée en 2000. Depuis cette unification, il siège au Conseil d'administration de Zurich Financial Services SA.

Hormis M. Ackermann, dont le mandat a commencé en avril 2010, tous les administrateurs actuels ont siégé au Conseil d'administration tout au long de l'année 2010. M. Pidoux a quitté le Conseil d'administration lors de l'Assemblée générale ordinaire de mars 2010. Tous les administrateurs de Zurich Financial Services SA sont également membres du Conseil d'administration de Zurich Compagnie d'Assurances SA. M. Gentz est également président du Conseil d'administration de cette dernière. Par ailleurs, depuis janvier 2010 M. de Swaan siège depuis janvier 2010 aux conseils d'administration de Zurich Insurance plc et de Zurich Life Assurance plc; il préside également les comités d'audit de ces conseils d'administration. M. Nicolaisen et M^me Bies sont membres du Conseil d'administration de Zurich Holding Company of America Inc (ZHCA) et siègent également au comité d'audit concerné. Hormis M^me Bies, M. Nicolaisen et M. de Swaan, les membres du Conseil d'administration n'occupent pas d'autres fonctions d'administrateurs au sein du groupe.

M. Fritz Gerber est président honoraire de Zurich Financial Services SA. Il a été président de Zurich Compagnie d'Assurances SA entre 1977 et 1995 et Chief Executive Officer entre 1977 et 1991. En reconnaissance de ses qualités de dirigeant et des services rendus à la société, il a été nommé président honoraire. Un tel titre ne lui confère pas de siège au Conseil d'administration ni de droits ou d'obligations correspondants et ne lui donne pas non plus droit à des honoraires.

Biographies

Né en 1942, **Manfred Gentz** a étudié le droit aux universités de Berlin et Lausanne, clôturant ses études par un doctorat en droit de l'Université libre de Berlin. En 1970, il a rejoint Daimler-Benz AG, où il a exercé différentes fonctions. En 1983, il a été nommé membre du Comité directeur de Daimler-Benz AG, responsable, dans un premier temps, des ressources humaines. De 1990 à 1995, il a été Chief Executive Officer de Daimler-Benz Interservices (debis) à Berlin, puis est devenu Chief Financial Officer de Daimler-Benz AG en 1995. En décembre 1998, M. Gentz a été nommé au Comité directeur de DaimlerChrysler AG, où il a été responsable des finances et du controlling jusqu'en décembre 2004. De 1987 à 1995, il a été membre du Conseil de surveillance d'Agrippina Versicherung AG et, de 1996 à 2005, membre du Conseil de surveillance de Zürich Beteiligungs-Aktiengesellschaft (Allemagne). De 1985 à 2005, M. Gentz a fait partie du Conseil de surveillance de Hannoversche Lebensversicherung AG (à partir de 1990 en tant que vice-président). De mai 2005 à mars 2006, il a été président du Conseil de surveillance de Eurohypo AG. Il a été membre du Conseil de surveillance de adidas AG de 2004 à mai 2009 et de DWS Investment GmbH de décembre 1995 à avril 2009. En outre, M. Gentz est entré en mai 2003 au Conseil de surveillance de la Bourse allemande (Deutsche Börse AG), dont il a été élu président en décembre 2008. Il fait également partie du Comité de direction de la CCI (Chambre de Commerce Internationale) de Paris, dont il préside le comité national allemand. Il est, par ailleurs, un membre actif de plusieurs institutions culturelles et scientifiques.

Né en 1948, **Josef Ackermann** a étudié les sciences économiques et sociales à l'Université de Saint-Gall et a rejoint Schweizerische Kreditanstalt (SKA) en 1977 après avoir obtenu son doctorat. En 1990, il est nommé membre du Comité exécutif de SKA et en a été désigné président en 1993. En 1996, M. Ackermann a rejoint le Comité de direction de la Deutsche Bank où il était responsable de la division Investment Banking. En 2002, il est devenu le porte-parole du Comité de direction et président du Group Executive Committee. Le 1er février 2006, il a été nommé président du Comité de direction. M. Ackermann est membre du Conseil de surveillance de Siemens AG (deuxième vice-président) en Allemagne, membre non exécutif du Conseil d'administration de Royal Dutch Shell aux Pays-Bas et vice-président du Conseil d'administration de Belenos Clean Power Holding SA à Bienne. Il joue également un rôle actif, entre autres, au sein de l'Initiative Finanzstandort Deutschland (membre du groupe des initiateurs), de l'Institute of International Finance (président du Conseil d'administration), du Forum économique mondial (WEF) (vice président du Conseil de fondation), de St Galler Stiftung für Internationale Studien (président), de la Fondation des Symposiums des lauréats de prix Nobel de Lindau (membre honoraire du Sénat) et, enfin, du Metropolitan Opera de New York (administrateur consultatif). En 2007, M. Ackermann a accepté d'enseigner la finance en tant que professeur invité à la London School of Economics. En juillet 2008, il a été nommé professeur honoraire à l'Université Johann-Wolfgang-Goethe de Francfort-sur-le-Main. En outre, il s'est vu décerner le titre d'«Honorary Fellow» de la London Business School, et est docteur honoris causa de l'Université Démocrite de Thrace, en Grèce.

Née en 1947, **Susan Bies** est titulaire d'une licence (BS) du State University College de Buffalo (New York), ainsi que d'un master (MA) de la Northwestern University d'Evanston (Illinois) où elle a également obtenu plus tard un doctorat. Elle a commencé sa carrière en 1970 en qualité d'économiste spécialiste des structures bancaires régionales au sein de la Federal Reserve Bank de St. Louis (Missouri) et, deux ans plus tard, est devenue professeur assistante d'économie à la Wayne State University de Détroit (Michigan). En 1977, elle endosse une fonction similaire au Rhodes College de Memphis (Tennessee) et rejoint, en 1979, First Tennessee National Corporation à Memphis, où elle reste jusqu'en 2001. Durant les premières années, ses domaines de responsabilité incluent la planification tactique et le développement d'entreprise. En 1984, elle devient Chief Financial Officer et présidente du comité des actifs/passifs. En 1995, elle devient vice-présidente avec pouvoir exécutif de la gestion des risques, ainsi qu'auditrice et présidente du comité exécutif de gestion des risques, tout en continuant à assumer ses fonctions au sein du comité des actifs/passifs. De 2001 à 2007, elle est membre du Conseil des gouverneurs du Federal Reserve System. De 1996 à 2001, Mme Bies a fait partie de l'Emerging Issues Task Force du Financial Accounting Standards Board. De 2007 à 2008, elle a été membre du comité consultatif de la Securities and Exchange Commission pour l'amélioration de la présentation de l'information financière, et présidente de son sous-comité Substantive Complexity. En juin 2009, Mme Bies est entrée au Conseil d'administration de la Bank of America Corporation.

Né en 1957, **Victor L.L. Chu** a obtenu une licence en droit de l'University College de Londres en 1979. Il est admis à pratiquer le droit en Angleterre et à Hong Kong. Depuis 1982, il exerce dans le domaine du droit des sociétés et du droit commercial ainsi que dans le domaine des titres, avec spécialisation sur la Chine et les transactions d'investissement régionales. De 1995 à 2000, M. Chu a été secrétaire général adjoint de l'International Bar Association. Depuis 1988, il est président de First Eastern Investment Group, société majeure d'investissement direct spécialisée sur la Chine. Il est également président de First Eastern Investment Bank Limited et de FE Securities Limited. Au cours des vingt dernières années, il a été à différentes reprises membre du Conseil d'administration et membre du conseil de la bourse de Hong Kong, membre du Hong Kong Takeovers and Mergers Panel, membre du comité consultatif de la Hong Kong Securities and Futures Commission et membre à temps partiel de la Central Policy Unit du gouvernement de Hong Kong. Il est actuellement membre du Conseil de fondation du Forum économique mondial (WEF) et co-président de l'International Business Council du Forum. Il siège également au sein de la Chambre de commerce internationale, dont il préside la Commission sur les services financiers et l'assurance. M. Chu occupe par ailleurs la vice-présidence de l'Asia House à Londres et est administrateur de l'International Business Leaders Forum dont le siège est à Londres, et du WWF à Hong Kong. Il siège également au sein du Conseil consultatif sur les affaires internationales auprès du maire de Londres. M. Chu exerce aussi des activités au sein d'associations civiques telles que l'International Crisis Group, la Chatham House, la Fondation pour le festival de musique de Pékin et le Conseil atlantique des États-Unis.

Né en 1949, **Thomas Konrad Escher** est diplômé en génie électrique et en sciences économiques de l'École polytechnique fédérale suisse (EPF) et a rejoint IBM en 1974. Au cours des années suivantes, sa carrière l'a amené à assumer diverses fonctions d'encadrement assorties de responsabilités dans le domaine des marchés et des relations clients à l'étranger, dans

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divers pays d'Europe et en Suisse. En 1996, M. Escher a rejoint la Société de Banque Suisse et a été – en tant que membre du Comité exécutif – CEO pour la plus grande zone de marché en Suisse et pour l'organisation des technologies de l'information. Depuis la fusion entre la Société de Banque Suisse et l'Union de Banques Suisses qui a donné naissance à UBS SA en 1998, il a dirigé le secteur d'activités informatique des divisions gestion de fortune et banque d'affaires jusqu'à la mi-2005, en tant que membre du Comité exécutif élargi du groupe. Depuis le 1er juillet 2005, M. Escher exerce la fonction de vice-président du Business Group Global Wealth Management & Swiss Banking d'UBS SA. M. Escher est par ailleurs membre du Conseil de la fondation Greater Zurich Area, un organisme chargé du marketing actif de la ville de Zurich et du développement d'un environnement favorable à l'établissement de sociétés étrangères.

Né en 1959, **Fred Kindle** est titulaire d'un diplôme d'ingénieur de l'École polytechnique fédérale suisse de Zurich (EPFZ). De 1984 à 1986, il a travaillé au sein de Hilti SA au Liechtenstein en tant que chef de projets dans le domaine du marketing. Il s'est ensuite inscrit à la Northwestern University à Evanston (Illinois), où il a obtenu un MBA. De 1988 à 1992, il a été consultant auprès de McKinsey & Company à New York et Zurich. Il a ensuite rejoint Sulzer Chemtech SA en Suisse en tant que responsable du Mass Transfer Department et en 1996 a pris la direction de la Product Division. En 1999, il est nommé CEO de Sulzer Industries, l'un des deux groupes opérationnels de Sulzer SA. Deux ans plus tard, il devient CEO de Sulzer SA et siège aussi au Conseil d'administration. Après avoir rejoint ABB Ltd. en 2004, M. Kindle est nommé CEO du groupe ABB en janvier 2005, fonction qu'il assume jusqu'en février 2008. Il devient ensuite associé de CD & R LLP, une société de private equity basée à New York et Londres. En sa qualité d'associé de cette société, M. Kindle devient président de Exova Ltd., en Écosse, de BCA Group, au Royaume-Uni et administrateur de Rexel SA, en France. Il siège également au Conseil d'administration de VZ Holding SA, à Zurich, et de Stadler Rail AG, à Bussnang.

Né en 1949, **Armin Meyer** est titulaire d'un doctorat en génie électrique de l'École polytechnique fédérale suisse (EPF) et a rejoint BBC Brown Boveri SA en 1976 en tant qu'ingénieur de développement. En 1980, il prend la direction de la recherche et du développement des moteurs industriels et, en 1984, la direction du centre d'activités international pour les générateurs d'électricité. En 1988, M. Meyer devient président d'ABB Drives SA et, en 1992, président d'ABB Power Generation Ltd. De 1995 à 2000, il est vice-président exécutif d'ABB SA et membre du Comité exécutif de ce groupe. En 1997, il devient membre du Conseil d'administration de Ciba Specialty Chemicals au moment de la scission avec Novartis. Il devient président du Conseil d'administration de Ciba Specialty Chemicals à l'automne 2000 et reste en poste jusqu'en avril 2009. Du 1er janvier 2001 au 31 décembre 2007, il assume en outre la fonction de Chief Executive Officer. Depuis avril 2010, M. Meyer siège au Conseil d'administration d'Amcor Limited à Melbourne, en Australie. M. Meyer est membre du Comité exécutif et du Conseil de fondation de l'Institute for Management Development (IMD) à Lausanne, en Suisse. De 2001 à 2008, il est membre du Conseil européen de l'industrie chimique (Cefic), à Bruxelles, Belgique.

Né en 1944, **Don Nicolaisen** est titulaire d'une licence (BBA) de l'Université du Wisconsin-Whitewater et a rejoint Price Waterhouse (devenue plus tard PricewaterhouseCoopers), dont il est devenu associé en 1978. Il y a assumé différentes fonctions, y compris celle d'auditeur et président de la division services financiers. Au sein de cette société, il a dirigé le bureau national pour la comptabilité et les services de la Securities and Exchange Commission de 1988 à 1994 et a fait partie des Conseils d'administration américain et mondial de 1994 à 2001. De septembre 2003 à novembre 2005, il a été chef comptable au sein de la Securities and Exchange Commission aux États-Unis et le principal conseiller de la Commission chargée des questions de comptabilité et d'audit. Il est membre du Conseil d'administration de Verizon Communications, Morgan Stanley et MGIC Investment Corporation. Il fait en outre partie du comité consultatif de la Leventhal School of Accounting de la University of Southern California.

Né en 1949, **Vernon Louis Sankey** est titulaire d'un master (MA) de l'Oriel College, Oxford, et a rejoint Reckitt and Colman au Royaume-Uni en 1971, travaillant ensuite en France, au Danemark, au Royaume-Uni et aux États-Unis. Il est nommé au Conseil d'administration en 1989 et assume la fonction de Chief Executive Officer de la société de 1991 à 1999. De 2000 à septembre 2007, il est président de Photo-Me International plc. De 2001 à juin 2007, il est membre du Conseil d'administration de Cofra AG, Suisse, et, de 2004 à juillet 2007, de Taylor Woodrow plc. Entre 2005 et 2008, il siège au Conseil d'administration de Vividas Group plc. Le 1er janvier 2006, il est nommé membre du Conseil de surveillance d'Atos Origin SA, Paris, et, à partir d'octobre 2006, de Firmenich SA, Genève, dont il devient le président en octobre 2008. Il est président de Thomson Travel Group plc jusqu'en août 2000, de Gala Group Holdings plc jusqu'en février 2003 et de The Really Effective Development Company jusqu'en mars 2006. Il a également été membre du Conseil d'administration de Pearson plc jusqu'en avril 2006 et du Conseil d'administration de Foods Standards Agency au Royaume-Uni. En plus de ses activités au Conseil d'administration, il est conseiller pour de nombreuses autres sociétés.

Né en 1946, **Tom de Swaan** est titulaire d'un master en économie de l'Université d'Amsterdam. Il a rejoint De Nederlandsche Bank NV en 1972 et, de 1986 à 1998, il en a été membre du Conseil d'administration. En janvier 1999, il est devenu membre du Conseil de gestion et Chief Financial Officer de la banque ABN AMRO. Il a quitté ABN AMRO le 1er mai 2006 tout en restant conseiller du Conseil de gestion jusqu'en juin 2007. M. de Swaan est membre sans pouvoir exécutif du Conseil d'administration de GlaxoSmithKline plc et président de son comité d'audit. Il est membre du Conseil de surveillance de Royal DSM, un groupe d'industrie chimique basé aux Pays-Bas. Depuis le 3 mai 2007, il est également vice-président du Conseil de surveillance de Royal Ahold, un groupe mondial de grande distribution, et, depuis le 10 mai 2008, il est président du Conseil de surveillance de Van

Lanschot NV, la société holding de F. van Lanschot Bankiers, une banque néerlandaise indépendante. Depuis le 1er octobre 2010, il siège au Public Interest Committee de KPMG Europe LLP. De 1987 à 1988, il est président de l'Amsterdam Financial Center et, de 1995 à 1997, président du sous-comité de surveillance bancaire de l'Institut monétaire européen. Il a également été membre du Comité de Bâle pour le contrôle bancaire de 1991 à 1996 et son président de 1997 à 1998, ainsi que membre sans pouvoir exécutif du Conseil d'administration de la Financial Services Authority au Royaume-Uni de janvier 2001 à fin 2006. M. de Swaan est également membre du Conseil d'administration de plusieurs organisations à but non lucratif. Il a été, entre autres, trésorier du Conseil d'administration de l'Orchestre Royal du Concertgebouw, de Netherlands Cancer Institute et du Concours international Franz-Liszt de piano. Il préside par ailleurs le comité consultatif de Rotterdam School of Management.

Né en 1958, **Rolf Urs Watter** est titulaire d'un doctorat en droit de l'Université de Zurich et d'un master en droit de l'Université de Georgetown aux États-Unis. Il est admis au barreau du Canton de Zurich. Depuis 1994, il est associé au sein du cabinet d'avocats Bär & Karrer à Zurich. Il est devenu membre de son Comité exécutif en 2000 et administrateur avec pouvoir exécutif au moment de la fondation de Bär & Karrer SA en 2007, et ce jusqu'en septembre 2009. Il est administrateur sans pouvoir exécutif de Nobel Biocare Holding SA (depuis 2007), de Syngenta SA (depuis 2000), d'UBS Alternative Portfolio SA (depuis 2000) et d'A.W. Faber-Castell (Holding) AG (depuis 1997). Il a été président sans pouvoir exécutif de Cablecom Holding SA (2004–2008) et administrateur sans pouvoir exécutif de Centerpulse SA (2002–2003), de Forbo Holding SA (1999–2005) et de Feldschlösschen Boissons SA (2001–2004). Il est professeur à temps partiel à la faculté de droit de l'Université de Zurich. Par ailleurs, il est membre du Regulatory Board de la SIX et de sa Commission d'experts pour la publicité des participations. Il est également président de deux institutions caritatives.

L'adresse professionnelle de chacun des membres du Conseil d'administration est: Mythenquai 2, 8002 Zurich, Suisse.

Élections et durée des mandats

Les statuts stipulent que le Conseil d'administration doit compter au moins sept membres et au plus 13 membres. La durée de mandat ordinaire est de trois ans. À l'expiration de leur mandat, les membres peuvent être réélus immédiatement. Les statuts stipulent que l'ordre de rotation doit être fixé de telle sorte qu'il n'y ait pas plus de quatre membres dont le mandat arrive à expiration en même temps à la date d'une Assemblée générale. L'élection d'un membre du Conseil d'administration est effectuée sur une base individuelle. Les membres sont élus à la majorité des voix représentées. Les règlements organisationnels de Zurich Financial Services SA stipulent qu'aucune personne de 70 ans ou plus ne pourra être nommée ou rester membre du Conseil d'administration, bien que certaines exceptions puissent être admises dans des circonstances particulières.

Lors de l'Assemblée générale ordinaire du 30 mars 2010, M. Ackermann a été élu en tant que nouveau membre du Conseil d'administration pour un mandat de deux ans. Mme Bies et MM. Meyer, Chu et Watter ont été réélus au Conseil d'administration pour un mandat de trois ans. Les mandats de MM. Gentz, de Swaan et Kindle expireront à l'occasion de l'Assemblée générale ordinaire qui doit se tenir le 31 mars 2011. Le Conseil d'administration propose de reconduire ces trois membres dans leurs fonctions. M. Gentz pour un mandat d'un an et MM. de Swaan et Kindle pour un mandat de trois ans chacun.

Structure organisationnelle interne

Le **Conseil d'administration** est présidé par le président ou, en son absence, par le vice-président. Différents thèmes lui sont présentés lors de ses réunions tout au long de l'année. Il est informé en permanence des évolutions concernant le groupe et reçoit les informations à temps, dont la forme et la qualité lui permettent d'accomplir ses obligations en conformité avec les normes de diligence mentionnées à l'article 717 du Code suisse des obligations.

Le Conseil d'administration est composé exclusivement d'administrateurs sans pouvoir exécutif, qui sont indépendants de la Direction générale et qui n'ont jamais exercé d'activités de direction opérationnelle au sein du groupe. Le comité de gouvernance et des nominations vérifie chaque année l'indépendance des membres du Conseil d'administration et présente ses constatations au Conseil d'administration pour détermination finale. Les membres du Conseil d'administration sont aussi soumis à des règlements et consignes devant permettre d'éviter les conflits d'intérêts et réglementant l'utilisation des informations internes. Une auto-évaluation de l'ensemble du Conseil d'administration a lieu une fois par an. En 2010, l'auto-évaluation du Conseil d'administration a été réalisée sur la base d'un questionnaire détaillé. Un rapport détaillé a été élaboré pour le Conseil d'administration et étudié par ce dernier.

En raison de la séparation des fonctions du président du Conseil d'administration et du CEO et du fait que le Conseil d'administration n'a aucun pouvoir exécutif, il n'est pas nécessaire de nommer un administrateur en chef conformément au Code suisse de bonne pratique pour le gouvernement d'entreprise.

Le CEO assiste de plein droit aux séances du Conseil d'administration. Les membres du GEC sont régulièrement invités par le Conseil d'administration à assister à ses réunions. D'autres cadres dirigeants assistent parfois à ces réunions sur invitation du Conseil d'administration. La plupart des séances du Conseil d'administration comprennent des sessions privées sans la participation de la Direction générale.

Le Conseil d'administration élit parmi ses membres le président et le vice-président et nomme le secrétaire.

Le Conseil d'administration doit se réunir au moins six fois par an; en 2010, il s'est réuni à treize reprises (dont cinq réunions qui se sont déroulées en partie par téléphone et deux réunions

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qui ont duré deux jours). Une réunion a été entièrement consacrée à la discussion de thèmes stratégiques. Sept réunions ont duré entre quatre et huit heures par jour, et les cinq autres ont duré environ deux heures en moyenne. Par ailleurs, le Conseil d'administration a approuvé trois circulaires.

En 2010, l'assiduité moyenne aux réunions était de 88%. Les membres du Conseil d'administration ont consacré du temps supplémentaire à participer aux réunions des comités du Conseil et à préparer les réunions afin de s'acquitter de leurs obligations.

Le Conseil d'administration peut nommer parmi ses membres des comités chargés de domaines spécifiques et établir des attributions et des règlements concernant les délégations de pouvoirs et les rapports au Conseil d'administration. Les comités assistent le Conseil d'administration dans l'accomplissement de ses obligations. Dans la mesure où les comités ne sont pas autorisés à adopter des résolutions, ils discutent des thèmes et les proposent au Conseil d'administration pour l'engagement des actions appropriées et l'adoption de résolutions avant que de tels thèmes soient portés devant le Conseil d'administration. En 2010, les réunions des comités ont duré entre deux et trois heures en moyenne. Le Conseil d'administration dispose des comités permanents ci-dessous, lesquels rendent régulièrement compte au Conseil et lui soumettent des propositions pour l'adoption de résolutions.

Le **comité de gouvernance et des nominations** est composé de quatre membres du Conseil d'administration. Il supervise la gouvernance du groupe et la compare aux normes de bonne pratique afin de garantir la protection complète des droits des actionnaires. Le comité développe également des directives de gouvernance d'entreprise qu'il propose au Conseil d'administration et remanie de temps en temps. Le comité de gouvernance et des nominations est par ailleurs chargé de la planification de la relève pour ce qui est du Conseil d'administration, du CEO et des membres du GEC et du Comité exécutif élargi du groupe (GMB). Dans ce contexte, il propose les principes pour la nomination et la qualification des membres du Conseil et soumet des propositions au Conseil d'administration sur la composition de ce dernier ainsi que sur la nomination du président, du vice-président, du CEO et des autres membres du GEC et du GMB. Le comité examine le système de développement de la Direction générale et supervise les progrès réalisés dans la planification de la relève. Les décisions finales relatives aux nominations et désignations sont prises par le Conseil d'administration, sous réserve de l'approbation des actionnaires dans la mesure où une telle procédure est prévue. Au cours de l'année 2010, le comité de gouvernance et des nominations s'est réuni quatre fois (dont une réunion commune avec le comité des rémunérations et le comité des risques) et s'est penché en particulier sur la nomination et les qualifications des membres du Conseil d'administration, ainsi que sur la planification de la relève des cadres supérieurs. L'assiduité moyenne aux réunions du comité de gouvernance et des nominations a atteint 94%.

Le **comité des rémunérations** est composé de quatre membres du Conseil d'administration. Le comité des rémunérations évalue régulièrement le système et les règles de rémunération du groupe et propose, le cas échéant, les amendements respectifs au Conseil d'administration, qui est responsable de la conception, de la mise en œuvre et du suivi de la structure des rémunérations au sein du groupe. Il propose également la rémunération des administrateurs au Conseil d'administration pour approbation. Sur la base des principes de rémunération, il négocie les conditions de travail du CEO et examine celles des membres du GEC – telles que négociées par le CEO – avant de les soumettre au Conseil d'administration pour approbation. Le comité des rémunérations approuve les contrats de travail des membres additionnels du GMB tels que négociés par le CEO et collabore avec lui sur d'autres questions importantes en matière d'emploi, de salaire et d'avantages. Il examine aussi les performances liées aux programmes d'incitation à court et à long terme des cadres supérieurs. Afin de garantir la cohérence des rémunérations avec le risque, Group Risk Management passe en revue les facteurs de risque à envisager à l'heure d'évaluer la performance globale dans l'optique d'une prime d'encouragement. Le Chief Risk Officer est disponible pour évoquer ces résultats avec le comité des rémunérations et le CEO. Pour l'assister dans l'examen des structures et des pratiques de rémunération, le comité des rémunérations a ses propres conseillers indépendants, Meridian et Aon Hewitt. Le comité des rémunérations s'est réuni quatre fois en 2010 (dont une fois avec le comité de gouvernance et des nominations et le comité des risques), avec une assiduité de 88%. Les règles de rémunération et la gouvernance des rémunérations du groupe sont détaillées dans le Rapport sur les rémunérations aux pages 46 à 65.

Le **comité d'audit** est composé de quatre membres qui répondent tous aux exigences pertinentes quant à leur indépendance et leurs qualifications. La charte du comité d'audit stipule que celui-ci, pris dans son ensemble, doit avoir (i) des connaissances des normes IFRS et des états financiers, (ii) la faculté d'évaluer l'application générale de ces normes en rapport avec la comptabilisation des estimations, des charges et des provisions techniques, (iii) l'expérience de la préparation, de l'audit, de l'analyse ou de l'évaluation d'états financiers dont l'ampleur et le niveau de complexité des questions comptables sont généralement comparables à ceux de Zurich Financial Services SA et du groupe, ou l'expérience de la supervision active d'une ou de plusieurs personnes exerçant ces activités, (iv) une compréhension suffisante des contrôles et procédures internes concernant l'établissement de rapports financiers et (v) une compréhension des fonctions du comité d'audit. Le comité d'audit s'est réuni à sept reprises en 2010. L'assiduité moyenne aux séances était de 96%.

Le comité d'audit sert de point central pour la communication et la surveillance relatives à la comptabilité financière et à la présentation de l'information financière, au contrôle interne, à l'actuariat et à la compliance au sein de la Direction générale. Il est chargé d'examiner le processus d'audit du groupe (y compris l'établissement des principes de base concernant l'audit de Zurich Financial Services SA et du groupe et la soumission de propositions correspondantes) et vérifie les systèmes de contrôle interne. Les auditeurs externes, les auditeurs internes et les membres concernés du GEC et du GMB et d'autres cadres dirigeants assistent aux réunions afin de discuter, entre autres, des rapports des auditeurs, de vérifier et d'évaluer le concept de l'audit et le processus d'examen et d'évaluer les activités des auditeurs internes et externes. Pour de plus amples informations sur la supervision et le contrôle du processus d'audit externe, veuillez consulter la page à 43. Le comité d'audit examine, au moins une fois par an, les normes de contrôle interne, y compris les activités, les plans, l'organisation et la qualité de l'audit interne et de la compliance du groupe.

Le comité d'audit examine également les résultats financiers annuels, semestriels et trimestriels du groupe avant de les soumettre au Conseil d'administration. Des sessions privées avec les auditeurs externes et internes sont prévues lors de la plupart des réunions du comité d'audit afin de permettre de mener des discussions sans la présence de la Direction générale.

Des déclarations concernant le contrôle interne et les procédures en place pour ce qui est du contrôle interne conformément à la Turnbull Guidance édictée au Royaume-Uni sont présentées aux pages 44 à 45.

Le **comité des risques** est composé de quatre membres. En 2010, il s'est réuni à six reprises (dont une réunion commune avec le comité de gouvernance et des nominations et le comité des rémunérations); l'assiduité moyenne s'est élevée à 100%. Le comité des risques supervise la gestion des risques au sein du groupe, en particulier la capacité du groupe à assumer des risques, y compris les limites convenues que le Conseil d'administration considère comme acceptables pour Zurich, le cumul des limites convenues à travers le groupe, la mesure de l'adhésion aux capacités de risques convenues et la capacité du groupe à assumer des risques en rapport avec les niveaux de capital anticipés. Il supervise également le cadre de gouvernance des risques dans tout le groupe, y compris la gestion et le contrôle des risques, les politiques de risques et leur mise en œuvre ainsi que la stratégie des risques et la surveillance des risques opérationnels. Le comité des risques examine également les méthodologies de mesure des risques et l'adhésion du groupe à ses limites de risques; il examine aussi la performance de la fonction de gestion des risques du groupe. Il examine en outre, avec les responsables des centres d'activité et la fonction de gestion des risques du groupe, les règlements et procédures généraux du groupe et s'assure que des systèmes efficaces de gestion des risques sont en place. Le comité des risques reçoit périodiquement des rapports de la fonction de gestion des risques du groupe et évalue si d'importants enjeux se rapportant à la gestion et au contrôle des risques sont traités de manière adéquate et en temps voulu par la direction. Pour de plus amples informations sur la gestion des risques, veuillez vous référer au Risk review aux pages 95 à 131.

Pour faciliter un échange d'informations permanent entre le comité des risques et le comité d'audit, le président du comité d'audit est membre du comité des risques et le président du comité des risques est membre du comité d'audit. Le président du Conseil d'administration participe régulièrement aux réunions du comité des risques et du comité d'audit en tant qu'invité.

Domaines de responsabilité du Conseil d'administration et de la Direction générale

Outre la détermination de la stratégie globale du groupe et la supervision des cadres supérieurs, le Conseil d'administration se penche sur les questions clés relevant du domaine de la stratégie, des finances, de la structure et de l'organisation ainsi que du développement commercial. Le Conseil d'administration approuve le plan stratégique du groupe ainsi que les plans financiers annuels développés par la Direction générale. Il examine et approuve les états financiers annuels, semestriels et trimestriels de Zurich Financial Services SA et du groupe. Il établit des directives pour la politique commerciale générale et l'allocation du capital et approuve les changements majeurs dans les activités commerciales du groupe, y compris les transactions importantes de prêts et d'emprunts, et les importantes initiatives commerciales telles que les acquisitions ou cessions d'activités ou d'actifs, les placements ou nouvelles activités, les fusions, les joint-ventures et les partenariats. Le Conseil d'administration examine également d'autres paramètres d'importance stratégique pour le groupe, comme le profil de risques du groupe et sa tolérance aux risques.

À l'exception des pouvoirs qui lui sont réservés, comme mentionné ci-dessus, le Conseil d'administration a délégué la direction du groupe au CEO. Le CEO et, sous sa direction, le GEC sont responsables du développement et de l'exécution des plans stratégiques et financiers approuvés par le Conseil d'administration. Le CEO a des pouvoirs et des devoirs spécifiques pour ce qui est des questions stratégiques, financières et autres, ainsi qu'en ce qui concerne la structure et l'organisation du groupe, et dirige, supervise et coordonne les activités des membres du GEC. Le CEO veille à ce que des outils de gestion appropriés pour le groupe soient développés et mis en œuvre et représente les intérêts généraux du groupe vis-à-vis de tierces parties. Le CEO a le pouvoir d'approuver certaines acquisitions et cessions d'activités et d'actifs, les placements et l'établissement de nouvelles activités, fusions, joint-ventures et partenariats.

Instruments d'information et de contrôle vis-à-vis du Comité exécutif du groupe et du Comité exécutif élargi du groupe

Le Conseil d'administration supervise la Direction générale et surveille sa performance par des processus de l'établissement de rapports et de contrôle. Les rapports réguliers du CEO et d'autres membres de la Direction générale au Conseil d'administration doivent comporter des informations appropriées et actualisées, y compris les données clés sur les activités principales, les informations financières, les risques existants et potentiels, des mises à jour sur les évolutions des principaux marchés ainsi que sur les principaux concurrents et autres événements importants. Le président du Conseil d'administration rencontre régulièrement le CEO. Il rencontre aussi ponctuellement tous les autres membres du GEC et cadres supérieurs en dehors des réunions ordinaires du Conseil d'administration. Il en va de même pour les autres membres

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du Conseil d'administration, qui rencontrent notamment le Chief Financial Officer et le Chief Risk Officer.

Le groupe a mis en place un système d'information et de reporting financier. Le plan annuel pour le groupe, qui inclut un résumé des paramètres financiers et opérationnels, est examiné en détail par le GEC et approuvé par le Conseil d'administration. Des mises à jour mensuelles du plan sont préparées afin de comparer la performance réelle avec le plan. Les prévisions pour l'année sont révisées, si nécessaire, afin de refléter les changements au niveau des influences et des risques pouvant affecter les résultats du groupe. Le cas échéant, des actions sont engagées en cas d'écart. Ces informations sont examinées mensuellement par le GEC et trimestriellement par le Conseil d'administration.

Le groupe a par ailleurs adopté et mis en œuvre une approche coordonnée, formalisée et cohérente de gestion et de contrôle des risques. Des informations sur les processus de gestion des risques du groupe sont présentées dans le Risk review à partir de la page 96.

Ce processus ainsi que les résultats de cette approche sont décrits aux page 44 à 45, dans la Déclaration de gestion des risques et de contrôle interne.

La fonction d'audit interne et les auditeurs externes ainsi que la fonction de compliance assistent également le Conseil d'administration dans l'exercice de ses devoirs de contrôle et de supervision. Des informations relatives aux principaux domaines d'activité de ces fonctions figurent aux pages 42 à 45.

Direction générale

Comité exécutif du groupe (GEC)

Dans la mesure où ces tâches ne sont pas réservées au Conseil d'administration, la direction est déléguée au CEO. Le CEO et, sous sa supervision, le GEC sont responsables des questions relevant de la politique stratégique, financière et commerciale à l'échelon du groupe, y compris la performance consolidée, l'allocation du capital ainsi que les fusions et acquisitions.

Le GEC est présidé par le CEO du groupe. Au 31 décembre 2010, le GEC est composé du Chief Financial Officer, du Chief Investment Officer, du Chief Risk Officer, du Chief Administrative Officer et du Group Head of Operations. Les CEO des segments opérationnels General Insurance, Global Life et Farmers, ainsi que le CEO de North America Commercial et les présidents des régions Europe & Africa, Americas, et Asia-Pacific & Middle East sont également membres du GEC.

Pour les domaines clés, des comités spécifiques inter-fonctionnels ont été mis en place afin de faciliter la coordination et l'alignement des recommandations au CEO pour approbation de thèmes spécifiques.

Le comité du bilan du groupe (GBSC), présidé par le CEO, est un comité permanent du GEC. Ce comité, inter-fonctionnel, est chargé principalement de contrôler les activités susceptibles d'affecter de manière importante les bilans du groupe ou de ses filiales. Le GBSC s'occupe de définir les plans annuels relatifs au capital et au bilan du groupe en fonction du plan stratégique ou financier de celui-ci, ainsi que de recommander des transactions spécifiques ou des changements commerciaux non planifiés susceptibles d'avoir un impact important sur le bilan du groupe. Le GBSC surveille tous les principaux leviers du bilan. Il évalue l'adéquation des fonds propres du groupe, la réassurance, le niveau de rendement et de tolérance au risque et la croissance désirée. Le GBSC examine et recommande les niveaux globaux de tolérance au risque du groupe. Un autre comité du GEC est le comité des finances et des risques du groupe (GFRC), présidé par le Chief Financial Officer. Le GFRC agit en tant qu'organe inter-fonctionnel pour les questions financières et de gestion des risques dans le contexte de la stratégie et de l'activité commerciale globale du groupe. Il supervise les implications financières des décisions commerciales et assure une gestion efficace du profil de risques global du groupe, y compris des risques liés à l'assurance, aux marchés financiers et à la congruence actifs/passifs, aux risques de crédit et opérationnels ainsi que de leurs interactions, et fournit des recommandations pour les activités futures en rapport avec les transactions de fusions et acquisitions potentielles et les thèmes relevant de la finance et de la gestion des risques.

Il existe d'autres comités plus techniques: le comité de gestion des actifs/passifs et des placements, présidé par le Chief Investment Officer; le comité de réassurance du groupe, présidé par le responsable de Group Reinsurance; le comité de souscription du groupe, présidé par le Global Chief Underwriting Officer et le comité de prévoyance du groupe, présidé par le CEO Global Life.

En outre, afin de renforcer sa compréhension et son évaluation des enjeux et des risques auxquels Zurich peut être confronté, le groupe continue de recourir à des compétences et des avis externes. À la fin 2010, quatre panels d'experts universitaires, commerciaux et industriels de premier plan lui fournissaient une analyse externe et une expertise spécifique. Ceux-ci ne sont pas des organes du groupe et n'ont pas de pouvoir de décision. Ils apportent la compétence et les conseils nécessaires aux cadres supérieurs ou à certaines fonctions du groupe. L'International Advisory Council, en particulier, a pour tâche de fournir une perspective et des compétences externes au CEO et aux membres du GEC et du GMB sur les stratégies de croissance et de politique publique du groupe. L'Investment Management Advisory Council fournit une analyse externe sur les résultats et la stratégie de placement de Zurich et sur l'atteinte de rendements supérieurs adaptés à la gestion des actifs-passifs des placements du groupe. Le Natural Catastrophe Advisory Council fournit une expertise spécifique sur les tendances de survenance, la prévisibilité et les effets destructeurs des catastrophes naturelles ainsi qu'une analyse externe sur l'approche de Zurich face à de telles catastrophes afin d'améliorer l'efficacité de ses souscriptions et de ses achats de réassurance. Le Climate Change Advisory Council du groupe fournit une expertise et des conseils sur les questions liées aux changements climatiques.

Membres du GEC, au 31 décembre 2010

Nom	Nationalité	Né(e) en	Fonction
Martin Senn	Suisse	1957	Chief Executive Officer
John Amore	Américain	1948	Senior Advisor
Mike Foley	Américain	1962	Chief Executive Officer North America Commercial
Mario Greco	Italien	1959	Chief Executive Officer General Insurance
Kevin Hogan	Américain	1962	Chief Executive Officer Global Life
Paul Hopkins	Américain	1956	Président du Conseil d'administration de Farmers Group, Inc. et président de la région Americas
Axel Lehmann	Suisse	1959	Chief Risk Officer
Christian Orator	Suisse/Autrichien	1963	Chief Administrative Officer
Cecilia Reyes	Suisse/Philippine	1959	Chief Investment Officer
Geoff Riddell	Britannique	1956	Président de la région Asia-Pacific & Middle East
Kristof Terryn	Belge	1967	Grop Head of Operations
Dieter Wemmer	Allemand	1957	Chief Financial Officer & Président de la région Europe & Africa

Tous les membres actuels du GEC ont exercé leur mandat tout au long de l'année 2010, à l'exception de Cecilia Reyes, Kevin Hogan, Kristof Terryn et Christian Orator. Cecilia Reyes a été nommée au poste de Chief Investment Officer et membre du GEC au mois d'avril 2010. Depuis juillet 2010, Kevin Hogan occupe les fonctions de CEO Global Life et Kristof Terryn a été nommé Group Head of Operations, un poste récemment créé pour chapeauter les services partagés du groupe, les fonctions TI et approvisionnement et piloter les initiatives de transformation opérationnelle en cours. Tous deux sont membres du GEC depuis cette date. Suite à la nomination de M. Hogan, Mario Greco a pris la tête de la division General Insurance. Christian Orator est membre du GEC depuis septembre 2010 en qualité de Chief Administrative Officer. John Amore s'est retiré du GEC à la fin de l'année 2010.

Pour prendre connaissance des indemnités de résiliation contractuelle, veuillez consulter la page 42.

Biographies

Né en 1957, **Martin Senn** est diplômé de l'École de commerce de Bâle, en Suisse, dans le domaine du commerce et de la banque et a suivi le programme pour cadres internationaux de l'INSEAD à Fontainebleau, puis le programme de management avancé de la Harvard Business School. Il a suivi une formation de banquier et a travaillé à l'ancienne Société de Banque Suisse de 1976 à 1994, sa carrière internationale incluant des fonctions de trésorier à Hong Kong et de trésorier général pour l'Asie et la région du Pacifique à Singapour, avant de gérer finalement le bureau de Tokyo de la société. En 1994, il rejoint le Crédit Suisse, où ses fonctions d'encadrement incluent celle de trésorier pour le siège central et l'Europe, ainsi que de président et responsable du redressement du groupe Crédit Suisse au Japon, chargé de restructurer et de repositionner toutes les entités juridiques du groupe au Japon. En 2001, il devient membre du Comité exécutif du Crédit Suisse et est nommé responsable de la division Trading & Investment Services. De 2003 à 2006, il est membre du Comité exécutif et Chief Investment Officer du groupe Swiss Life. M. Senn rejoint Zurich le 1er avril 2006 en tant que Chief Investment Officer et devient membre du Comité exécutif du groupe à la même date. Il a été nommé Chief Executive Officer du groupe à compter du 1er janvier 2010. Il est membre du Conseil de fondation d'Avenir Suisse et trésorier de la Zurich Association of Economics. Il est en outre consul honoraire de la République de Corée à Zurich et siège au Conseil d'administration de la Chambre de commerce Suisse-États-Unis. M. Senn est également membre du Conseil d'administration de la Geneva Association et de l'Institut de la Finance Internationale (IIF). Par ailleurs, il est un représentant de la Table ronde des CEO de l'assurance dommages, membre du Forum de l'assurance paneuropéen (PEIF), de la Table ronde européenne des services financiers (EFR), du conseil consultatif de Tsinghua School of Economics and Management et du conseil de fondation du Festival de Lucerne. Il a été membre du Conseil d'administration de différentes banques et institutions de services financiers.

Né en 1948, **John J. Amore** est titulaire d'un diplôme en gestion d'entreprise de l'Université d'aéronautique Embry-Riddle de Daytona Beach aux États-Unis, et d'un MBA en finance de l'Université de New York. Avant de rejoindre Zurich en 1992, il était vice-président de la Commerce & Industry Insurance Company, une filiale d'American International Group (AIG). Il est ensuite Chief Executive Officer du centre d'activités Zurich U.S. Specialties et est nommé Chief Executive Officer de Zurich US en décembre 2000. En juillet 2001 il est devenu membre du GEC et il a été nommé CEO de la division d'affaires North America Corporate de Zurich. Il a conservé ce poste jusqu'à fin août 2004. D'avril 2004 à juin 2010, il est CEO du segment opérationnel General Insurance. En juillet 2010, il a assumé un rôle de conseiller. M. Amore a siégé comme président du Conseil d'administration de l'American Insurance Association et a été membre de ce conseil de 2001 à mars 2008. Il siège en tant qu'administrateur au Conseil de surveillance de la School of Risk Management, Insurance and Actuarial Science de la St. John's University à New York. De 2003 à décembre 2010, il a été un associé élu du Partnership for New York City, une organisation dédiée à maintenir la position de la ville en tant que centre mondial d'affaires et d'innovation. Il a siégé au Conseil d'administration de la Chambre de commerce des États-Unis de 2008 au 31 décembre 2010. Il a pris sa retraite le 31 décembre 2010.

Né en 1962, **Mike Foley** a obtenu un diplôme en mathématiques et en économie de l'Université de Fairfield au Connecti-

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cut. Il rejoint en 1984 le programme de formation en gestion financière de l'Armtek Corporation au Connecticut, et obtient plus tard un MBA en marketing/finance de la Kellogg Graduate School of Management à la Northwestern University d'Evanston en Illinois. En 1989, il rejoint la société d'investissement banking Deepath Group à Lake Forest (Illinois) en tant que collaborateur et devient vice-président responsable de la gestion du portefeuille d'investissements en fonds propres dans différentes sociétés acquises. En 1993, il intègre Electrocal Inc. dans le Connecticut en tant que président et, trois ans plus tard, rejoint McKinsey & Company à Chicago en tant que directeur et pilote ensuite les activités d'assurance dommages en Amérique du Nord. Il rejoint Zurich en 2006 en tant que Chief Operating Officer de la division d'affaires North America Commercial et, en janvier 2008, est nommé CEO de cette division et membre du GEC.

Né en 1959, **Mario Greco** a obtenu un diplôme de premier cycle en économie à l'Université de Rome et un master en économie internationale et en théorie monétaire à l'Université de Rochester (État de New York). M. Greco a démarré sa carrière professionnelle dans le conseil en gestion, travaillant dans le bureau de McKinsey & Company à Milan de 1986 à 1994, devenant associé en 1992 et principal associé dans le segment assurance. En 1995, il rejoint RAS (groupe Allianz) à Milan en tant que responsable de la division Sinistres. L'année suivante, il devient responsable général des activités d'assurance et, en 1998, il est nommé directeur général. En 2000, il devient Chief Executive Officer de la société, fonction qu'il assumera pendant quatre ans. Il est nommé responsable des activités Life Sustainability d'Allianz à Munich en 2004 et, plus tard dans l'année, il siège au sein du Comité exécutif d'Allianz AG, responsable pour la France, l'Italie, l'Espagne, le Portugal, la Grèce et la Turquie. En avril 2005, il rejoint le Sanpaolo IMI Group à Milan en qualité de Chief Executive Officer de EurizonVita (anciennement Aip), dans le cadre d'un projet visant à développer les activités d'assurance et de gestion d'actifs du groupe. En octobre 2005, il est nommé Chief Executive Officer d'EFG, la société détenant les investissements du Sanpaolo IMI Group dans EurizonVita et Banca Fideuram, et Eurizon Capital. Il rejoint Zurich le 1er octobre 2007 en tant que CEO désigné de Global Life et devient membre du GEC, avant d'assumer les fonctions de CEO Global Life en avril 2008. En juillet 2010, il devient CEO General Insurance. Il est également membre du Conseil d'administration de Gruppo Editoriale l'Espresso, Indesit et Saras.

Né en 1962, **Kevin Hogan** est diplômé du Dartmouth College de Hanover, dans l'État du New Hampshire. Il débute sa carrière professionnelle en 1984 au sein du groupe AIG, chez American International Underwriters (AIU) à New York. Par la suite, il occupera divers postes dans le domaine de la gestion des souscriptions à Chicago, Tokyo, Hong Kong et Singapour. En 1998, il est nommé président de la division Accident & Health du groupe AIG à New York. En 2001, il devient un des vice-présidents d'AIG. L'année suivante, il cumule cette fonction avec celle de Chief Operating Officer chez AIU. En 2003, M. Hogan s'installe à Pékin où il devient un cadre dirigeant de la coentreprise créée par AIG et People's Insurance Company de Chine. En 2005, il devient le directeur de la division assurance vie d'AIG pour la Chine et Taïwan, où il est responsable d'AIA China et de Nan-Shan. En 2008, il retourne à New York en tant que Chief Distribution Officer d'AIG pour la division Foreign Life and Retirement Services. Il intègre Zurich en décembre 2008 en tant que CEO de Global Life Americas. Ce poste l'amène à diriger l'activité assurance vie de Zurich sur le continent américain, avec des responsabilités étendues à Farmers Life, Zurich American Life Insurance Company (anciennement KILICO) et à la division assurance vie de Zurich en Amérique latine. En juillet 2010, il devient CEO de Global Life et membre du GEC.

Né en 1956, **Paul N. Hopkins** est titulaire d'une licence en gestion commerciale de l'Eastern Illinois University et diplômé du programme d'éducation des cadres supérieurs de la Wharton Business School. Il rejoint Farmers en 1978 en tant qu'agent pour devenir ensuite un collaborateur de Farmers, où il gravit les échelons dans le domaine de la vente et du marketing. En 1992, il rejoint le bureau régional de Los Angeles en tant qu'Assistant Vice President Regional Operations. Il devient Vice President Agencies en 1995, et Senior Vice President Agencies deux ans plus tard. En 1998, il est nommé Senior Vice President et Chief Marketing Officer, fonction qu'il occupe jusqu'au 1er janvier 2000, date à laquelle il est nommé Senior Vice President State Operations. Sa fonction suivante, Senior Vice President Strategic Alliances, prend effet en avril 2001. En août 2002, il est promu au rang d'Executive Vice President Market Management et, deux ans plus tard, il devient le président de Farmers Group. M. Hopkins est nommé membre du Comité exécutif élargi de Zurich en décembre 2004. D'avril 2005 à décembre 2008, il est Chief Executive Officer de Farmers Group, devenant alors membre du Comité exécutif du groupe. En 2006, M. Hopkins est nommé président du Conseil d'administration de ZFUS Services LLC, la plate-forme de services partagés de Zurich en Amérique du Nord. Il est nommé CEO Americas à compter du 1er janvier 2009 et, en février 2009, il assume la présidence du Conseil d'administration de Farmers Group, Inc. En avril 2009, ses responsabilités sont étendues à la supervision des activités de croissance mondiale du groupe et il est nommé président du Conseil d'administration et CEO de Zurich Holding Company of America en 2010. En juillet de la même année, il est nommé au poste nouvellement créé de président régional pour la région Americas. M. Hopkins est, par ailleurs, membre du Conseil de gestion de l'American Institute for Chartered Property Casualty Underwriters (Institut américain des assureurs I.A.R.D. diplômés), désormais connu sous l'appellation «The Institutes». Il siège également au Conseil d'administration de l'Institut d'information sur l'assurance et de l'Association américaine des assurances (AIA). En mars 2010, il est élu au Comité exécutif de l'AIA.

Né en 1959, **Axel P. Lehmann** est titulaire d'un MBA et d'un doctorat de l'Université de Saint-Gall en Suisse. Après plusieurs études de recherche aux États-Unis, il obtient un certificat post-doctorat de l'Université de Saint-Gall et suit le programme de management avancé de la Wharton Business School. Il est maître de conférences dans plusieurs universités et instituts et devient vice-président de l'Institut d'économie de l'assurance de l'Université de Saint-Gall et du Centre européen, où il est responsable du Consulting & Management Development. Il dirige le service Corporate Planning & Corporate Controlling chez Swiss Life avant de rejoindre Zurich en 1996 et d'exercer différentes fonctions de direction opérationnelle et de développement d'entreprise au sein de Zurich Suisse. Il devient membre du Comité exécutif élargi du groupe, en tant que responsable du développement commercial à l'échelle du groupe, en novembre 2000. En septembre 2001, il est nommé Chief Executive Officer pour la région Europe du Nord, Europe centrale et Europe de l'Est puis Chief Executive Officer du groupe Zurich en Allemagne. En mars 2002, il devient CEO de la division d'affaires Continental Europe et membre du GEC. En 2004, il est chargé de l'intégration de la division Royaume-Uni et Irlande au sein de la division Continental Europe et pilote, en tant que CEO, la création de la division d'affaires intégrée Europe General Insurance. En septembre 2004, il devient CEO de Zurich North America Commercial à Schaumburg (Chicago). En janvier 2008, il endosse sa fonction actuelle de Group Chief Risk Officer tout en étant responsable de Group IT. M. Lehmann est professeur honoraire en gestion commerciale et gestion de services et président du Conseil d'administration de l'Institut d'économie de l'assurance de l'Université de Saint-Gall en Suisse. Il siège également au Conseil d'administration d'UBS et est vice-président du Chief Risk Officer Forum (CRO Forum).

Né en 1963, **Christian Orator** est diplômé en droit de l'Université de Vienne et titulaire d'un master en Droit comparé de la Dickinson School of Law, en Pennsylvanie. Il intègre Zurich en 1989 en tant que commercial en Autriche. Un an plus tard, il devient chef de produits chez Zurich Kosmos AG. De 1993 à 2005, il occupe plusieurs postes opérationnels et d'encadrement en Autriche, aux États-Unis et en Allemagne au sein des services Underwriting, Distribution et Market Management au sein du groupe Zurich. De janvier 2005 à juillet 2007, il est responsable des projets spéciaux auprès du Chief Administrative Officer à Zurich. D'août 2007 à août 2010, il occupe le poste de Global Chief Claims Officer au sein de General Insurance. En septembre 2010, il prend ses nouvelles fonctions de Chief Administrative Officer et devient membre du GEC.

Née en 1959, **Cecilia Reyes** est titulaire d'un doctorat en finance de la London Business School et d'un MBA de l'université de Hawaï. De 1990 à 1995, elle travaille pour Crédit Suisse à Zurich, où elle occupe divers postes au sein des services Crédit Suisse Asset Management, Global Treasury et Securities Trading. En 1995, elle rejoint ING Barings à Londres et en 1997, elle entre au Conseil d'administration et devient Head of Trading Risk Analytics. Elle s'installe ensuite à Amsterdam en 2000 pour rejoindre ING Asset Management en tant que Head of Risk Analytics, chargée du développement de méthodes de gestion des risques pour la division gestion de patrimoine. M[me] Reyes intègre Zurich en janvier 2001 en tant que responsable régional de Group Investments chargée de l'Amérique du Nord. En juillet 2004, elle est nommée responsable régional pour l'Europe et International Businesses. D'avril 2006 à mars 2010, elle prend la tête du service Investment Strategy Implementation. Depuis avril 2010, elle assume ses fonctions actuelles de Chief Investment Officer et devient membre du GEC.

Né en 1956, **Geoffrey (Geoff) Riddell** est titulaire d'un master (MA) en sciences naturelles (chimie) de l'Université d'Oxford (Queen's College). Il a obtenu par la suite le diplôme d'expert-comptable. Il débute sa carrière chez Price Waterhouse en 1978 et, quatre ans plus tard, rejoint AIG, où il assume diverses fonctions, dont celle de directeur national pour Hong Kong, la Belgique et la France. Lors de son séjour à Hong Kong, il est responsable de la création de la première compagnie d'assurances dommages étrangère en Chine. M. Ridell rejoint Zurich en mai 2000, dans un premier temps comme directeur général de Zurich Commercial au Royaume-Uni, puis en tant que directeur général des activités Corporate et Government au Royaume-Uni. En novembre 2002, il est nommé CEO de la division General Insurance au Royaume-Uni, en Irlande et en Afrique du Sud. En avril 2004, il devient Chief Executive Officer (CEO) de Global Corporate et est nommé au Comité exécutif du groupe en octobre 2004. Le 1[er] janvier 2009, il assume les fonctions de CEO d'Asia-Pacific & Middle East (APME), responsable de l'assurance vie et de l'assurance dommages dans la région APME et de président de Global Corporate. En juillet 2010, il prend le poste nouvellement créé de président régional, Asia-Pacific & Middle East. M. Riddell est un ancien membre du General Insurance Council de l'Association des assureurs britanniques (ABI), dont il a présidé le Liability Committee pendant trois ans. De 1990 à 1995, il est membre du Conseil de la fédération des assureurs de Hong Kong. Il a siégé aux conseils d'administrations de Pool Re de février 2005 à août 2010 et du Forum for Global Health Protection de 2007 jusqu'à la fin de l'année 2010. Il a été membre du comité de la Confederation of British Industry's Chairmens et a présidé le Conseil de CBI Financial Services jusqu'en septembre 2010. Jusqu'à fin 2009, il était membre du Conseil de fondation de l'IMD à Lausanne, du comité consultatif sur l'UE de la ville de Londres, ainsi que du comité consultatif du Lord-Mayor de Londres.

Né en 1967, **Krystof Terryn** est diplômé en droit et en économie de l'Université de Louvain, en Belgique, et titulaire d'un MBA de l'Université du Michigan. Il débute sa carrière professionnelle en 1993 dans le secteur bancaire chez Dexia, au Luxembourg, et plus précisément au sein des services Capital Markets et Strategic Planning. En 1997, il rejoint McKinsey & Company où il occupe divers postes au sein du cabinet de Bruxelles dans les services de conseils financiers, puis à Chicago. Il intègre Zurich en 2004 en tant que Head of Planning and Performance Management. En 2007, il devient Chief Operating Officer pour la division d'affaires Global Corporate et en janvier 2009, il prend le poste de Chief Operating Officer pour General Insurance. Il occupe ses nouvelles fonctions de Group Head of Operations et membre du GEC depuis le mois de juillet 2010.

Né en 1957, **Dieter Wemmer** est titulaire d'un doctorat et d'un master en mathématiques de l'Université de Cologne.

Rapport sur la gouvernance d'entreprise *suite*

De 1983 à 1986, il travaille dans les mathématiques pures aux universités de Cologne et Oxford. En 1986, il rejoint Zurich Re (Cologne), à l'époque une filiale de réassurance d'Agrippina (filiale allemande du groupe Zurich), en tant qu'actuaire de tarification pour la réassurance vie. Il devient responsable de la réassurance vie et chef actuaire cinq ans plus tard. De 1992 à 1996, M. Wemmer occupe diverses fonctions au sein d'Agrippina, rejoignant la direction en 1995 en tant que responsable du controlling/planning, de la communication et de la gestion immobilière. Il est muté en 1996 au Corporate Center de Zurich en tant que chef de projet pour la mise en œuvre des normes comptables internationales (IAS) et des principes comptables généralement reconnus aux États-Unis (US GAAP). Un an plus tard, il devient responsable du Financial Controlling. De 1999 à mai 2003, il est responsable des fusions et acquisitions, assumant également à partir de 2002 la responsabilité de la gestion des capitaux et de l'actuariat dommages et vie. Il devient Chief Operating Officer de la division d'affaires Europe General Insurance en mai 2003. En novembre 2004, il est nommé CEO Europe General Insurance et devient membre du GEC. Depuis mars 2007 il assume sa fonction actuelle de Chief Financial Officer du Zurich Financial Services Group et depuis juillet 2010, il assume en plus le rôle nouvellement créé de président régional, Europe. M. Wemmer est membre du Conseil d'administration d'economiesuisse. En octobre 2009, il est élu président de l'European Insurance CFO Forum, qui rassemble les directeurs financiers des principales compagnies d'assurances européennes. Il est par ailleurs membre du conseil stratégique de la Fédération européenne des assureurs et réassureurs (CEA).

Modifications intervenues au sein du GEC après le 1er janvier 2011

Aucun changement n'est intervenu dans la composition du GEC depuis le 1er janvier 2011.

Comité exécutif élargi du groupe (GMB)

Les membres du GEC font également partie du Comité exécutif élargi du groupe (GMB), qui comprend les responsables de certains centres d'activité et de certaines fonctions du groupe. Le GMB se concentre essentiellement sur la communication, l'amélioration des compétences et le développement du groupe; il représente les activités et les fonctions et garantit la collaboration horizontale dans tout le groupe.

Membres supplémentaires du GMB, au 31 décembre 2010

Nom	Nationalité	Né(e)	Fonction
Inga Beale	Britannique	1963	Global Chief Underwriting Officer
Peter Goerke	Suisse	1962	Group Head of Human Resources
Markus Hongler	Suisse	1957	Chief Executive Officer Zurich Insurance plc. et Chief Executive Officer Western Europe
Richard Kearns	Américain	1950	Chief Administrative Officer (jusqu'au 31 août 2010)
Markus Nordlin	Finlandais/ Américain	1963	Chief Information Technology Officer
Yannick Hausmann	Suisse	1967	Group General Counsel
Mario Vitale	Américain	1955	Chief Executive Officer Global Corporate
Robert Woudstra	Américain	1945	Chief Executive Officer Farmers Group, Inc.

Pendant le premier semestre 2010, Inga Beale a également occupé le poste de Head of Organizational Transformation et était responsable de la fonction Internal Consulting (Icon). Depuis le mois de juillet 2010, ces responsabilités ont été rattachées à la nouvelle fonction Group Operations, dirigée par Kristof Terryn, permettant ainsi à Mme Beale de se consacrer exclusivement à son rôle de Global Chief Underwriting Officer. Michael Paravicini a pris sa retraite. Son successeur, Markus Nordlin, a été nommé Chief Information Technology Officer à compter de septembre 2010. Patrick Manley a pris la tête de General Insurance en Europe en janvier 2011 et Markus Hongler quittera la société à la fin mars 2011. Richard P. Kearns occupait le poste de Chief Administrative Officer jusqu'à la fin du mois d'août 2010, lorsque Christian Orator a pris sa relève. M. Kearns reste membre du Comité exécutif élargi du groupe jusqu'à son départ à la retraite à la fin du mois de mars 2011, et ce pour assurer le transfert de responsabilités. Peter Goerke a quitté le groupe en janvier 2011 et Peter J. Wright l'a remplacé en tant que Group Head of Human Resources.

Contrats de gestion

Zurich Financial Services SA n'a pas transféré par contrat des parties substantielles de la gestion à d'autres sociétés (ou individus) n'appartenant pas au groupe (ou n'étant pas employés par ce dernier).

Droits de participation des actionnaires

Limitations des droits de vote et représentation

Chaque action inscrite au registre des actions donne droit à une voix. Il n'y a pas de limitation des droits de vote.

Un actionnaire ayant le droit de vote peut participer en personne aux assemblées générales de Zurich Financial Services SA. Il ou elle peut autoriser par écrit tout autre actionnaire ayant le droit de vote ou toute personne autorisée aux termes des statuts et d'une directive plus détaillée du Conseil d'administration à le ou la représenter à l'Assemblée générale. Aux termes des statuts, les mineurs ou pupilles peuvent se faire représenter par leur représentant légal, les personnes mariées par leur conjoint et une personne morale peut être représentée par une personne autorisée à l'engager par sa signature, même si de telles personnes ne sont pas actionnaires. Par ailleurs, des droits de représentation peuvent être accordés au représentant indépendant des actionnaires, à un représentant légal ou aux représentants de dépositaires, qui ne doivent pas nécessairement être actionnaires eux-mêmes. Zurich Financial Services SA peut, dans certaines circonstances, autoriser les ayants droit économiques des actions qui sont détenues par des professionnels, tels que des nominees (comme une société de fiducie, une banque, un gestionnaire d'actifs professionnel, un organisme de compensation, un fonds de placement ou toute autre entité reconnue par Zurich Financial Services SA), à assister aux Assemblées générales et à exercer des droits de vote pour le compte du nominee en question. Pour de plus amples informations, veuillez vous reporter à la page 27.

Zurich Financial Services SA a eu recours au vote électronique pour toutes les résolutions adoptées lors de l'Assemblée générale ordinaire de l'année dernière. Conformément aux usages suisses, Zurich Financial Services SA informe tous les actionnaires au début de l'Assemblée générale du nombre total des votes par procuration qu'elle a reçu.

Quorums statutaires

Conformément aux statuts, l'Assemblée générale constitue un quorum, indépendamment du nombre d'actionnaires présents et du nombre d'actions représentées. Les résolutions et les élections requièrent généralement l'approbation d'une majorité simple des voix attribuées, à l'exclusion des abstentions, votes blancs et votes non valides, à moins que des dispositions statutaires correspondantes (ce qui n'est pas le cas) ou des dispositions légales impératives ne stipulent autre chose. L'article 704 du Code suisse des obligations prévoit une majorité des deux tiers des voix attribuées aux actions représentées et la majorité absolue des valeurs nominales représentées pour certaines questions importantes telles qu'une modification du but social ou du siège social de la société, la dissolution de la société et toute question relative aux augmentations de capital. En cas d'égalité des voix, la voix du président est déterminante.

Convocation à l'Assemblée générale des actionnaires

Les Assemblées générales des actionnaires sont convoquées par le Conseil d'administration, ou, si nécessaire, par les auditeurs ou par d'autres organes conformément aux dispositions des articles 699 et 700 du Code suisse des obligations. Les actionnaires avec droit de vote qui représentent ensemble au moins 10% du capital-actions peuvent convoquer une Assemblée générale en indiquant les points à l'ordre du jour et les propositions correspondantes. La convocation est envoyée aux actionnaires par courrier au moins 20 jours civils avant l'Assemblée et est en outre publiée dans la Feuille officielle suisse du commerce et dans plusieurs journaux.

Ordre du jour

Le Conseil d'administration est chargé d'établir l'ordre du jour et de l'envoyer aux actionnaires. Les actionnaires avec droit de vote représentant collectivement des actions d'une valeur nominale d'au moins 10 000 CHF peuvent demander par écrit, 45 jours au plus tard avant la date de l'Assemblée, que des propositions spécifiques soient inscrites à l'ordre du jour.

Inscriptions au registre des actions

Dans le but d'assurer une procédure méthodique, le Conseil d'administration fixe peu avant l'Assemblée générale la date à laquelle un actionnaire doit être inscrit au registre des actions afin d'exercer ses droits de participation à l'Assemblée générale. Cette date d'inscription est publiée, avec la convocation à l'Assemblée générale, dans la Feuille officielle suisse du commerce et dans plusieurs journaux.

Politique d'information

Zurich Financial Services SA compte environ 122 000 actionnaires inscrits au registre des actions, allant des particuliers aux grands investisseurs institutionnels. Chaque actionnaire inscrit reçoit une invitation à l'Assemblée générale ordinaire. La Lettre aux actionnaires, qui fournit un aperçu trimestriel des activités du groupe durant l'exercice et résume sa performance financière, le Compte rendu des activités (plus complet), le Rapport de gestion et les rapports semestriels sont disponibles sur le site Internet www.zurich.com (http://www.zurich.com/main/investors/resultsandreports/financialreports/introduction.htm) et sont également imprimés. Les actionnaires peuvent choisir de recevoir des versions imprimées de ces documents. D'autres documents relatifs à la présentation des résultats (sur une base trimestrielle) sont également à la disposition de tous les actionnaires sur le site Internet de Zurich.

Zurich Financial Services SA entretient un dialogue régulier avec les investisseurs par le biais de son service Investor Relations et répond aux questions et requêtes soulevées par les actionnaires institutionnels et privés. Zurich Financial Services SA organise par ailleurs des journées pour investisseurs institutionnels, ayant pour but de fournir des informations exhaustives sur ses activités et ses orientations stratégiques. Ces présentations peuvent être suivies par webcast ou par conférence téléphonique. En 2010, les journées des investisseurs organisées à Zurich le 22 juin et le 2 décembre étaient consacrées à une mise à jour sur la stratégie du groupe et la gestion des capitaux, ainsi qu'au dévelopement de nos affaires. D'autres journées des investisseurs sont prévues en 2011 sur des sujets d'intérêt pour la communauté financière. Un large éventail d'informations relatives au groupe et à ses activités, incluant aussi les présentations des résultats susmentionnées et la documentation complète distribuée lors des journées des investisseurs, est également disponible à la rubrique «Investor Relations» du site Internet de Zurich, www.zurich.com (http://www.zurich.com/main/investors/introduction.htm).

Zurich Financial Services SA convoquera son Assemblée générale ordinaire le 31 mars 2011. Une présentation du bilan des activités du groupe en 2010 par le président du Conseil d'administration, le Chief Executive Officer et le Chief Financial Officer figure à l'ordre du jour. La réunion se déroulera au Hallenstadion de Zurich-Oerlikon. Une convocation indiquant les points à l'ordre du jour et présentant une explication des résolutions proposées sera envoyée aux actionnaires par Zurich Financial Services SA au moins 20 jours avant l'Assemblée.

Rapport sur la gouvernance d'entreprise *suite*

Pour les adresses et les dates importantes à venir, veuillez vous référer aux Informations pour les actionnaires à la page 312 (Calendrier financier à la page 316).

Collaborateurs

Le groupe s'engage sur l'égalité des chances lors des processus de recrutement et de promotion, les compétences, l'expérience, la qualification, les connaissances et la diversité en étant les principes directeurs. Le groupe encourage activement l'implication des collaborateurs dans les activités du groupe par le biais de publications imprimées et en ligne, de réunions d'information et de réunions périodiques avec les représentants des collaborateurs. Pour de plus amples informations sur les activités de gestion des collaborateurs du groupe, veuillez vous référer au Compte rendu des activités aux page 20 et 21, également disponible sur le site Internet de Zurich www.zurich.com (http://zdownload.zurich.com/main/reports/annual_review_2010_fr.pdf).

Le groupe a conclu un contrat optionnel dans le cadre de la Directive sur les comités d'entreprise européens. Dans certains pays, le groupe a établi des systèmes de rémunération en actions et des programmes d'incitation à grande échelle pour encourager les collaborateurs à devenir actionnaires du groupe.

Prises de contrôle et mesures de défense

Obligation de présenter une offre

Les statuts de Zurich Financial Services SA ne prévoient pas de clauses d'opting-out ou d'opting-up au sens des articles 22 et 32 de la Loi fédérale sur les bourses et le commerce des valeurs mobilières. En conséquence, des offres fermes doivent être soumises, lorsqu'un actionnaire ou un groupe d'actionnaires agissant conjointement dépasse un tiers (33,33%) du capital-actions émis et en circulation.

Clauses relatives aux prises de contrôle

Des contrats de travail ont été conclus avec les membres du GEC afin de fixer les termes et conditions de leur emploi. Pour ce qui est des indemnités de départ, la plus longue période d'indemnisation pour les membres du GEC est de douze mois, délai de préavis inclus, et aucune indemnité complémentaire n'est attribuée en cas de prise de contrôle.

Les programmes de rémunération en actions du groupe incluent des règlements concernant l'impact des prises de contrôle. Ces règlements prévoient qu'en cas de prise de contrôle, l'administrateur du plan (le comité des rémunérations ou le CEO, selon le cas) a le droit de faire convertir les obligations d'actions sortantes en nouveaux droits à actions ou d'offrir une contrepartie pour les obligations qui ne sont pas converties. Les participants qui perdent leur emploi à la suite d'une prise de contrôle ont droit à la dévolution des droits liés à leurs actions. Aucune autre indemnité n'est attribuée aux cadres supérieurs du groupe en cas de prise de contrôle.

Aucune indemnité n'est prévue pour les membres du Conseil d'administration en cas de prise de contrôle.

Auditeurs externes

Durée du mandat et durée de la fonction de l'auditeur mandaté

PricewaterhouseCoopers AG, Birchstrasse 160, 8050 Zurich (PwC), est l'auditeur externe de Zurich Financial Services SA.

PwC assume toutes les fonctions d'audit requises par la loi et par les statuts de Zurich Financial Services SA. Les auditeurs sont choisis pour une année par les actionnaires de Zurich Financial Services SA. Lors de l'Assemblée générale ordinaire des actionnaires du 30 mars 2010, PwC a été réélu par les actionnaires de Zurich Financial Services SA. Le Conseil d'administration propose la reconduction de PwC lors de la prochaine Assemblée générale ordinaire en tant qu'auditeur externe pour l'exercice 2011. PwC répond à toutes les exigences de la nouvelle Loi fédérale sur l'agrément et la surveillance des réviseurs et est une société d'audit agrée par l'Autorité fédérale de surveillance en matière de révision en vertu de cette loi.

PwC et ses prédécesseurs, Coopers&Lybrand et Société Fiduciaire Suisse SA sont, et ont été, les auditeurs externes de Zurich Financial Services SA et de ses prédécesseurs depuis le 11 mai 1983. Comme en 2000, le groupe a procédé en 2007 à un appel d'offres invitants tous les grands cabinets d'audit à soumettre leurs programmes de travail et des offres pour 2008 et pour les années suivantes. Après un examen approfondi, le groupe est parvenu à la conclusion que le programme de travail de PwC et son offre étaient supérieurs aux autres.

M. Ray Kunz de PricewaterhouseCoopers a été mandaté pour auditer les comptes de l'exercice 2010. Il succède à M. Patrick Shouvlin, auditeur principal, responsable depuis le 1er janvier 2008. M. Shouvlin cosignera le rapport d'audit en tant qu'associé responsable mondial. En vertu des règles de rotation édictées par Zurich Financial Services SA, après cinq ans d'intervention en tant qu'auditeur principal auprès de Zurich (dont un an à l'échelle du groupe), M. Kunz sera remplacé par M. Richard Burger dans ses fonctions d'auditeur principal à compter de l'exercice 2011.

OBT AG a été élu comme auditeur spécial chargé d'effectuer les audits spéciaux requis pour les augmentations du capital-actions aux termes des articles 652f, 653f et 653i du Code suisse des obligations. Lors de l'Assemblée générale ordinaire du 3 avril 2008, OBT a été réélu par les actionnaires pour une période de trois ans. OBT AG remplit son mandat depuis octobre 2000.

Honoraires facturés par les auditeurs

Les honoraires d'audit (y compris frais et TVA) facturés par PwC en 2010 s'élèvent à 33,6 millions d'USD (32,9 millions d'USD en 2009).

Honoraires additionnels

Le total des honoraires (y compris frais et TVA) facturés en 2010 pour les services additionnels (p. ex. services fiscaux et juridiques, services de conseil en transactions ou audits spéciaux requis par la législation locale ou les instances de régulation) fournis par PwC et parties associées pour le compte de Zurich Financial Services SA ou pour l'une des sociétés du groupe s'élève à 5,8 millions d'USD (4,2 millions d'USD en 2009). Le détail des honoraires additionnels figure dans le tableau ci-dessous.

Montant des honoraires d'audit et additionnels

en millions d'USD, au 31 décembre	2010	2009
Total des honoraires d'audit	**33,6**	**32,9**
Total des honoraires additionnels	**5,8**	**4,2**
– Conseil fiscal	0,5	0,4
– Conseil juridique	0,0	0,0
– Conseil sur les transactions et la due diligence	0,6	0,5
– Conseil relatif aux audits	2,3	1,7
– Autres	2,4	1,6

Supervision et contrôle du processus d'audit externe
Le comité d'audit rencontre régulièrement les auditeurs externes (au moins quatre fois par an). En 2010, le comité d'audit a rencontré sept fois les auditeurs externes. Les auditeurs externes ont des sessions privées régulières avec le comité d'audit, sans la présence de la Direction générale. Sur la base de rapports écrits, le comité d'audit discute avec les auditeurs externes de la qualité du fonctionnement des finances et de la comptabilité du groupe et de toutes les recommandations que les auditeurs externes pourraient soumettre. Les sujets traités au cours de ces discussions incluent le renforcement des contrôles financiers internes, les normes comptables applicables et les systèmes d'établissement de rapports à l'attention de la Direction générale. Dans le cadre de l'audit, le comité d'audit obtient des auditeurs externes un rapport ponctuel relatif aux états financiers audités de Zurich Financial Services SA et du groupe.

Le comité d'audit supervise le travail de l'auditeur externe. Il vérifie, au moins une fois par an, la qualification, la performance et l'indépendance des auditeurs externes et examine tous les aspects pouvant altérer leur objectivité et leur indépendance sur la base d'un rapport écrit des auditeurs externes qui décrit les procédures internes du contrôle de la qualité, tous les problèmes importants rencontrés et toutes les relations entre les auditeurs externes et le groupe et/ou ses collaborateurs pouvant être considérées comme ayant une influence sur l'indépendance des auditeurs externes. Le comité d'audit évalue la collaboration avec les auditeurs externes durant leur examen d'audit. Il recueille les commentaires de la Direction générale concernant la performance (en fonction de critères tels que la compréhension des activités de Zurich, les connaissances techniques et l'expertise, etc.) et la qualité de la relation de travail (sensibilité des auditeurs externes aux besoins de Zurich Financial Services SA et du groupe, clarté de la communication, etc.). Le comité d'audit examine, avant le début de l'audit annuel, l'ampleur et l'étendue générale des activités des auditeurs externes et suggère les domaines devant faire l'objet d'une attention particulière.

Le comité d'audit propose les auditeurs externes au Conseil d'administration pour élection par les actionnaires et est responsable de l'approbation des honoraires d'audit. Une proposition relative aux honoraires pour les services d'audit est soumise par PwC et validée par la Direction générale avant d'être soumise au comité d'audit pour approbation. Une telle proposition est basée principalement sur une analyse des unités de reporting existantes et des changements attendus dans la structure juridique et opérationnelle durant l'année.

Le comité d'audit a approuvé un règlement écrit sur le recours aux auditeurs externes pour des services ne relevant pas de l'audit et qui précise les règles relatives à la prestation de tels services et les questions y afférentes (ainsi qu'une liste de services prohibés). Les services admissibles, ne relevant pas de l'audit, peuvent inclure les conseils et les services fiscaux, des lettres d'accord (comfort letters) et des lettres de consentement (consent letters), des certifications et attestations, le soutien en matière d'audit ou de due diligence dans certaines transactions, dans la mesure où de telles activités répondent aux exigences légales et réglementaires applicables et ne compromettent pas leur indépendance ou objectivité en tant qu'auditeur externe. Afin d'éviter les conflits d'intérêts, tous les services admissibles ne relevant pas de l'audit doivent être approuvés au préalable par le comité d'audit (président), le Group Chief Financial Officer ou le CFO local, selon le niveau d'honoraires prévisible. Ils requièrent également, entre autres, une lettre de mission spécifiant les services devant être fournis et faisant référence à l'obligation qu'a l'auditeur externe de se conformer à ce règlement.

Audit du groupe

La fonction d'audit interne du groupe («audit du groupe») a pour but de fournir des gages d'indépendance et d'objectivité au Conseil d'administration, au comité d'audit, au CEO et à la Direction générale. Elle le fait en développant un plan d'audit annuel utilisant une méthodologie fondée sur le risque, actualisé au fur et à mesure de manière à refléter les changements en matière de risques et de priorités. Le plan est basé sur le spectre complet des risques opérationnels. L'audit du groupe exécute le plan en se servant d'une approche systématique et disciplinée permettant d'évaluer, de commenter et d'améliorer les processus de gestion des risques, de contrôle et de gouvernance. Il évalue la pertinance, la fiabilité et le fonctionnement de l'organisation opérationnelle sous les aspects techniques et humains et examine l'efficience et l'efficacité du système de contrôle du groupe. En outre, la fonction d'audit interne examine les processus de reporting financier et vérifie la conformité avec les réglementations commerciales qui s'imposent au groupe. Les questions essentielles décelées par l'audit du groupe sont communiquées à la fonction de gestion responsable, au CEO et au comité d'audit à l'aide d'une série d'outils de reporting.

Le comité d'audit et le CEO sont informés régulièrement des constatations importantes, y compris des opinions défavorables, des actions correctrices engagées et de l'attention accordée par la Direction générale. L'audit du groupe a un accès illimité

Rapport sur la gouvernance d'entreprise *suite*

à tous les comptes, dossiers et documents et doit recevoir toutes les données et informations requises pour l'accomplissement de ses obligations. L'audit du groupe travaille en étroite collaboration avec les auditeurs externes, en partageant l'évaluation des risques, les plans de travail, les rapports d'audit et les mises à jour des actions d'audit. L'audit du groupe et les auditeurs externes se rencontrent régulièrement à tous les niveaux de l'organisation pour optimiser l'efficacité et les garanties. Le Head of Group Audit assiste à toutes les réunions du comité d'audit.

Le comité d'audit évalue l'indépendance de l'audit du groupe et examine ses activités, ses plans, son organisation et la qualité de son travail, ainsi que la coopération mutuelle avec les auditeurs externes. En 2007, le groupe a confié à une partie indépendante le soin d'examiner l'efficacité de l'audit du groupe. Les résultats ont confirmé que les pratiques d'audit du groupe satisfont, voire dépassent, les exigences professionnelles de l'Institute of Internal Audit (IIA) et que, dans de nombreux cas, elles sont conformes aux méthodes mondiales d'audit interne de premier plan. Nonobstant ce résultat positif, l'audit du groupe continue de remettre en question son activité afin d'améliorer encore son efficacité, son efficience et sa valeur ajoutée. En janvier 2010, l'audit du groupe a rajusté sa structure organisationnelle pour refléter la structure fonctionnelle de la société et rendre la fonction plus efficace et réactive, avec une structure moins pyramidale et des rôles, responsabilités et filières hiérarchiques mieux définis pour mieux soutenir tous les professionnels de l'audit.

Le comité d'audit approuve annuellement le plan d'audit du groupe et examine chaque trimestre les rapports de la fonction sur ses activités, ainsi que les questions significatives en matière de risque, de contrôle et de gouvernance. Le Head of Group Audit établit ses rapports à l'attention du président du comité d'audit et du CEO et rencontre régulièrement le président du Conseil d'administration. L'audit du groupe n'a pas de responsabilité opérationnelle dans les domaines audités et, dans l'ensemble, tout le personnel de l'audit du groupe relève du Head of Group Audit.

Le groupe a adopté une stratégie d'assurance intégrée pour évaluer l'ensemble de l'environnement de risque et de contrôle. En accordant une plus grande attention à l'échange et à la coordination de l'information, l'efficience et l'efficacité de l'assurance fournie, surtout entre les auditeurs externes et les fonctions de gestion des risques, de compliance et d'audit interne du groupe, continuent de s'améliorer.

Compliance du groupe

Les valeurs centrales du groupe sont fondées sur le principe du respect de la loi et sur le souci de faire ce qui est juste. Une compliance saine dans toutes les activités du groupe contribue à protéger la réputation de Zurich et promeut la réalisation des objectifs ambitieux du groupe.

La fonction de compliance fournit des règlements et des directives ainsi qu'un conseil et une formation spécifiques et se coordonne avec l'audit du groupe et les groupes d'assurance de la qualité des affaires afin de garantir une surveillance interne appropriée des fonctions commerciales et de gouvernance. Cela inclut des examens permanents des lois, de la réglementation et des autres exigences à tous les niveaux de l'organisation. L'équipe de compliance soutient la Direction générale de Zurich en maintenant et en promouvant une culture de compliance et une éthique conformes aux Zurich Basics, le code de conduite de notre société. Ce cadre robuste de compliance repose sur une évaluation continue des risques de compliance au niveau mondial et sur un solide régime de surveillance. Les résultats de cette évaluation étayent la planification stratégique de la fonction de compliance, qui est conduite en consultation avec des partenaires commerciaux. Le plan de compliance est alors ratifié par la Direction générale.

Au travers d'un programme complet, la fonction de compliance met en place, intègre et applique des règlements et directives internes. Nos spécialistes de la compliance, qui en font partie, sont actifs dans l'initiation des nouveaux collaborateurs et dans l'intégration des sociétés nouvellement acquises. Pour mieux comprendre leurs responsabilités en vertu des Zurich Basics et des règlements internes, tous les collaborateurs suivent une formation régulière en matière d'éthique et de compliance. La fonction de compliance pilote en outre des campagnes internes de prise de conscience pour une conduite éthique et réglementaire. Chaque année, les cadres de Zurich confirment qu'ils comprennent les Zurich Basics ainsi que les règlements internes et qu'ils s'y conforment. Zurich encourage ses collaborateurs à s'exprimer et à faire part des comportements incorrects. Zurich ne tolère pas les représailles à l'encontre de collaborateurs qui signalent en toute bonne foi de tels problèmes.

La fonction de compliance du groupe, dotée de professionnels de la compliance répartis aux quatre coins du globe, est supervisée par le Group Compliance Officer, qui rapporte au Group General Counsel et aussi régulièrement au comité d'audit. Le Group Compliance Officer rencontre en outre régulièrement le président du Conseil d'administration.

Gestion des risques et déclaration de contrôle interne

Le Conseil d'administration supervise le système de gestion des risques et de contrôle interne du groupe, dont la mise en œuvre est du ressort de la Direction générale. Le système est conçu davantage pour gérer que pour éliminer les risques de non-réalisation des objectifs commerciaux, et ne saurait constituer un garde-fou absolu contre des informations erronées ou des pertes financières importantes. Il existe deux comités au niveau du Conseil d'administration, qui assument des responsabilités primordiales de supervision de la gestion des risques et du contrôle interne:

- le comité des risques, qui supervise la gestion des risques et
- le comité d'audit, qui supervise les questions relatives au contrôle interne.

Au niveau de la Direction générale, des comités de gestion sont en place pour examiner en permanence les questions afférentes à la gestion des risques et au contrôle interne. Les comités de gestion sont constitués de membres des différentes activités et fonctions, de manière à garantir l'indépendance par rapport à l'activité examinée. Les résultats des examens réalisés par ces comités de gestion sont communiqués aux comités du Conseil d'administration compétents.

Le groupe a adopté une approche coordonnée et formelle de la gestion des risques et du contrôle interne. Les principaux systèmes et règlements de gestion des risques et de contrôle interne du groupe sont généralement établis au niveau du groupe, avec une mise en œuvre ultérieure à l'échelle de tout le groupe. Cette approche se concentre principalement sur les risques majeurs susceptibles d'avoir un impact sur la réalisation des objectifs commerciaux du groupe ainsi que sur les activités permettant de contrôler et de surveiller ces risques et de contribuer à l'efficacité du contrôle. Au niveau des centres d'activité, la responsabilité de la mise en œuvre et de la surveillance de l'efficacité du système de contrôle interne et de gestion des risques incombe au CEO et aux cadres supérieurs du centre d'activité. La prise de conscience des risques et de l'utilité du contrôle est ainsi favorisée au sein du groupe et renforcée par la communication et par la formation.

La gestion efficace des risques est un atout majeur. La Direction générale est responsable de l'identification, de l'évaluation et du contrôle des risques importants. Le groupe gère les risques dans toute l'organisation, sous la supervision de la Direction générale. Zurich s'est doté de politiques de gestion des risques à l'échelon du groupe ainsi que de méthodes et d'outils communs d'évaluation et de modélisation des risques. Les processus d'évaluation des risques du groupe sont alignés sur le processus de planification du groupe et sont examinés par le GEC et le comité des risques du Conseil d'administration. Les risques significatifs, les résultats des processus d'évaluation et de modélisation ainsi que les actions importantes en résultant sont rapportés régulièrement au comité des risques du Conseil d'administration. Des évaluations locales périodiques des risques sont réalisées à l'aide de l'outil Total Risk Profiling™ de Zurich et les centres d'activité doivent, au moins une fois par trimestre, signaler les principaux risques et mettre en œuvre des plans d'action visant à les réduire. Des informations complémentaires sont fournies au chapitre Risk review du Rapport de gestion.

Le système de contrôle interne se concentre sur les principaux contrôles financiers, opérationnels et de compliance. Le système englobe les règlements, processus et activités qui contribuent à la fiabilité des rapports financiers, à l'efficacité et à l'efficience des opérations ainsi qu'à la conformité aux lois et aux règlements. En 2010, des progrès continus ont été réalisés pour développer et améliorer le système de contrôle du groupe tout en maintenant l'attention sur l'efficacité de l'environnement de contrôle interne global.

Le plan stratégique annuel du groupe inclut des considérations relatives à la gestion des risques, ainsi que les orientations stratégiques et commerciales, des informations financières et des indicateurs clés. Durant l'année, le Conseil d'administration, le comité des risques, le comité d'audit et la Direction générale du groupe reçoivent des rapports réguliers résumant les conditions financières, la performance financière et opérationnelle comparée au plan, et les principales expositions aux risques.

Les processus et contrôles au sein de l'organisation sont soumis à des examens basés sur les risques par la Direction générale et les fonctions Group Audit, Group Compliance et Group Risk Management. Les examens de la Direction générale incluent la mise en œuvre effective de règlements et de procédures portant sur les sinistres, les placements, la souscription, l'actuariat, la trésorerie, la comptabilité et le reporting ainsi que sur l'efficacité du contrôle pour les sites importants et les systèmes de technologies de l'information. Le Conseil d'administration, les comités d'audit et des risques reçoivent des rapports réguliers et, si nécessaire, des rapports spéciaux du Chief Risk Officer, du Group General Counsel, du Head of Group Compliance, du Chief Financial Officer et du Group Controller, du Head of Group Audit et des cadres supérieurs des services financiers et commerciaux sur l'adéquation de la structure de contrôle mise en place. Par ailleurs, les auditeurs externes font régulièrement part de leurs conclusions, de leurs observations et de leurs recommandations résultant de leur procédure d'audit indépendante.

Les rapports traitent de sujets tels que: a) les changements significatifs au niveau des risques, de l'environnement économique et de l'environnement externe; b) les systèmes de surveillance et de contrôle de la Direction générale; c) les problèmes majeurs de contrôle, s'il en existe et d) l'efficacité du processus de redition de comptes externe du groupe.

Le comité des risques a examiné la tolérance au risque du groupe et a supervisé le cadre de gouvernance des risques à l'échelle du groupe. Le comité d'audit a examiné l'efficacité du système de contrôle interne pratiqué par le groupe pour l'année civile 2010 jusqu'à la date du Rapport de gestion et a présenté ses conclusions au Conseil d'administration. Le Conseil d'administration a conclu que les examens ont été réalisés conformément à la Turnbull Guidance édictée au Royaume-Uni (telle que révisée en octobre 2005). L'évaluation a intégré l'étude de l'efficacité du processus permanent du groupe pour l'identification, l'évaluation, le contrôle et la gestion des risques des activités commerciales, y compris l'étendue et la fréquence des rapports sur les risques et le contrôle reçus et examinés durant l'année par les comités des risques et d'audit et par le Conseil d'administration, les questions importantes de contrôle interne discutées ainsi que les actions correspondantes prises par la Direction générale. Les problèmes identifiés par ce processus ont été communiqués au Conseil d'administration. Ils ont été traités ou sont en train de l'être par le groupe.

Continuité de l'exploitation

Après avoir examiné la performance du groupe et les prévisions pour l'année à venir, les membres du Conseil d'administration sont convaincus que le groupe dispose des ressources adéquates pour lui permettre de poursuivre ses activités dans un futur prévisible. Pour cette raison, les administrateurs ont adopté le principe de continuité de l'exploitation pour la préparation des états financiers.

Rapport sur les rémunérations

Ce Rapport sur les rémunérations fournit la totalité des informations définies dans le chapitre 5 de la Directive concernant les informations relatives à la Corporate Governance de la SIX Swiss Exchange (Directive SIX) et du Code suisse de bonne pratique, tels qu'amendés avec effet au 1er juillet 2009 et au 15 octobre 2007, respectivement. Il contient également toutes les informations requises au titre des articles 663bbis et 663c, alinéa 3, du Code suisse des obligations et de la circulaire 2010/1 sur les normes minimales des systèmes de rémunération dans les établissements financiers émise par l'Autorité de surveillance suisse des marchés financiers (circulaire de la FINMA sur les systèmes de rémunération) le 21 octobre 2009.

La structure du Rapport sur les rémunérations obéit aux exigences du Code suisse des obligations, de la Directive SIX, du Code suisse de bonne pratique et de la circulaire de la FINMA sur les systèmes de rémunération.

La première partie du rapport décrit les principes généraux et le cadre de la gouvernance et la seconde fournit des détails sur chacun des éléments de rémunération. Étant donné que tous les membres du Conseil d'administration de Zurich Financial Services SA sont indépendants et sans pouvoir exécutif, l'information est présentée avec les détails complets sur la rémunération du Conseil d'administration contenus dans une section. Les détails concernant le Comité exécutif du groupe (GEC) figurent dans la section distincte, suivie d'une autre section consacrée aux informations requises par la circulaire de la FINMA sur les systèmes de rémunération pour l'ensemble des collaborateurs.

Toutes les informations requises au titre des articles 663bbis et 663c, alinéa 3, du Code suisse des obligations sont également intégrées dans les Notes to the Financial Statements of Zurich Financial Services Ltd holding company.

Toutes les autres informations qui doivent être publiées conformément à la Directive SIX figurent dans le Rapport sur la gouvernance d'entreprise qui précède ce Rapport sur les rémunérations.

Gouvernance en matière de rémunération

Structure de rémunération

Le Conseil d'administration est responsable de la définition et de la mise en œuvre des principes et des règles de rémunération (ensemble appelés les «règles de rémunération»). Pour assister le Conseil d'administration dans cette mission, il a créé un comité des rémunérations. Le comité des rémunérations comprend quatre membres du Conseil d'administration, tous expérimentés dans le domaine des rémunérations. Le comité des rémunérations évalue chaque année la structure et les règles de rémunération et propose au Conseil d'administration les amendements qu'il juge nécessaires, le cas échéant.

Au cours de l'année 2010, le Conseil d'administration a réexaminé la structure de rémunération. A cet effet, il a notamment organisé une réunion conjointe des comités des risques et des rémunérations. Dans l'ensemble, le Conseil d'administration est convaincu que la structure actuelle des rémunérations reflète les meilleures pratiques internationales en termes d'ajustement en fonction du risque, de gouvernance, de conception de plan et de transparence. Toutefois, eu égard aux tendances émergentes, le Conseil d'administration a décidé d'amender la structure de rémunération comme suit, et ce à compter de l'exercice 2011:

- Une réunion conjointe sera organisée une fois par an entre le comité des rémunérations et le comité des risques, et ce afin de dresser un état des lieux des risques liés à la structure de rémunération et au cadre de gouvernance des rémunérations. Dans l'optique de cette réunion conjointe, la fonction de gestion des risques du groupe évaluera la structure de rémunération chaque année et donnera son appréciation sur la cohérence de la structure de rémunération avec une gestion des risques efficace. Elle veillera à ce que la structure de rémunération n'encourage pas une prise de risque inconsidérée au regard du niveau de risque toléré par le groupe.
- Pour ce qui est de la mise en œuvre concrète de la structure de rémunération dans l'ensemble du groupe, la fonction d'audit du groupe (Group Audit) étendra son évaluation et fera le point régulièrement auprès du Conseil d'administration.
- D'autres initiatives ont été prises pour structurer la rémunération des fonctions de contrôle pour éviter les conflits d'intérêt, en s'assurant notamment que les primes octroyées à tous les collaborateurs des fonctions de contrôle sont calculées en fonction de la rentabilité du groupe et non en fonction de la rentabilité de l'activité contrôlée par les fonctions en question.
- Les primes d'incitation à long terme seront octroyées exclusivement sous forme d'actions liées à la performance et l'octroi d'options liées à la performance cessera en 2011. Cela reflète les tendances du marché et le Conseil d'administration estime que les actions liées à la performance sont le meilleur moyen de récompenser les individus à hauteur de leur performance réelle. En outre, la fin des attributions d'options réduit le risque et l'effet de levier dans la structure actuelle de rémunération et réduit en outre le nombre d'actions requises dans le cadre du programme. Cette réforme ne prévoit pas d'amendements aux attributions d'options en fonction de la performance réalisées jusqu'au 31 décembre 2010, qui resteront acquises en vertu des conditions générales de ces primes.

- Dans le cadre du processus annuel visant à déterminer le financement de la rémunération variable, Group Risk Management consulte les autres fonctions de contrôle, de gouvernance et d'assurance et rédige à l'intention du CEO un bilan des facteurs de risque à prendre en compte au moment d'évaluer la performance globale en vue du calcul des primes d'incitation. Le Chief Risk Officer est à la disposition du comité des rémunérations et du Conseil d'administration pour évoquer ces résultats. Entre autres facteurs, le CEO tient compte de l'évaluation réalisée par la gestion des risques du groupe au moment de présenter ses propositions de financement des caisses de primes à court et à long termes au comité des rémunérations, qui les recommande en vue de leur recommandation au Conseil d'administration pour approbation finale.

  Dans le cadre de cet examen en 2010, quelque 100 postes de direction à fort impact sur le profil de risque du groupe ont été recensés (postes clés). En ce qui concerne les modalités de rémunération pour les personnes occupant actuellement ces postes, tous participent aux plans d'incitation à court comme à long terme, l'accent étant toutefois mis sur le long terme et donc sur la rémunération différée.

Processus d'approbation des rémunérations
Conformément aux règles de rémunération, le comité des rémunérations est chargé de proposer chaque année au Conseil d'administration la rémunération à verser aux administrateurs, au CEO et aux autres membres du GEC. Pour les autres membres du GEC, ces recommandations sont basées sur les propositions faites par le CEO. La rémunération doit être approuvée par le Conseil d'administration.

Le président du Conseil d'administration n'assiste pas aux réunions du comité des rémunérations et du Conseil d'administration consacrées à la fixation de sa rémunération. Il en va de même pour le CEO et les autres membres du GEC lors des réunions consacrées à leur rémunération. Le comité des rémunérations ne comprend pas de membres dotés de mandats avec des sociétés liées. Pour de plus amples détails sur les compétences de ce comité, veuillez vous reporter à la page 34 du Rapport sur la gouvernance d'entreprise.

Quant au dispositif d'approbation, il est présenté ci-dessous:

Dispositif d'approbation

Sujet	Recommandation de	Autorisation finale de
Structure de rémunération globale	Comité des rémunérations et comité des risques, sur la base des propositions formulées par le CEO	Conseil d'administration
Règles de rémunération	Pour les administrateurs: Comité des rémunérations Pour tous les collaborateurs: Comité des rémunérations, sur la base des propositions formulées par le CEO	Conseil d'administration
Rémunération à verser aux administrateurs (y compris le président et le vice-président)	Comité des rémunérations	Conseil d'administration
Rémunération du CEO	Comité des rémunérations	Conseil d'administration
Rémunération des membres du Comité exécutif du groupe (hormis le CEO)	Comité des rémunérations, sur la base des propositions formulées par le CEO	Conseil d'administration
Caisse de financement du plan d'incitation à court terme (STIP)	Comité des rémunérations, sur la base des propositions formulées par le CEO en tenant compte de l'évaluation des risques par la gestion des risques du groupe	Conseil d'administration
Niveaux d'acquisition dans le cadre du plan d'incitation à long terrme (LTIP)	Comité des rémunérations, sur la base des propositions formulées par le CEO en tenant compte de l'évaluation des risques par la gestion des risques du groupe	Conseil d'administration

Rapport sur les rémunérations *suite*

Par ailleurs, et conformément aux exigences de la circulaire de la FINMA sur les systèmes de rémunération, le Conseil d'administration approuve également le montant total de la rémunération variable pour l'année de performance («enveloppe de rémunération variable totale») en tenant compte de la performance économique à long terme du groupe. Pour de plus amples détails sur le calcul de l'enveloppe de rémunération variable totale, veuillez consulter les pages 63 à 64.

Études comparatives et conseillers externes au Conseil d'administration

Des études comparatives sont menées régulièrement pour aider la prise de décisions sur la rémunération des membres du Conseil d'administration et du GEC. Pour évaluer les pratiques du marché et les niveaux de rémunération du marché, les structures et les pratiques de rémunération des principaux acteurs du secteur de l'assurance sont analysées, avec comme référence les entreprises figurant dans l'indice Dow Jones Titan Insurance. Cet indice comprend les plus grandes compagnies d'assurances du monde, basées notamment en Europe et aux États-Unis. Cette analyse est dûment étayée par des études comparatives complémentaires, par exemple sur les pratiques en vigueur au sein de grands groupes du Swiss Market Index (SMI) en Suisse ou de groupes de taille comparable à l'étranger. L'échantillon d'entreprises concurrentes englobe des entreprises telles qu'AXA, Allianz, AIG, Munich Re, Aviva, ING Group, Prudential plc, Met Life, Aegon, Ace, Travelers Cos. Inc., Manulife Financial Corp., Prudential Financial Inc. et Swiss Re. Les résultats des études comparatives sont pris en compte dans la fixation des niveaux d'honoraires pour les membres du Conseil d'administration et des structures de rémunération pour les membres du GEC. Lors de l'analyse des résultats, les facteurs pris en compte sont les pratiques du marché dans les différents pays et les relations internes entre les postes. Le positionnement général des structures de rémunération se situe à des niveaux médians.

Lors de la révision régulière des structures et des pratiques de rémunération, le comité des rémunérations et le Conseil d'administration reçoivent des conseils indépendants du cabinet de Hewitt Associates Ltd. spécialisé dans la rémunération des cadres supérieurs. Ce cabinet de conseil a été mandaté par le comité des rémunérations auquel il rend compte. Au premier semestre 2010, Hewitt Associates a cédé une partie de son cabinet américain spécialisé dans la rémunération des cadres supérieurs pour créer la société indépendante Meridian Compensation Partners LLC (Meridian). Au second semestre 2010, Hewitt Associates a été racheté par Aon Corp. Les deux cabinets, Meridian et Aon Hewitt, assurent des prestations de conseil auprès du Conseil d'administration, le consultant en chef étant un salarié de Meridian. Meridian ne fournit pas d'autres prestations de services au groupe. Aon Hewitt est un grand groupe de ressources humaines et de courtage international. De ce fait, d'autres cabinets faisant partie du groupe Aon Hewitt collaborent à l'occasion avec le groupe. Toutefois, le comité des rémunérations considère que ces multiples prestations de services ne remettent pas en cause l'indépendance et l'intégrité du conseil reçu de la part d'Aon Hewitt. Dans ses activités, la Direction générale est épaulée par divers cabinets spécialisés dans le domaine de la rémunération des cadres supérieurs au niveau international.

Directives sur la détention d'actions par les administrateurs et les membres du Comité exécutif élargi du groupe

Pour faire converger les intérêts du Conseil d'administration et du Comité exécutif élargi du groupe (GMB) et ceux des actionnaires, les administrateurs et les membres du Comité exécutif élargi du groupe constituent leur participation au capital de la société. Pour ce faire, une partie des honoraires est versée en actions ou consiste en achats de parts sur le marché. Dans le même but, les membres du GMB participent aux plans d'incitation à long terme et aux acquisitions de parts sur le marché. Les membres disposent d'un délai de cinq ans pour atteindre leur quota de participation au capital et le comité des rémunérations surveille chaque année le respect de ces directives. Pour faciliter la constitution de ces participations, toutes les actions accordées aux administrateurs au titre de leurs honoraires annuels et la moitié des actions acquises au titre de la performance par les membres du GMB sont bloquées pour une période de trois ans.

Implication des actionnaires

Comme l'an passé, Zurich permettra aux actionnaires d'exprimer leur opinion sur la structure de rémunération via un vote consultatif lors de l'Assemblée générale ordinaire, qui aura lieu le 31 mars 2011. La décision finale en matière de rémunération relevant des compétences du Conseil d'administration, un tel vote ne saurait, de par sa nature, avoir un caractère contraignant.

La philosophie de rémunération

Membres du Conseil d'administration

Zurich étant un établissement de services financiers de dimension mondiale spécialisé dans l'assurance, le montant des honoraires des membres du Conseil d'administration a été déterminé de manière à garantir la capacité du groupe à attirer et à retenir des personnes hautement qualifiées.

En fonction de leur rôle au sein du Conseil d'administration et de la structure d'honoraires décrite en page 53, le montant des honoraires est fixé pour chaque membre du Conseil d'administration de Zurich Financial Services SA. Les honoraires sont versés en espèces et en actions, sachant qu'environ un tiers des honoraires est réglé en actions de Zurich Financial Services SA bloquées pendant trois ans.

Les honoraires versés aux administrateurs (y compris la partie versée sous forme d'actions bloquées) ne sont pas soumis à des conditions spécifiques de performance.

Comité exécutif du groupe et tous les autres collaborateurs

Pour les membres du GEC et tous les autres collaborateurs du groupe, un certain nombre d'éléments clés ont été mis en place pour garantir un programme de rémunération équilibré et géré efficacement. Ces éléments incluent une philosophie de rémunération valable pour l'ensemble du groupe, de solides plans d'incitation à court et long terme, une gouvernance efficace et des liens étroits avec la planification des activités et les politiques de risque du groupe.

Les principaux éléments de cette philosophie de rémunération sont décrits ci-dessous.

Zurich s'engage à fournir des opportunités de rémunération totale concurrentielles qui attirent, retiennent, motivent les collaborateurs et récompensent leurs performances exceptionnelles. La philosophie de rémunération fait partie intégrante de l'offre globale proposée aux collaborateurs. Zurich a clairement défini le processus de gestion de la performance globale qui soutient la réalisation de la stratégie d'affaires et des plans d'exploitation globaux et fait le lien entre la rémunération individuelle et la performance de la société et du collaborateur. Cela s'effectue par le biais du cadre de rémunération supervisé par le GEC, le comité des rémunérations du Conseil d'administration et par ce dernier lui-même.

Fondements de la philosophie de rémunération

Les fondements, tels qu'énoncés dans les règles de rémunération en vigueur en 2011, sont les suivants:

- La structure de rémunération du groupe est simple, transparente et sa mise en œuvre est réaliste. Elle est orientée à long terme pour les collaborateurs qui ont un impact tangible sur le profil de risque du groupe.
- La structure et le niveau de la rémunération totale sont conformes à la politique du groupe en matière de risque et à sa capacité de prise de risque.
- Le groupe promeut une culture de l'excellence en différenciant la rémunération totale en fonction de la performance relative des activités et des individus.
- Le groupe définit clairement la performance escomptée au moyen d'un système structuré de gestion de la performance, utilisé comme critère pour les décisions relatives à la rémunération.
- Le groupe associe les éléments de rémunération variables à des facteurs clés de performance, tels que la performance du groupe, de ses segments opérationnels, de ses divisions et unités d'affaires et de ses fonctions, ainsi que les résultats individuels.
- Les plans d'incitation à court et à long terme utilisés dans le cadre de la rémunération variable sont liés à des indicateurs de performance adéquats et l'enveloppe globale consacrée à la rémunération variable est déterminée en fonction de la performance économique du groupe à long terme.
- La structure des plans d'incitation à long terme associe la rémunération à l'évolution future de la performance et du risque en prévoyant des clauses de rémunération différée.
- Le groupe offre à ses collaborateurs une série d'avantages en fonction des pratiques locales en vigueur, en tenant compte de la capacité de risque du groupe en matière de financement des retraites et de placements.

Rémunération totale

La rémunération totale est influencée par une série de facteurs tels que l'étendue et la complexité du poste, la performance de la société et sa capacité financière, la performance individuelle, l'équité interne et les exigences légales. Comme décrit précédemment aux pages 47 à 48, les opportunités cibles sont comparées aux niveaux médians dans des marchés clairement définis et tiennent compte des considérations d'équité interne. La répartition de la rémunération entre salaire de base et part variable est aussi alignée sur les pratiques locales du marché et les rapports internes. Zurich fait preuve de transparence quant au mode de définition des critères de récompense et aux processus décisionnels. La rémunération totale comprend les éléments suivants:

Rapport sur les rémunérations *suite*

Éléments de la rémunération totale

Elément		Type	Description
Salaire de base		Part fixe en espèces	Rémunération fixe, déterminée par l'étendue et la complexité du poste Versée généralement dans une fourchette de 80 à 120% du salaire médian pratiqué sur le marché
Rémunération variable	Primes d'incitation à court terme (STIP – 1 an)	Versements en espèces liés à la performance	Pour les cadres, les cadres dirigeants et un groupe plus large de collaborateurs: versement annuel Performance mesurée à l'aune des résultats de la société et de l'atteinte des objectifs stratégiques Primes allouées en fonction de la performance de la société et de celle du collaborateur
	Primes d'incitation à long terme (LTIP – 3 ans) (A compter du 1er janvier 2011, 100% des primes LTIP seront octroyées sous forme d'actions liées à la performance)	Actions liées à la performance (50% en 2010) Options liées à la performance (50% en 2010)	Pour un groupe défini de cadres et de dirigeants Les primes cibles sont octroyées chaque année et chaque prime annuelle est divisée en 3 tranches équivalentes La 1er tranche est évaluée en vue d'une acquisition dans l'année qui suit l'année d'octroi de la prime; la 2e tranche pour l'année suivante et la 3e tranche pour l'année qui suit L'acquisition est déterminée en fonction des performances du groupe, en termes de rendement total aux actionnaires du groupe (TSR) et du rendement des fonds propres ordinaires (ROE), au cours des trois années calendaires précédant la date d'acquisition La moitié des primes en actions acquises sont bloquées à la vente pour une durée de trois ans Les attributions d'options, qui étaient réservées aux collaborateurs les plus haut placés, ont été supprimées en 2011
Avantages du personnel		Fixes	Avantages du personnel consentis en fonction des pratiques en vigueur sur le marché local Plans de retraite à risque réduit conformément aux directives du groupe Avantages positionnés vers la médiane

Salaire de base

Le salaire de base est la part fixe de la rémunération pour le poste occupé, déterminée par l'étendue et la complexité du poste, et il est révisé chaque année. Les grilles générales du salaire de base sont positionnées afin de gérer les salaires au niveau des médianes pratiquées sur le marché concerné. Au niveau individuel, le salaire de base est généralement versé dans une fourchette de 80% à 120% du salaire médian du marché concerné. Les facteurs clés dans la détermination du salaire sont l'expérience et la performance globales du collaborateur.

Rémunération variable

Les plans d'incitation visent à fournir une échelle d'opportunités de primes liées aux niveaux de performance. La performance d'exploitation et individuelle peut se traduire par des niveaux de rémunération supérieurs à la cible en cas de performance notable et par des niveaux inférieurs à la cible en cas de performance décevante. Les opportunités de rémunération variable sont instituées sur les marchés où il est usuel de motiver les collaborateurs à atteindre des objectifs clés à court et à long terme apportant une valeur accrue aux actionnaires. Les opportunités de rémunération variable peuvent inclure des primes d'incitation à court et à long terme:

Les primes d'incitation à court terme (1 an) dépendent de la performance sur le modèle suivant:

- Les primes d'incitation à court terme sont versées en espèces.
- Chaque participant se voit attribuer une prime cible pour l'année de performance.
- Un certain nombre de caisses distinctes de primes d'incitation à court terme sont créées pour couvrir les différents secteurs de la société tels que la Direction générale, les segments opérationnels, les opérations, les domaines fonctionnels et le siège social (Corporate Center). La structure de la caisse est revue chaque année. Chaque participant est rattaché à une caisse de financement des plans d'incitation à court terme (STIP).
- Pour chaque caisse STIP, l'enveloppe cible est égale à la somme des niveaux de primes cibles pour chaque individu rattaché à la caisse.
- Le financement réel de la caisse STIP – un pourcentage de la caisse cible – est calculé à la fin de l'année de performance. Le Conseil d'administration a approuvé la grille de performance STIP, qui lie la performance commerciale à la taille potentielle de la caisse de financement réelle. En tenant compte de la performance commerciale appropriée et des paramètres de risque, le CEO du groupe formule des recommandations sur la taille des diverses caisses de financement STIP à l'intention du comité des rémunérations, qui en débat et soumet ces propositions à l'approbation du Conseil d'administration.
- La performance d'exploitation correspondante est évaluée à la lumière du budget prévisionnel approuvé par le Conseil d'administration au mois de décembre de l'année précédant l'année de performance. Parmi les paramètres financiers permettant de financer les caisses figurent généralement le bénéfice net du groupe pour le groupe des cadres dirigeants et le bénéfice d'exploitation (BOP) correspondant pour les segments opérationnels. En fonction des performances avérées, les caisses de financement STIP peuvent varier de 0% à 175% des cagnottes cibles. La performance financière du secteur concerné, ainsi qu'une évaluation des paramètres de risque par le Chief Risk Officer, sont prises en compte au moment d'évaluer les résultats d'exploitation.
- L'allocation de la caisse de financement STIP à chaque participant dépend alors de la taille de la caisse de financement disponible, des résultats de l'unité à laquelle le salarié est rattaché et de la performance avérée de chaque participant au cours de l'année. Toute violation des règles internes ou des dispositions externes par le salarié est prise en compte dans sa notation de performance individuelle. La performance individuelle avérée est évaluée par le biais du processus et du système de gestion de la performance mis en place par le groupe. Le processus de gestion de la performance mis en place par le groupe donne une note individuelle sur une échelle de 1 à 5 (la note 5 étant la plus élevée) et a une directive de distribution cible pour chacune des notations.
- En fonction de la taille de la caisse de financement STIP et de la note de performance individuelle, les primes d'incitation à court terme peuvent varier de 0% à 200% du niveau de prime cible individuel.
- De cette façon, les primes d'incitation à court terme sont différenciées en fonction de la performance avérée de la société et de celle du collaborateur.

Les primes d'incitation à court terme sont octroyées via un plan à l'échelle du groupe et via des plans locaux au niveau de chaque pays. Le plan du groupe est utilisé dans l'ensemble de l'organisation et, dans de nombreux pays, il couvre tous les collaborateurs du pays respectif dont la participation a été retenue. Dans d'autres pays, seuls les collaborateurs les plus hauts gradés participent au plan du groupe. Les plans locaux du pays, suivant à peu près les mêmes principes que le plan du groupe, peuvent servir pour les autres collaborateurs.

À l'avenir les plans locaux seront davantage intégrés au plan du groupe.

Les primes d'incitation à long terme (3 ans) récompensent l'atteinte des objectifs financiers à long terme du groupe et sont destinées à un groupe déterminé de cadres supérieurs et de dirigeants dont les fonctions spécifiques se concentrent sur les facteurs de performance et de création de valeur à long terme en faveur des actionnaires. Ce groupe englobe les individus qui jouissent des rémunérations totales les plus élevées, ainsi que les individus dont les activités ont un impact significatif sur le profil de risque du groupe. Conformément au profil de risque du groupe et à sa stratégie d'affaires, les primes d'incitation à long terme donnent lieu à un versement différé pour tenir compte des risques importants et de leur horizon temporel. Cette rémunération différée est structurée de manière à sensibiliser les participants au risque et à les encourager à conduire leur activité de façon durable.

Le paiement différé des primes d'incitation à long terme se concrétise par

- L'acquisition au prorata des primes d'incitation à long terme, en versements par tiers échelonnés sur les trois années qui suivent l'année d'octroi de la prime.
- En outre, la moitié des actions acquises sont bloquées à la vente pour une nouvelle période de trois ans.

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Les plans d'incitation à long terme mis en place par le groupe peuvent inclure i) des actions liées à la performance; ii) des options liées à la performance, iii) des actions restreintes ou une combinaison de tous ces éléments. À compter du 1er janvier 2011, les primes d'incitation à long terme régulières sont versées sous forme d'actions liées à la performance, plus aucune prime n'étant versée en options à compter de janvier 2011. Les principales caractéristiques des plans d'incitation à long terme du groupe sont les suivantes:

- Chaque participant se voit attribuer une prime cible pour l'année d'octroi.

- L'acquisition est basée sur un modèle annuel et évaluable dans lequel les primes cibles sont divisées en trois tranches équivalentes, chacune d'entre elles étant calculée en vue d'une acquisition dans les trois ans qui suivent la date d'octroi. Le tableau suivant illustre ce mécanisme:

Attribution en 2010

	Année d'acquisition et année de levée des restrictions à la vente sur 50% de toute prime en actions acquise					
	2011	**2012**	**2013**	**2014**	**2015**	**2016**
Tranche 1[10prime]	Évaluation d'acquisition			Levée des restrictions à la vente		
Tranche 2[10prime]		Évaluation d'acquisition			Levée des restrictions à la vente	
Tranche 3[10prime]			Évaluation d'acquisition			Levée des restrictions à la vente

Le tableau suivant illustre comment les tranches relatives aux diverses primes annuelles sont acquises tout au long des années calendaires consécutives. En conséquence, trois tranches de primes relatives à des années différentes sont évaluées chaque année calendaire à des fins d'acquisition.

Année d'acquisition pour chaque tranche		
2011	**2012**	**2013**
Tranche 1[10prime]	Tranche 1[11prime]	Tranche 1[12prime]
Tranche 2[09prime]	Tranche 2[10prime]	Tranche 2[11prime]
Tranche 3[08prime]	Tranche 3[09prime]	Tranche 3[10prime]

- Les actions liées à la performance ne sont acquises que si certaines conditions de performance du groupe sont réunies en termes de rendement absolu des fonds propres ordinaires (ROE) et de rendement total de l'actionnaire (TSR), par rapport à un groupe international de compagnies d'assurances concurrentes figurant dans l'indice Dow Jones Titan Insurance. La performance est mesurée sur les trois années calendaires précédant la date d'acquisition et le pourcentage d'acquisition, calculé en fonction des performances réelles en termes de ROE et de TSR, peut varier de 0% à 175% des primes cibles. Si les seuils de performance minimale ne sont pas atteints, les primes cibles ne seront pas acquises. Le pourcentage d'acquisition est proposé par le CEO au comité des rémunérations, qui formule une recommandation auprès du Conseil d'administration en vue d'une décision finale. La matrice d'acquisition est la suivante:

Matrice d'acquisition du programme d'incitation à long terme

en %		Niveau d'acquisition pour les primes cibles en actions et en options d'actions			
TSR de Zurich sur trois ans, par rapport aux 28 entreprises principales de l'indice Dow Jones Global Insurance Sector Titan	Quartile supérieur (Position: 1 à 7)	100%	125%	150%	175%
	Second quartile (Position: 8 à 14)	75%	100%	125%	150%
		9%	12%	15%	18%
		Moyenne annuelle sur trois ans du rendement des fonds propres ordinaires du groupe (ROE)			

Lorsque le ROE avéré se situe entre les valeurs inscrites au tableau, le pourcentage d'acquisition est fixé par interpolation des chiffres figurant dans la matrice ci-dessus. Par exemple, avec le TSR relatif dans le quartile supérieur et un ROE moyen de 14% sur la période de trois ans, le pourcentage d'acquisition serait de 142% de la prime cible.

- Seul le CEO est habilité à modifier les primes pour tenir compte des circonstances particulières, à l'exception des modifications concernant les membres du GEC et du GMB qui sont exclusivement du ressort du comité des rémunérations et du Conseil d'administration. Un ajustement de 25% (en plus ou en moins) par rapport au niveau d'acquisition normal peut être appliqué avant la distribution. Si les circonstances l'exigent, des exceptions à l'ajustement de +/–25% peuvent avoir lieu, mais tout ajustement exceptionnel est du ressort exclusif du comité des rémunérations et du Conseil d'administration.

Les programmes de rémunération variable du groupe sont révisés chaque année, à la fois en termes de contenu et de participants. Les programmes peuvent être résiliés, modifiés, changés ou révisés.

Avantages du personnel

Le groupe offre aux collaborateurs des avantages sur le modèle des pratiques en vigueur dans les marchés locaux. Les collaborateurs sont, en principe, tenus de participer au coût de ces prestations et l'offre globale de prestations repose sur la médiane du marché concerné.

Rémunération et actionnariat des membres du Conseil d'administration et du Comité exécutif du groupe

Au 31 décembre 2010, aucun des administrateurs de Zurich Financial Services SA n'exerçait de fonction exécutive et tous étaient indépendants de la Direction générale. La rémunération des membres du Conseil d'administration et celle des membres du GEC, de même que leur participation au capital, sont présentées séparément.

Membres du Conseil d'administration

Honoraires des administrateurs

En vertu de leur appartenance aux Conseils d'administration de Zurich Financial Services SA et de Zurich Compagnie d'Assurances SA, tous les administrateurs perçoivent des honoraires, dont une partie est versée en espèces et une autre partie sous forme d'actions de Zurich Financial Services SA dont la vente est bloquée pendant trois ans. Les actions sont allouées au titre d'honoraires généraux qui ne sont pas liés à l'atteinte d'objectifs de performance définis. La structure des honoraires de 2010 reste inchangée par rapport à 2009.

À l'exception du président et du vice-président, les administrateurs sont rétribués sur une base annuelle d'honoraires de 205 000 USD. Un tiers de ces honoraires annuels de base, soit 68 500 USD, est attribué sous forme d'actions de Zurich Financial Services SA dont la vente est restreinte. Le montant des honoraires est calculé au prorata pour les membres qui quittent ou intègrent le Conseil d'administration en cours d'année. Les membres du Conseil d'administration perçoivent des honoraires supplémentaires en espèces de 40 000 USD pour tous les comités auxquels ils participent, quel qu'en soit le nombre. En outre, le président de chaque comité perçoit des honoraires annuels de 20 000 USD et le président du comité d'audit perçoit 10 000 USD supplémentaires. Les administrateurs qui résident aux États-Unis perçoivent des honoraires supplémentaires de 10 000 USD par an. Les comités dans lesquels les directeurs officient sont présentés dans le Rapport sur la gouvernance d'entreprise à la page 30. Outre ce qui a été mentionné ci-dessus, lorsqu'un administrateur est également membre du Conseil d'administration d'une ou de plusieurs filiales du groupe Zurich Financial Services, il a droit à des honoraires supplémentaires de 40 000 USD par année, auxquels s'ajoutent 10 000 USD par année s'il préside également le comité d'audit du Conseil d'administration en question.

Le vice-président a perçu 330 000 USD en 2010 au titre de ses honoraires annuels de base, dont un montant de 68 500 USD est alloué sous forme d'actions de Zurich Financial Services SA dont la vente est restreinte. Les honoraires annuels de base du président du Conseil d'administration de Zurich Financial Services SA et de Zurich Compagnie d'Assurances SA en 2010 se sont élevés à 700 000 USD et un tiers de ce montant, soit 233 500 USD,

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est alloué sous forme d'actions de Zurich Financial Services SA dont la vente est restreinte. Ni le président ni le vice-président ne perçoivent d'honoraires supplémentaires pour leurs travaux au sein des comités.

Sur la base de cette structure, l'ensemble des honoraires versés aux administrateurs de Zurich Financial Services SA et de Zurich Compagnie d'Assurances SA pour l'exercice arrêté au 31 décembre 2010 se sont élevés à 3 445 000 USD. Ce montant comprend 2 553 625 USD en espèces et des actions bloquées pendant trois ans pour un montant estimé de 901 375 USD à la date d'octroi. Le cours de l'action à la date d'octroi était de 246.50 CHF. Le montant correspondant en 2009 était de 3 395 000 USD, dont 2 476 500 USD en espèces et 918 500 USD sous forme d'actions dont la vente est bloquée pendant trois ans (valeur estimée à la date d'octroi). Le cours de l'action à la date de l'attribution en 2009 était de 197.10 CHF.

Les honoraires des membres du Conseil d'administration n'ouvrent pas droits à retraite.

Les tableaux suivants indiquent les honoraires versés aux membres du Conseil d'administration en 2010 et en 2009:

Honoraires des administrateurs 2010

en USD	2010[1]						
	Honoraires de base	Honoraires de comité[2]	Honoraires de présidence[3]	Indemnité de résidence aux États-Unis[4]/Autres	Total des honoraires	dont montant versé en espèces[5]	dont partie allouée en actions[6, 7]
M. Gentz, président[8]	700 000	–	–	–	700 000	466 500	233 500
Ph. Pidoux, vice-président[8, 9]	82 500	–	–	–	82 500	82 500	–
J. Ackermann, vice-président[9]	247 500	–	–	–	247 500	196 125	51 375
S. Bies, membre	205 000	40 000	–	50 000[10]	295 000	226 500	68 500
V. Chu, membre	205 000	40 000	–	–	245 000	176 500	68 500
Th. Escher, membre	205 000	40 000	–	–	245 000	176 500	68 500
F. Kindle, membre	205 000	40 000	–	–	245 000	176 500	68 500
A. Meyer, membre	205 000	40 000	–	–	245 000	176 500	68 500
D. Nicolaisen, membre	205 000	40 000	30 000	50 000[10]	325 000	256 500	68 500
V.L. Sankey, membre	205 000	40 000	20 000	–	265 000	196 500	68 500
T. de Swaan, membre	205 000	40 000	20 000	50 000[10]	315 000	246 500	68 500
R. Watter, membre	205 000	40 000	–	–	245 000	176 500	68 500
Total en USD[11]	**2 875 000**	**360 000**	**70 000**	**150 000**	**3 455 000**	**2 553 625**	**901 375**

Honoraires des administrateurs 2009

en USD	2009[1]						
	Honoraires de base	Honoraires de comité[2]	Honoraires de présidence[3]	Indemnité de résidence aux États-Unis[4]/Autres	Total des honoraires	dont montant versé en espèces[5]	dont partie allouée en actions[6, 12]
M. Gentz, président[8]	700 000	–	–	–	700 000	466 500	233 500
Ph. Pidoux, vice-président[8]	330 000	–	–	–	330 000	261 500	68 500
S. Bies, membre	205 000	40 000	–	20 000[10]	265 000	196 500	68 500
V. Chu, membre	205 000	40 000	–	–	245 000	176 500	68 500
Th. Escher, membre	205 000	40 000	–	–	245 000	176 500	68 500
F. Kindle, membre	205 000	40,000	–	–	245 000	176 500	68 500
A. Meyer, membre	205 000	40 000	–	–	245 000	176 500	68 500
D. Nicolaisen, membre	205 000	40 000	30 000	20 000[10]	295 000	226 500	68 500
V.L. Sankey, membre	205 000	40 000	20 000	–	265 000	196 500	68 500
T. de Swaan, membre	205 000	40 000	20 000	50 000[10]	315 000	246 500	68 500
R. Watter, membre	205 000	40 000	–	–	245 000	176 500	68 500
Total en USD[11]	**2 875 000**	**360 000**	**70 000**	**90 000**	**3 395 000**	**2 476 500**	**918 500**

[1] La rémunération présentée dans les tableaux ne comprend aucun remboursement de frais engagés dans le cadre des activités des membres du Conseil d'administration.
[2] Les membres des comités perçoivent des honoraires en espèces de 40 000 USD pour tous les comités auxquels ils participent, indépendamment de leur nombre. Les comités auxquels les membres du Conseil d'administration participent sont présentés dans le Rapport sur la gouvernance d'entreprise à la page 30.
[3] Les présidents des comités perçoivent des honoraires annuels de 20 000 USD et le président du comité d'audit perçoit un montant supplémentaire de 10 000 USD. Les comités auxquels participent les membres et les présidents sont présentés dans le Rapport sur la gouvernance d'entreprise à la page 30.

[4] Les membres du Conseil d'administration qui résident aux États-Unis perçoivent une prime annuelle supplémentaire de 10 000 USD.
[5] Les honoraires en espèces sont fixés en USD, mais ils sont payés dans les devises du lieu de résidence des membres du Conseil d'administration, sur la base du taux de change en vigueur aux dates de paiement.
[6] Les actions attribuées aux membres du Conseil d'administration ne peuvent être vendues pendant trois ans.
[7] Le 30 juin 2010, M. Gentz a reçu 1 071 actions et les autres membres du Conseil d'administration 314 actions pour une année pleine d'exercice du mandat d'administrateur. Le cours de l'action (246.50 CHF) et le taux de change USD/CHF de 1,131 au 15 juin 2010 ont servi de base au calcul du nombre d'actions sur la base de la portion fixe des honoraires attribués en actions aux membres respectifs. Lorsque la valeur des actions attribuées n'était pas équivalente à la valeur de la portion des honoraires à attribuer en actions, la différence était payée en espèces. Les montants indiqués dans les tableaux ci-dessus reflètent le montant fixe en USD de la part des honoraires attribuable sous forme d'actions.
[8] Ni le président ni le vice-président ne perçoivent d'honoraires supplémentaires pour leurs travaux au sein des comités.
[9] Lors de l'Assemblée générale ordinaire du 30 mars 2010, M. Pidoux a quitté le Conseil d'administration et M. Ackermann y a été élu en qualité de vice-président.
[10] En sus des honoraires perçus en tant qu'administrateurs de Zurich Financial Services SA et Zurich Compagnie d'Assurances SA, M[me] Bies, M. Nicolaisen et M. de Swaan ont perçu des honoraires pour leur appartenance au Conseil d'administration de diverses sociétés du groupe Zurich Financial Services SA:
– En 2010, M[me] Bies et M. Nicolaisen ont perçu chacun des honoraires de 40 000 USD pour leur appartenance au Conseil d'administration de Zurich Holding Company of America (ZHCA). En 2009, tous deux ont perçu des honoraires de 10 000 USD pour leur présence au Conseil d'administration de Zurich Holding Company of America (ZHCA) à compter du 19 octobre 2009 (basés sur un montant de référence annuel de 40 000 USD). En 2010 et en 2009, les montants indiqués dans le tableau comprennent également une indemnité de résidence aux États-Unis de 10 000 USD.
– En 2010 et en 2009, M. de Swaan a perçu des honoraires annuels de 40 000 USD au titre de son appartenance aux Conseils d'administration de Zurich Insurance plc et Zurich Life Assurance plc (à compter du 1[er] janvier 2010), ainsi que des honoraires annuels de 10 000 USD en vertu de son statut de président du comité d'audit de ces deux sociétés.
[11] Conformément à la législation applicable, Zurich a payé la part employeur des cotisations aux systèmes de sécurité sociale, qui s'est élevée à 85 136 USD en 2010. Les cotisations correspondantes s'élevaient à 80 670 USD en 2009. Les cotisations personnelles des administrateurs aux systèmes de sécurité sociale sont comprises dans les montants indiqués dans les tableaux précédents.
[12] Le 30 juin 2009, M. Gentz a reçu 1 296 actions et les autres membres du Conseil d'administration 380 actions, pour une année pleine d'exercice du mandat d'administrateur. Le cours de l'action (197.10 CHF) et le taux de change USD/CHF de 1,0942 au 15 juin 2009 ont servi de base au calcul du nombre d'actions sur la base de la portion fixe des honoraires attribués en actions aux différents membres. Lorsque la valeur des actions attribuées n'était pas équivalente à la valeur de la portion des honoraires à attribuer en actions, la différence était payée en espèces. Les montants indiqués dans les tableaux ci-dessus reflètent le montant fixe en USD de la part des honoraires attribuable sous forme d'actions.

La structure actuelle de la rémunération des administrateurs est en vigueur depuis 2007, le niveau des honoraires du président étant inchangé depuis le 1[er] janvier 2008. À l'aide de ses conseillers, le comité des rémunérations a révisé la structure de rémunération actuelle à l'aune des niveaux appropriés du marché, en particulier ceux des compagnies d'assurances figurant dans le Dow Jones Titan Index et des entreprises les plus importantes du Swiss SMI Index. Ces comparaisons indiquent que la structure de rémunération actuelle n'a pas suivi les évolutions du marché, ce qui s'explique principalement par le fait qu'elle est établie en USD et que cette monnaie s'est sensiblement dépréciée ces dernières années. Suite à la révision, le Conseil d'administration a accepté d'effectuer des modifications. La structure de rémunération suivante s'appliquera en 2011; tous les honoraires seront libellés en francs suisses, le total des honoraires du président s'élevant à 1 000 000 CHF et ceux du vice-président à 375 000 CHF. Les honoraires de tous les autres administrateurs s'élèveront à 240 000 CHF; ils recevront un montant additionnel de 50 000 CHF pour leur travail au sein des comités, quel qu'en soit le nombre. En outre, le président de chaque comité percevra des honoraires annuels de 30 000 CHF et le président du comité d'audit un supplément de 10 000 CHF. Le supplément versé jusqu'ici aux administrateurs résidant aux États-Unis sera supprimé. Comme dans le passé, un tiers environ des honoraires du président et un tiers des honoraires de base de chaque autre administrateur seront versés sous forme d'actions bloquées à la vente pendant trois ans, le reste étant versé en espèces. Outre ce qui a été mentionné ci-dessus, lorsqu'un administrateur est également membre du Conseil d'administration d'une filiale du groupe Zurich Financial Services, il a droit à des honoraires supplémentaires de 50 000 CHF par année, auxquels s'ajoutent 10 000 CHF par année s'il préside également le comité d'audit du Conseil en question.

Indemnités de départ pour les membres du Conseil d'administration ayant quitté leurs fonctions

M. Philippe Pidoux a quitté le Conseil d'administration à l'occasion de l'Assemblée générale ordinaire de mars 2010. Aucune indemnité de départ ne lui a été versée. Aucun administrateur n'a quitté ses fonctions en 2009.

Rémunération des anciens administrateurs

Aucun avantage (ou abandon de créance) n'a été accordé à d'anciens membres du Conseil d'administration en 2010, pas plus qu'en 2009.

Programmes d'attribution d'actions aux administrateurs

Les membres du Conseil d'administration de Zurich Financial Services SA et de Zurich Compagnie d'Assurances SA ne participent à aucun plan de primes d'incitation sous forme d'attribution d'actions à l'intention de la Direction générale. Toutefois, comme mentionné ci-dessus, une partie des honoraires des administrateurs de Zurich Financial Services SA est attribuée sous forme d'actions dont la vente est bloquée pendant trois ans. Comme mentionné ci-dessus, les actions sont attribuées aux administrateurs au titre d'honoraires généraux et elles ne sont pas liées à l'atteinte d'objectifs de performance définis.

Participations des administrateurs au capital

Les participations au capital de Zurich Financial Services SA détenues par les membres du Conseil d'administration investis d'un mandat à la fin de l'année sont indiquées ci-dessous. Toutes les participations présentées sont détenues en compte propre, y compris les actions bloquées à la vente qui sont attribuées aux administrateurs au titre de leurs honoraires et les actions détenues par des parties liées aux membres du Conseil d'administration.

Rapport sur les rémunérations *suite*

Participations des administrateurs

Nombre d'actions de Zurich Financial Services SA[1], au 31 décembre	Détention d'actions	
	2010	2009
M. Gentz, président	5 345	4 274
Ph. Pidoux, vice-président[2]	s.o.	2 850
J. Ackermann, vice-président[2]	235	s.o.
S. Bies, membre	881	567
V. Chu, membre	881	567
Th. Escher, membre	6 164	5 850
F. Kindle, membre	11 164	10 850
A. Meyer, membre	2 488	2 174
D. Nicolaisen, membre	1 164	850
V.L. Sankey, membre	2 334	2 020
T. de Swaan, membre	1 164	850
R. Watter, membre	4 132	3 818
Total	**35 952**	**34 670**

[1] Aucun des administrateurs, conjointement aux parties qui leur sont liées, ne détenait plus de 0,5% des droits de vote aux 31 décembre 2010 et 2009, respectivement.
[2] A l'occasion de l'Assemblée générale ordinaire du 30 mars 2010, M. Pidoux a quitté le Conseil d'administration et M. Ackermann a été élu au Conseil en qualité de vice-président.

Options d'achat d'actions détenues par les administrateurs

Les membres des Conseils d'administration de Zurich Financial Services SA et de Zurich Compagnie d'Assurances SA ne participent à aucun programme d'options d'achat d'actions à l'intention de la Direction générale. Ainsi, aucune option d'achat d'actions n'a été attribuée au cours de l'exercice considéré ou des exercices antérieurs. Aucun des membres du Conseil d'administration, ni aucune des parties qui leur est liée, ne détenait d'options d'achat d'actions ou de droits de conversion sur des actions de Zurich Financial Services SA au 31 décembre 2010 ou au 31 décembre 2009.

Honoraires et rémunérations supplémentaires pour les administrateurs

Aucun des membres du Conseil d'administration n'a perçu, de la part du groupe ou de l'une des sociétés du groupe, d'autres rémunérations ou avantages en nature que ceux mentionnés ci-dessus.

Prêts personnels aux administrateurs

Indépendamment de son appartenance au Conseil d'administration et conformément aux conditions offertes aux autres clients, M. Watter bénéficiait d'une avance garantie sur police d'un montant de 2,5 millions de CHF en cours au 31 décembre 2010 et 2009. Le taux d'intérêt annuel appliqué à l'avance est de 4%. Hormis le prêt consenti à M. Watter, aucun des administrateurs n'avait d'encours de prêt, d'avance ou de crédit au 31 décembre 2010 ou 2009.

Prêts personnels aux anciens administrateurs

Au 31 décembre 2010 et 2009 respectivement, aucun ancien administrateur ne bénéficiait de prêt, d'avance ou de crédit en cours.

Parties liées aux administrateurs ou à d'anciens membres du Conseil d'administration

Aucun avantage (ou abandon de créance) n'a été accordé à des parties liées aux administrateurs ou à des parties liées aux anciens membres du Conseil d'administration au cours des exercices 2010 et 2009, respectivement. Par ailleurs, aucune partie liée aux administrateurs ou à d'anciens membres du Conseil d'administration n'avait d'encours de prêt, d'avance ou de crédit au 31 décembre 2010 et 2009.

Comité exécutif du groupe (GEC)

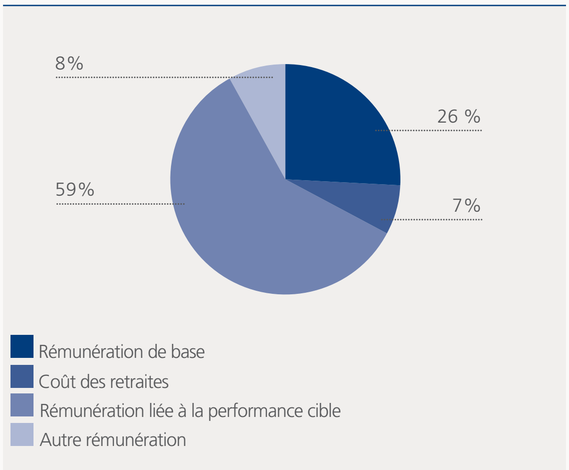
Rémunération du Comité exécutif du groupe

En 2010, la rémunération totale des membres du GEC comprenait le montant de la rémunération en espèces (y compris les primes d'incitation à court terme en espèces), les prestations de retraite, les autres rémunérations et les attributions d'actions cibles effectuées dans le cadre du plan de primes d'incitation à long terme (LTIP) du groupe en 2010.

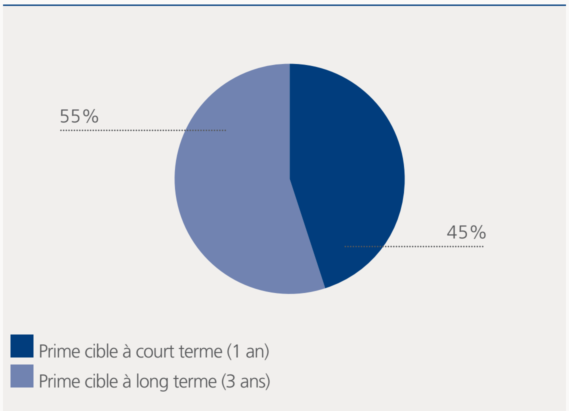
La structure de rémunération et la répartition des éléments individuels de rémunération pour les membres du GEC sont déterminées en prenant en compte les pratiques du marché concerné et les rapports internes.

La répartition de la rémunération totale en 2010 entre les éléments individuels de rémunération est présentée dans les graphiques suivants. Celle-ci s'effectue sur la base des valeurs cibles pour la rémunération liée à la performance.

Pondération des éléments de rémunération



Pondération de la rémunération liée à la performance cible



Comme on peut le constater sur les graphiques ci-dessus, il existe un juste équilibre entre les éléments de rémunération, l'accent étant mis sur la rémunération liée à la performance, au moyen non seulement du plan d'incitation à court terme (STIP) mais aussi du plan d'incitation à long terme (LTIP). La distribution des valeurs cibles entre les primes à court terme (un an) et à long terme (trois ans) met en évidence la priorité donnée aux primes à long terme.

Les éléments individuels de rémunération sont détaillés ci-dessous (les montants accordés au cadre supérieur le mieux rétribué y figurent également):

Montant de la rémunération totale

Le montant total des différents éléments de rémunération versés aux membres du GEC en 2010 a atteint 45,8 millions d'USD. Ce montant est à comparer avec un montant correspondant de 47,8 millions d'USD versé en 2009 et calculé sur la même base. La valeur de la rémunération cumulée des membres du Comité exécutif du groupe (GEC) a diminué de 2,0 millions d'USD par rapport à 2009 pour plusieurs raisons: Depuis la prise de fonction du nouveau CEO au 1er janvier 2010 il y a eu beaucoup de changements, et seuls huit membres sont restés à leur poste pendant toute l'année 2010. Les dépenses de bonus ont également baissé pendant l'année suite à un objectif général de primes revu à la baisse, ainsi qu'à la réduction des primes actuelles à un pourcentage de l'objectif. En raison de l'évolution de l'effectif, la valeur des actions et des options d'achat d'actions liées à la performance en 2010 a été plus faible que les dépenses générales sur les prestations de retraite. Cette baisse a été partiellement compensée par l'affaiblissement du dollar américain par rapport au franc suisse et par le fait que la rémunération 2010 comprenait une indemnité de départ, ce qui n'était pas le cas en 2009.

La valeur totale en 2010 comprend les éléments suivants (les chiffres comparatifs de 2009 sont présentés dans le tableau de la rémunération totale de tous les membres du GEC):

Salaires de base et primes annuelles en espèces versées en 2010

Le montant total des salaires de base et des primes d'incitation annuelles en espèces accordées dans le cadre du plan d'incitation à court terme a atteint 25,0 millions d'USD en 2010. Ce montant comprend 11,4 millions d'USD en salaires de base et 13,6 millions d'USD de primes d'incitation annuelles en espèces qui reflètent les montants à payer en 2011 pour la performance de 2010. Les primes d'incitation annuelles en espèces sont déterminées individuellement et sont liées à la performance (voir page 51).

Le financement global des primes d'incitation est basé sur la performance bénéficiaire globale du groupe en 2010 et les primes réellement versées aux salariés dépendent d'une combinaison de facteurs, notamment les résultats des activités dont le membre du GEC est responsable et sa performance individuelle concernant l'atteinte des objectifs stratégiques au cours de l'année. Pour les membres du GEC, y compris le CEO, les niveaux visés dans le cadre du plan d'incitation à court terme 2010 ont été fixés à 100% du salaire de base. Les primes octroyées à l'ensemble des membres du GEC, y compris le CEO, sont plafonnées à 200% du niveau cible.

Montant des prestations de retraite cumulées en 2010

Les membres du GEC participent au régimes de retraite des centres d'activité dont ils sont salariés. La philosophie du groupe est de fournir des prestations de retraite au moyen de montants en espèces et/ou de régimes à cotisations déterminées où les fonds s'accumulent tout au long de la carrière. La majorité des membres du GEC participe à de tels plans et, à terme, tous les futurs membres du GEC y participeront. Les autres membres du GEC continuent à participer aux régimes de retraite à prestations terminées qui leur procurent des prestations de retraite en fonction des derniers revenus ouvrant droit à pension et de leur ancienneté. L'âge normal de la retraite varie de 60 à 65 ans. La valeur totale des prestations de retraite revenant aux membres du GEC en 2010, calculée sur la base des coûts

Rapport sur les rémunérations *suite*

de service pour la société selon la norme comptable IAS 19, était de 3,0 millions d'USD. Les coûts de service évaluent le montant des prestations de retraite cumulées au cours de l'exercice et, pour des régimes à cotisations déterminées, ils tiennent compte du montant des cotisations versées par la société au cours de l'exercice.

Montant des autres rémunérations versées en 2010
Les membres du GEC ont reçu d'autres rémunérations en 2010 sous forme d'avantages consentis aux collaborateurs, d'indemnités d'expatriation, d'avantages indirects ou en nature et autres paiements prévus dans le contrat de travail de chacun des membres, y compris les indemnités de départ pour les membres quittant leurs fonctions au cours de l'année. Le montant total des autres éléments de rémunération en 2010 représentait 3,6 millions d'USD. Les avantages en nature ont été évalués au prix du marché.

Attribution d'actions au Comité exécutif du groupe dans le cadre du plan d'incitation à long terme (LTIP) 2010
Tel que décrit ci-dessus, les membres du GEC ont reçu en 2010, au titre du LTIP, un quota annuel d'actions et d'options liées à la performance. Dans des circonstances extraordinaires, des attributions d'actions restreintes peuvent aussi avoir lieu. Pour les membres du GEC, y compris le CEO, la valeur des primes cibles en 2010 a été fixée entre 100 et 175% du salaire de base.

A l'instar des années précédentes, en 2010 les primes cibles ont été versées le troisième jour ouvrable du mois d'avril, soit le 5 avril 2010, 50% du montant global de la prime étant versés sous forme d'actions liées à la performance et 50% sous forme d'options liées à la performance. Le nombre cible d'actions et d'options liées à la performance a été calculé en divisant la valeur pécuniaire de la prime respectivement par le cours de l'action et par le prix de l'option observé la veille de l'attribution de la prime. A compter de 2011, toutes les primes d'incitation à long terme seront octroyées exclusivement sous forme d'actions liées à la performance.

Les modalités d'acquisition des primes et les critères de performance sont présentées aux pages 51 à 53.

Les attributions d'actions suivantes ont été effectuées en 2010:

Attributions d'actions liées à la performance
Au total, 29 129 actions liées à la performance cible ont été distribuées aux membres du GEC en 2010, contre 46 001 actions en 2009. Le montant des attributions d'actions liées à la performance cible réalisées le 5 avril 2010 au profit des membres du GEC pour l'année 2010 s'élevait à 7,1 millions d'USD à la date de l'attribution dans l'hypothèse d'un taux d'acquisition de 100% et d'un cours du titre de 259.90 CHF la veille de l'attribution. Quant aux membres du GEC qui ont intégré cet organe dans le courant de l'année 2010, le nombre et la valeur des attributions d'actions ont été calculés sur la base de la prime 2010, au prorata du temps passé en tant que membre du GEC cette année-là.

53 539 actions ont été acquises en 2010 par les membres du GEC qui y siégeaient en 2010, et ce au titre des distributions d'actions liées à la performance opérées en 2007, 2008 et 2009. Cela représente un niveau de d'acquisition de base de 153% de la cible compte tenu des performances réelles en termes de ROE et de TSR. La moitié des actions acquises dans le cadre du programme est bloquée à la vente pendant trois ans à partir de la date d'acquisition.

Attributions d'actions restreintes
Des attributions d'actions restreintes complètent les primes d'incitation à long terme normales et elles interviennent uniquement dans des circonstances extraordinaires, principalement pour les personnes nouvellement embauchées afin de compenser la perte de leurs droits en actions acquis auprès de leur ancien employeur. Ces attributions d'actions restreintes sont généralement acquises dans les trois à cinq ans qui suivent la date d'attribution et elles sont caduques si le détenteur de ces actions quitte la société de son plein gré avant la date d'acquisition, mettant fin au contrat de travail.

Aucune attribution d'actions restreintes n'est intervenue en faveur des membres du GEC en 2010 ni en 2009.

Attributions d'options d'achat d'actions
Au total, 260 324 options d'achat d'actions ont été attribuées aux membres du GEC en 2010, contre 146 867 en 2009. Le montant des attributions cibles d'options d'achat d'actions réalisées le 5 avril 2010 s'élevait à 7,1 millions d'USD, dans l'hypothèse d'un taux d'acquisition de 100% et de la valorisation des options à l'aune du modèle Black-Scholes à la date de l'attribution. Quant aux membres du GEC qui ont intégré cet organe dans le courant de l'année 2010, le nombre et la valeur des attributions d'options ont été calculés sur la base de la prime 2010, au prorata du temps passé en tant que membre du GEC cette année-là.

217 337 options d'achat d'actions ont été acquises en 2010 par les membres du GEC qui y siégeaient en 2010, et ce au titre des distributions d'options opérées en 2007, 2008 et 2009. Cela représente un niveau d'acquisition de base de 153% de la cible définie compte tenu des performances réelles en termes de ROE et de TSR.

Résumé de la rémunération totale du Comité exécutif du groupe (GEC)
En référence aux chiffres ci-dessus, la rémunération totale des membres du GEC, y compris la rémunération en espèces, les prestations de retraite, le montant des autres rémunérations et la valeur des attributions cibles d'actions pour 2010 atteignait 45,8 millions d'USD, répartis comme suit:

Tous les membres du GEC [1] (y compris le mieux rémunéré)

en millions d'USD, pour les exercices arrêtés au 31 décembre	2010[2]	2009[3]
Salaire de base	11,4	11,1
Primes en espèces octroyées durant l'exercice	13,6	15,0
Coûts de service des prestations de retraite[4]	3,0	3,6
Valeur des autres rémunérations[5]	3,6	2,1
Valeur des attributions d'actions liées à la performance et des actions restreintes[6]	7,1	8,0
Valeur des attributions d'options liées à la performance cible[6]	7,1	8,0
Total[7]	**45,8**	**47,8**

1 Les rémunérations présentées dans le tableau ne comprennent aucun remboursement de frais engagés dans le cadre des activités des membres du GEC.
2 Sur la base de 13 membres du GEC, 8 desquels ayant siégé tout au long de l'année 2010.
3 Sur la base de 11 membres du GEC, 10 desquels ayant siégé tout au long de l'année 2009.
4 Les montants reflètent la valeur totale des prestations de retraite cumulées pour les membres du GEC, en 2010 et 2009 respectivement, calculée sur la base des coûts de service pour la société évalués conformément à la norme comptable IAS 19. Les coûts de service évaluent le montant des prestations de retraite cumulées au cours de l'exercice et, pour des régimes à cotisations déterminées, ils tiennent compte du montant des cotisations versées par la société au cours de l'exercice. Les coûts de service ne comprennent pas les coûts d'intérêts sur les avantages cumulés, les ajustements pour plus-values et moins-values actuarielles, ni le rendement escompté sur de quelconques actifs détenus.
5 Comprend les avantages des collaborateurs, les indemnités d'expatriation, les avantages indirects ou en nature et tous autres paiements dus au titre du contrat de travail, y compris des indemnités de départ d'un montant total de 2,1 millions d'USD accumulées en 2010 pour le membre ayant quitté ses fonctions au cours de l'année. Les avantages en nature ont été évalués au prix du marché.
6 Les actions et d'options d'achat d'actions attribuées seront à l'avenir acquises en fonction de la réalisation des objectifs de performance définis. La valeur des actions et des options d'achat d'actions attribuées est basée sur une acquisition à hauteur de 100% du niveau cible selon le modèle d'évaluation des options Black-Scholes comme défini dans la Note 25 des Consolidated Financial Statements. L'évaluation des actions liées à la performance cible attribuées est fixée par rapport au cours de l'action de la veille de l'attribution (259.90 CHF pour 2010 et 198.10 CHF pour 2009).
7 Conformément à la législation applicable au lieu de travail des cadres, Zurich a versé la part employeur des cotisations aux systèmes de sécurité sociale, qui a atteint 2,1 millions d'USD en 2010 et 1,9 million d'USD en 2009. Étant donné que les cotisations reposent sur des revenus intégraux tandis que les prestations sont plafonnées, il n'existe pas de corrélation directe entre les cotisations versées au système de sécurité sociale et les prestations perçues par les cadres.

Sur la base de ces chiffres, la valeur de la rémunération totale pour tous les membres comprend 40% (35% lors de l'exercice précédent) de rémunération fixe (dont le salaire de base, les coûts de service pour les prestations de retraite et autres rémunérations) et 60% (65% lors de l'exercice précédent) d'éléments liés à la performance (dont les primes d'incitation en espèces au titre du plan d'incitation à court terme, ainsi que la valeur des attributions d'actions liées à la performance cible, les attributions d'actions restreintes et les attributions d'options d'achat d'actions).

Rémunération totale la plus élevée parmi les membres du Comité exécutif du groupe

M. Martin Senn, le CEO du groupe, a perçu la rémunération la plus élevée parmi les membres du GEC, soit 7,0 millions d'USD. Ce montant comprend son salaire de base en 2010, les primes en espèces perçues au titre de l'exercice 2010, la valeur des prestations de retraite, les autres rémunérations ainsi que la valeur des actions et options d'achat d'actions attribuées en 2010 au titre de la performance cible. Pour rappel, la rémunération de son prédécesseur James J. Schiro s'élevait à 11,85 millions d'USD en 2009.

Le tableau suivant détaille la rémunération totale versée au membre le mieux rétribué du GEC:

Dirigeant le mieux rémunéré (Chief Executive Officer), Martin Senn en 2010 et James J. Schiro en 2009[1]

en millions d'USD, pour les exercices arrêtés au 31 décembre	2010	2009
Rémunération de base	1,55	1,50
Primes en espèces octroyées durant l'exercice	2,55	4,05
Coûts de service des prestations de retraite[2]	0,20	0,95
Valeur des autres rémunérations[3]	0,10	0,85
Valeur des attributions d'actions liées à la performance et des actions restreintes[4]	1,30	2,25
Valeur des attributions d'options liées à la performance cible[4]	1,30	2,25
Total	**7,00**	**11,85**

1 La rémunération présentée dans le tableau ne comprend aucun remboursement de frais engagés dans le cadre des activités du CEO.
2 Les montants reflètent la valeur totale des prestations de retraite calculée sur la base des coûts de service pour la société évalués conformément à la norme comptable IAS 19. Les coûts de service évaluent le montant des prestations de retraite cumulées au cours de l'exercice et, pour des régimes à cotisations déterminées, ils tiennent compte du montant des cotisations versées par la société au cours de l'exercice. Les coûts de service ne comprennent pas les charges d'intérêts sur les avantages cumulés, les ajustements pour plus-values et moins-values actuarielles, ni le rendement escompté sur de quelconques actifs détenus.
3 Comprend les avantages des collaborateurs, les indemnités d'expatriation, les avantages indirects ou en nature et tous autres paiements dus au titre du contrat de travail. Les avantages en nature ont été évalués au prix du marché.
4 Les actions et d'options d'achat d'actions attribuées seront à l'avenir acquises en fonction de la réalisation des objectifs de performance définis. La valeur des actions et des options d'achat d'actions attribuées est basée sur une acquisition à hauteur de 100% du niveau cible selon le modèle d'évaluation des options Black-Scholes comme défini dans la Note 25 des Consolidated Financial Statements. L'évaluation des actions liées à la performance cible attribuées est fixée par rapport au cours de l'action de la veille de l'attribution (259.90 CHF pour 2010 et 198.10 CHF pour 2009).
5 La rémunération de M. Senn est versée en francs suisses. Les montants ont été convertis du franc suisse au dollar américain aux taux de change en vigueur tout au long de l'année et les primes en espèces qui seront versées en 2011 ont été converties au taux de change en vigueur en fin d'année 2010.

Rapport sur les rémunérations *suite*

Indemnités de départ pour les membres du GEC ayant quitté leurs fonctions durant l'exercice

En 2010, un membre du GEC a quitté le groupe. Un accord de résiliation prévoit une rémunération conformément au contrat de travail existant, qui comprenait un délai de préavis de douze mois. Soumise au respect des obligations post-contractuelles, la valeur totale de la rémunération prévue en 2010 et 2011 s'élèvera à 2,1 millions d'USD. Au terme d'une longue période au service du groupe, un autre membre du GEC a pris sa retraite le 31 décembre 2010. Il œuvrera comme conseiller et recevra en 2011 et 2012 les honoraires contractuels prévus, qui seront soumis au respect d'obligations et de prestation de services de conseil. Les détails seront divulgués au cours de l'année où ces services seront fournis et les paiements effectués. En 2009, un membre du GEC a pris sa retraite fin avril et un autre à la fin de l'année. Aucune indemnité de départ n'a été versée en 2009.

Rémunération des anciens membres du GEC

Dans le cadre de la passation de pouvoirs entre l'ancien CEO James J. Schiro et son successeur Martin Senn, Zurich a conclu un accord avec M. Schiro investissant ce dernier d'une mission d'expert et de conseiller au premier semestre 2010. Pour ces services, M. Schiro a perçu des honoraires et des avantages d'un montant de 300 000 USD. Outre cela, aucun avantage (ou abandon de créance) n'a été accordé à d'anciens membres du GEC en 2010, pas plus qu'en 2009.

Résumé des engagements actuels totaux en actions en faveur des membres du GEC au titre des plans d'incitation à long terme du groupe

Attributions d'actions

Attributions d'actions liées à la performance

Le nombre total d'actions en circulation au 31 décembre 2010 attribuées en fonction de la performance cible aux membres du GEC, dans le cadre du plan d'incitation à long terme du groupe, s'élevait à 56 453 (contre 70 166 au 31 décembre 2009). Un résumé des attributions en cours au 31 décembre 2010 est présenté dans le tableau ci-dessous:

Résumé des attributions d'actions en cours

Période de performance	Attributions d'actions liées à la performance cible	Cours d'attribution, en CHF	Années futures d'acquisition
2010–2012	28 783	259.90	2011–2013
2009–2011	21 926	198.10	2011–2012
2008–2010	5 744	336.50	2011

Dans le cadre du plan d'incitation à long terme du groupe, ces attributions d'actions liées à la performance sont considérées en vue d'une acquisition à raison de versements par tiers échelonnés sur les trois années qui suivent l'octroi de la prime. Le niveau réel d'acquisition est déterminé par la matrice d'acquisition du plan d'incitation à long terme telle que décrite à la page 53.

Attributions d'actions restreintes

987 actions restreintes en circulation au 31 décembre 2010 étaient allouées aux membres du GEC (4 377 actions restreintes étaient en circulation à la fin 2009).

Attributions des options d'achat d'actions

Aux termes du programme d'options d'achat d'actions destiné aux cadres supérieurs, le groupe a, dans le passé, émis des options d'achat d'actions en faveur de certaines personnes dans le cadre de règles définies. Comme mentionné ci-dessus, les attributions d'options cesseront à compter de 2011.

Les premières options d'achat d'actions ont été attribuées en 1999 et des attributions annuelles ont régulièrement eu lieu depuis cette date. Avant 2003, les attributions d'options étaient normalement effectuées sur la base d'une échéance d'exercice de l'option de sept ans, d'une période d'acquisition de trois ans et d'un prix d'exercice inférieur de 10% au cours du marché le mois précédant la date d'attribution. Selon les règles du programme, d'autres paramètres sont autorisés pour l'attribution d'options au titre du programme d'options d'achat d'actions. En relation avec la refonte du programme d'incitation à long terme opérée en 2003, le prix d'exercice pour les options attribuées depuis lors a été fixé au cours du marché le jour précédant la date d'attribution. Les options attribuées en fonction de la performance sont considérées en vue d'une acquisition à raison de versements par tiers échelonnés sur les trois années qui suivent leur octroi. Le niveau réel d'acquisition est déterminé en fonction de la performance par la matrice d'acquisition du plan d'incitation à long terme telle que décrite à la page 53. Les attributions d'options étaient effectuées chaque année le troisième jour ouvrable d'avril.

Dans le cadre du programme d'options d'achat d'actions, le nombre total d'actions sous option pour les membres du GEC au 31 décembre 2010 et 2009, respectivement, figure dans les tableaux ci-dessous.

Résumé des options en circulation en 2010

au 31 décembre 2010 Année d'attribution	Nombre d'options acquises	Nombre d'options non acquises	Nombre total d'actions sous option	Prix d'exercice par action, en CHF	Année d'expiration
2010	–	257 236	257 236	259.90	2017
2009	53 541	70 000	123 541	198.10	2016
2008	93 165	28 851	122 016	336.50	2015
2007	134 069	–	134 069	355.75	2014
2006	87 695	–	87 695	308.00	2013
2005	66 115	–	66 115	206.40	2012
2004	28 417	–	28 417	213.25	2011
2001	9 142	–	9 142	322.30	2012
Total	**472 144**	**356 087**	**828 231**		

Résumé des options en circulation en 2009

au 31 décembre 2009 Année d'attribution	Nombre d'options acquises	Nombre d'options non acquises	Nombre total d'actions sous option	Prix d'exercice par action, en CHF	Année d'expiration
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**		

Toutes les options susmentionnées permettent à leur détenteur de souscrire une action de Zurich Financial Services SA au prix d'exercice indiqué, assortie de droit de vote et de droit aux dividendes.

Actions et options d'achat d'actions détenues par le Comité exécutif du groupe

Le tableau suivant détaille les participations réelles des membres du GEC sous forme d'actions et d'options d'achat d'actions au 31 décembre 2010 et au 31 décembre 2009. En plus des actions achetées sur le marché, les chiffres comprennent les actions acquises, qu'elles soient restreintes à la vente ou non, et les options d'achat d'actions acquises au titre du plan d'incitation à long terme du groupe. Toutefois, le tableau ne comprend pas les intérêts des membres du GEC sur leur participation sous forme d'actions liées à la performance encore non acquises, d'actions restreintes non acquises ou d'options d'achat d'actions liées à la performance non acquises.

Tous les intérêts sont détenus en compte propre et englobent les actions ou les options d'achat d'actions détenues par des parties liées aux membres du GEC.

Rapport sur les rémunérations *suite*

Actions et options d'achat d'actions acquises détenues par les membres du GEC

Nombre d'actions et d'options d'achat d'actions acquises[1], au 31 décembre	**2010**		2009	
	Actions	**Options acquises[2]**	Actions	Options acquises[2]
M. Senn, Chief Executive Officer	15 806	49 220	11 662	31 729
J.J. Schiro, ancien Chief Executive Officer[3]	s.o.	s.o.	97 426	286 165
J. Amore, Senior Advisor[4]	21 590	102 147	19 264	82 522
A. Court, ancien Chief Executive Officer Europe General Insurance[5]	s.o.	s.o.	6 722	16 515
M. Foley, Chief Executive Officer North America Commercial	10 459	23 996	6 696	11 696
M. Greco, Chief Executive Officer General Insurance	5 387	15 809	2 403	5 076
K. Hogan, Chief Executive Officer Global Life[6]	442	2 237	s.o.	s.o.
P. Hopkins, président du Conseil d'administration de Farmers Group, Inc. et président de la région Americas	7 733	48 381	5 932	33 662
A. Lehmann, Chief Risk Officer	16 711	64 628	15 174	56 257
C. Orator, Chief Administrative Officer[7]	5 026	14 035	s.o.	s.o.
C. Reyes, Chief Investment Officer[8]	1 333	6 002	s.o.	s.o.
G. Riddell, président de la région Asia-Pacific & Middle East	19 071	67 640	16 918	52 533
K. Terryn, Group Head of Operations[9]	1 187	10 233	s.o.	s.o.
D. Wemmer, Chief Financial Officer et président de la région Europe & Africa	17 102	67 816	12 612	48 868
	121 847	**472 144**	**194 809**	**625 023**

[1] Aucun des membres du GEC, conjointement avec les parties qui leur sont liées, ne détenait plus de 0,5% des droits de vote au 31 décembre 2010 ou 2009, que ce soit directement ou par le bias d'options d'achat d'actions.
[2] La répartition des options acquises au titre des primes recensées dans les tableaux «Résumé de l'encours des options» est présentée dans le tableau ci-dessous.
[3] M. Schiro a quitté son poste de Chief Executive Officer le 31 décembre 2009. Le montant en actions comprend 3 800 actions au 31 décembre 2009 pour M. Schiro, qui sont inscrites au patrimoine de fondations caritatives familiales.
[4] M. Amore est parti à la retraite le 31 décembre 2010.
[5] Mme Court a quitté ses fonctions le 30 juin 2010.
[6] M. Hogan a pris ses fonctions le 1er juillet 2010.
[7] M. Orator a pris ses fonctions le 1er septembre 2010.
[8] Mme Reyes a pris ses fonctions le 1er avril 2010.
[9] M. Terryn a pris ses fonctions le 1er juillet 2010.

Les tableaux suivants présentent la répartition des options d'achat d'actions acquises détenues par les membres du GEC en fonction des attributions recensées dans les tableaux «Résumé de l'encours des options» au 31 décembre 2010 et 2009, respectivement.

Répartition des options d'achat d'actions acquises en 2010

Nombre d'options d'achat d'actions acquises au 31 décembre 2010						**Année d'attribution**		**Total**
	2009	**2008**	**2007**	**2006**	**2005**	**2004**	**2001**	
M. Senn	6 164	12 054	19 200	11 802	–	–	–	49 220
J. Amore	6 991	12 236	22 703	17 893	17 269	15 913	9 142	102 147
M. Foley	5 243	8 158	10 595	–	–	–	–	23 996
M. Greco	6 164	9 645	–	–	–	–	–	15 809
K. Hogan	2 237	–	–	–	–	–	–	2 237
P. Hopkins	5 243	9 177	17 028	13 420	10	3 503	–	48 381
A. Lehmann	6 164	12 054	17 028	13 420	15 962	–	–	64 628
C. Orator	1 294	2 531	3 034	2 785	4 391	–	–	14 035
C. Reyes	812	1 590	1 950	1 650	–	–	–	6 002
G. Riddell	4 711	10 106	18 623	12 194	15 633	6 373	–	67 640
K. Terryn	1 841	2 555	3 108	2 729	–	–	–	10 233
D. Wemmer	6 677	13 059	20 800	11 802	12 850	2 628	–	67 816
Total	**53 541**	**93 165**	**134 069**	**87 695**	**66 115**	**28 417**	**9 142**	**472 144**

Répartition des options d'achat d'actions acquises en 2009

Nombre d'options d'achat d'actions acquises au 31 décembre 2009	Année d'attribution							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**

[1] M. Schiro a quitté ses fonctions de CEO le 31 décembre 2009.
[2] M^me^ Court a quitté ses fonctions le 30 juin 2010.

Plans de négoce

Afin de faciliter la vente d'actions et l'exercice d'options pour les membres du GEC et du GMB, le Conseil d'administration a approuvé la mise en place de plans de négoce en vigueur depuis 2008. Ces plans permettent aux membres de vendre des actions et/ou de lever des options d'achat d'actions dans le cadre d'un programme de transactions prédéfini. Les plans de négoce ne peuvent être établis que lorsque la personne ne dispose pas d'informations confidentielles sur le groupe susceptibles d'influencer le cours de l'action. En outre, la première transaction dans le cadre d'un plan de négoce ne peut être réalisée que trois mois après la date où il a été créé. Les modalités des transactions doivent être définies et ne peuvent être modifiées. Tous les plans de négoce des membres requièrent l'approbation du président du Conseil d'administration. Une fois convenues, les transactions ont lieu à un rythme mensuel, y compris pendant les périodes de clôture des comptes du groupe. Les plans de négoce établis pour un membre du GEC sont signalés à la SIX Swiss Exchange, conformément aux règles de publication des transactions.

Pour l'exercice 2011, le Conseil d'administration a approuvé l'extension du concept de plan de négoce à certains cadres qui, de par la nature de leurs fonctions, se voient souvent interdire le négoce des actions de la société.

Honoraires et rémunérations supplémentaires des membres du Comité exécutif du groupe

Aucun des membres du GEC n'a perçu d'autres rémunérations que celles mentionnées ci-dessus, de la part du groupe ou de l'une des sociétés du groupe en 2010 et en 2009.

Prêts personnels aux membres du Comité exécutif du groupe

Au 31 décembre 2010, aucun encours de prêt, d'avance ou de crédit n'était recensé en faveur des membres du GEC. Au 31 décembre 2009, le montant total des encours de prêt, d'avance ou de crédit en faveur des membres du GEC était de 1 073 000 CHF. Il s'agissait de prêts hypothécaires dont les conditions sont similaires à celles accordées à tous les collaborateurs en Suisse. Les prêts hypothécaires sont consentis à un taux d'intérêt préférentiel inférieur de 100 points de base aux taux d'intérêt en vigueur sur le marché pour les soldes de prêts hypothécaires, jusqu'à à un montant maximal de 1 500 000 CHF. Au 31 décembre 2009, M. Lehmann (Chief Risk Officer) bénéficiait du prêt hypothécaire le plus important, de 773 000 CHF, assorti d'un taux d'intérêt global de 2,1%.

Prêts personnels aux anciens membres du Comité exécutif du groupe

Les anciens membres du GEC sont habilités à poursuivre leurs prêts hypothécaires après leur retraite dans les mêmes conditions que celles qui prévalaient lorsqu'ils étaient salariés, conformément aux conditions susmentionnées applicables aux collaborateurs de Zurich en Suisse. Au 31 décembre 2010, aucun ancien membre du GEC n'avait d'encours de prêts, d'avances ou de crédits. Au 31 décembre 2009, un ancien membre, M. Eckert, bénéficiait d'un encours de prêt hypothécaire de 2 500 000 CHF, assorti d'un taux d'intérêt préférentiel de 2% pour la tranche du prêt allant jusqu'à 1 000 000 CHF. En dehors de lui, aucun autre ancien membre du GEC n'avait d'encours de prêts, d'avances ou de crédits au 31 décembre 2009.

Parties liées aux membres du Comité exécutif du groupe ou à d'anciens membres du GEC

Aucun avantage (ou abandon de créance) n'a été accordé à des parties liées aux membres du GEC ou à des parties liées aux anciens membres du GEC au cours des années 2010 et 2009. Par ailleurs, aucune partie liée aux membres du GEC ou à d'anciens membres du GEC, conforméne bénéficiait d'encours de prêts, d'avances ou de crédits aux 31 décembre 2010 et 2009.

Tous les collaborateurs

Le chapitre suivant explique la rémunération totale perçue par les collaborateurs au cours de l'exercice 2010 dans toutes les sociétés du groupe, y compris la rémunération des membres du GEC, conformément aux exigences de divulgation supplémentaires présentées dans la circulaire de la FINMA sur les systèmes de rémunération (en vigueur en 2010 pour la première fois). Des comparaisons d'une année à l'autre seront fournies à l'avenir.

Rapport sur les rémunérations *suite*

Rémunération fixe

La rémunération fixe comprend les salaires de base, les autres rémunérations et les coûts de services des prestations de retraite.

Rémunération fixe

en millions d'USD, pour les exercices arrêtés au 31 décembre	2010
Salaires de base	3 746
Valeur des autres rémunérations	577
Coûts de service des prestations de retraite	386
Rémunération fixe totale	**4 709**

[1] Inclut les frais de restauration, l'assurance accident des collaborateurs, les assurances dentaires et médicales, les indemnités de maladie, les frais d'invalidité et d'assurances, la contribution paritaire de l'employeur aux plans d'assurance, les rabais sur les assurances vie et non-vie, d'autres avantages marginaux etc.
[2] Les montants reflètent la valeur totale des prestations de retraite à verser en 2010, calculée sur la base des coûts de service pour l'entreprise évalués conformément à la norme comptable IAS 19. Les coûts de service évaluent le montant des prestations de retraite cumulées au cours de l'exercice et, pour les régimes à cotisations définies, ils tiennent compte du montant des cotisations versées par l'entreprise au cours de l'exercice. Les coûts de service ne comprennent pas les charges d'intérêts sur les avantages cumulés, les ajustements pour plus-values et moins-values actuarielles, ni le rendement escompté sur aucun actif détenu, mais incluent les versements effectués au titre des plans de contribution définis.

Rémunération variable:

En fonction des recommandations du comité des rémunérations, le Conseil d'administration approuve le montant cumulé de l'enveloppe globale de rémunération variable pour l'année de performance. Cela comprend:

- le montant total des primes en espèces à verser pour l'année de performance, qui comprend à la fois le montant des enveloppes cumulées au titre du programme d'incitation à court terme (STIP) et les sommes à verser au titre des programmes locaux d'incitation à court terme;
- La valeur des primes cibles d'incitation à long terme octroyées en cours d'année dans l'hypothèse que les primes seront acquises à 100% dans le futur.
- Le montant total des indemnités de départ versées au cours de l'année de performance aux collaborateurs dont le départ a eu lieu en 2010.
- Le montant total des primes à la signature versées au cours de l'année de performance aux collaborateurs embauchés en 2010.

Par principe, le groupe n'accorde pas de primes à la signature ni d'indemnités de départ. Toutefois, si les circonstances l'exigent et que cette pratique sert les intérêts du groupe, des processus d'approbation bien définis sont suivis.

Les chiffres n'incluent aucun frais ou crédit procédant de la rémunération versée au cours de l'exercice 2010 et découlant des exercices précédents:

Les commissions versées aux agents commerciaux salariés ne sont pas incluses dans le calcul de l'enveloppe globale de rémunération variable. Les programmes de commissionnement à la vente des commerciaux salariés ne sont pas considérés comme une composante des programmes de primes d'incitation liées à la rentabilité. À l'instar des commissions versées à un courtier ou à d'autres distributeurs externes, les commissions sur les ventes représentent un coût de distribution et non un coût lié à une prime d'incitation. Les commerciaux salariés ne génèrent pas de risques financiers car ils ne sont pas impliqués dans la fixation des prix des produits qu'ils vendent. En ce qui concerne les risques d'exploitation et de réputation, notamment dans l'hypothèse d'une vente abusive, le contrôle de ces risques est garanti par le respect obligatoire à l'échelle du groupe de la politique de Zurich en matière de risque (Zurich Risk Policy) et des Zurich Basics, le code de conduite du groupe.

Pour fixer le montant de l'enveloppe globale de rémunération variable, le Conseil d'administration examine la performance économique à long terme du groupe, ainsi que d'autres facteurs pertinents. En particulier, le Conseil d'administration vérifie que le montant de l'enveloppe de rémunération variable totale est inférieur au bénéfice économique moyen dégagé sur une période de trois ans. Le bénéfice économique moyen s'obtient en soustrayant le rendement requis du capital, basé sur le coût moyen pondéré du capital, du bénéfice d'exploitation ajusté après impôts. En 2010, le bénéfice économique moyen était nettement plus élevé que la valeur de l'enveloppe de rémunération variable totale présentée ci-dessous:

Rémunération variable

en millions d'USD, pour les exercices arrêtés au 31 décembre	2010
Primes en espèces octroyées durant l'exercice 2010[1]	527
Valeur des attributions d'actions liées à la performance cible et d'actions restreintes[2]	92
Valeur des attributions d'options liées à la performance cible[3]	28
Enveloppe de rémunération variable totale	**647**

[1] Primes à la signature et indemnités de départ (en espèces) comprises.
[2] Primes à la signature (en actions) comprises.
[3] Les actions et d'options d'achat d'actions attribuées seront à l'avenir acquises en fonction de la réalisation des objectifs de performance définis. La valeur des actions et des options d'achat d'actions attribuées est basée sur une acquisition à hauteur de 100% du niveau cible selon le modèle d'évaluation des options Black-Scholes comme défini dans la Note 25 des Consolidated Financial Statements. L'évaluation des actions liées à la performance cible attribuées est fixée par rapport au cours de l'action de la veille de l'attribution (259.90 CHF pour 2010 et 198.10 CHF pour 2009). Les charges figurant dans les Consolidated Financial Statements peuvent être calculées sur une base d'acquisition différente.

Le nombre total de bénéficiaires d'une rémunération variable est de 52 000.

Rémunération totale

La somme des rémunérations variables et fixes donne le total suivant pour l'ensemble des collaborateurs:

Rémunération totale

en millions d'USD, pour les exercices arrêtés au 31 décembre	2010
Espèces (fixe)	3 746
Espèces (variable)[1]	527
Actions[2]	92
Options[3]	28
Autres[4]	963
Rémunération totale	**5 356**

[1] Inclut les primes en espèces, les primes à la signature et les indemnités de départ en espèces.
[2] Inclut les attributions d'actions liées à la performance, les attributions d'actions restreintes et les primes à la signature en actions.
[3] Inclut les attributions d'options liées à la performance.
[4] Inclut les autres rémunérations et les prestations de retraite.

Valeur de l'encours de rémunération différée

Au 31 décembre 2010, le système de rémunération du groupe incluait quatre principaux instruments de report de la rémunération:

- Attributions d'actions liées à la performance non acquises
- Attributions d'options liées à la performance non acquises
- Attributions d'actions restreintes non acquises
- Actions acquises mais bloquées à la vente

Le tableau suivant donne un aperçu de la valeur globale de l'encours de rémunération différée au 31 décembre 2010:

Valeur de l'encours de rémunération différée

en millions d'USD, pour les exercices arrêtés au 31 décembre	2010
Attributions d'actions liées à la performance non acquises	166
Attributions d'options liées à la performance non acquises	53
Attributions d'actions restreintes non acquises	6
Actions acquises mais dont la vente est bloquée	148
Valeur de l'encours global de rémunération différée	**372**

La valeur de la rémunération différée a été calculée en multipliant le nombre d'actions et d'options restant à verser par les cours respectifs de l'action et de l'option à la date d'origine de l'attribution et dans l'hypothèse d'un taux d'acquisition de 100%.

Impact sur le bénéfice net 2010 de la rémunération accordée les années précédentes

Dans le cadre du LTIP, un calcul est réalisé chaque année à la date d'acquisition pour déterminer le nombre réel d'actions et d'options à distribuer aux bénéficiaires du plan par rapport à l'estimation réalisée au moment de la date d'octroi. Tout écart de valeur est répercuté sur le compte de résultat dans l'année de dévolution. Pour l'acquisition en 2010, aucune différence tangible n'a été constatée entre le montant estimé et celui avéré. L'impact a donc été neutre sur le plan financier en 2010.

Primes à la signature et indemnités de départ pour les postes clés

Tel que mentionné ci-dessus, par principe, le groupe n'accorde pas de primes à la signature ni d'indemnités de départ. Toutefois, si les circonstances l'exigent et que cette pratique sert les intérêts du groupe, ces versements peuvent être approuvés à l'issue d'un processus de gouvernance bien défini. En ce qui concerne la divulgation des primes à la signature et des indemnités de départ en faveur d'individus ayant une influence significative sur le profil de risque du groupe, le Conseil d'administration a défini un groupe d'une centaine de postes clés. Ces derniers ont bénéficié en 2010 des primes à la signature et indemnités de départ suivantes:

Primes à la signature et indemnités de départ pour les postes clés

en millions d'USD, pour les exercices arrêtés au 31 décembre	2010	Bénéficiaires
Primes à la signature versées en / nombre de bénéficiaires[1]	–	–
Indemnités de départ versées en / nombre de bénéficiaires[2]	1	2
Total des primes à la signature et des indemnités de départ	**1**	**2**

[1] Les primes à la signature sont un engagement ponctuel à effectuer des paiements convenus à l'exécution d'un contrat de travail. Ces paiements peuvent notamment servir à compenser la perte de primes auprès de l'ancien employeur.
[2] La notion «d'indemnité de départ» couvre les paiements, en espèces ou sous quelque autre forme que ce soit, constituant des avantages supplémentaires en sus des paiements décrits dans le paragraphe suivant.

Aux yeux de Zurich, la notion «d'indemnité de départ» ne couvre pas les paiements conformes aux lois applicables ou à des dispositions contractuelles, à moins que les paiements en question aillent au-delà des pratiques en vigueur sur le marché ou qu'ils soient consentis sans aucune contrepartie de valeur équivalente pour Zurich. En particulier, la notion «d'indemnité de départ» exclut la rémunération et les avantages consentis pendant le délai de préavis (clause «Garden Leave», c.-à-d. une dispense de travail) ainsi que les paiements effectués aux lieu et place du délai de préavis pourvu, encore une fois, que ces paiements n'aillent pas au-delà des pratiques en vigueur sur le marché.

Group performance review

Operating and financial review

The information contained within the Operating and financial review is unaudited. The following table presents the summarized consolidated results of the Group for the years ended December 31, 2010 and 2009, respectively. All amounts are shown in USD millions and 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. All ratios and variances are calculated using the underlying amount rather than the rounded amount. This document should be read in conjunction with the Annual Report 2010 for the Zurich Financial Services Group and with its audited Consolidated financial statements as of December 31, 2010. Certain comparatives have been restated to reflect a change in accounting policy as set out in note 1 of the Consolidated financial statements.

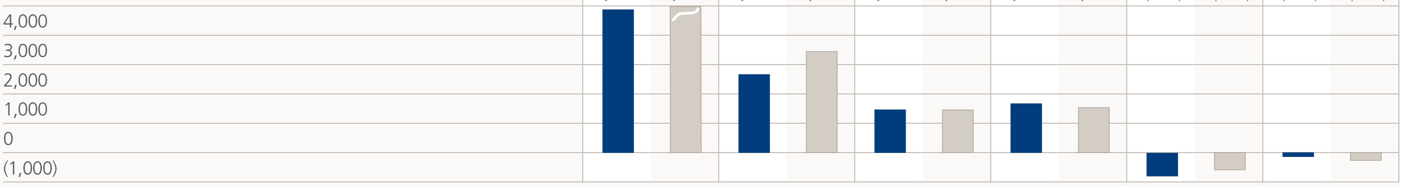
Financial highlights

in USD millions, for the years ended December 31, unless otherwise stated	2010	2009[2]	Change[1]
Business operating profit	**4,875**	5,593	(13%)
Net income attributable to shareholders	**3,434**	3,963	(13%)
General Insurance gross written premiums and policy fees	**33,066**	34,157	(3%)
Global Life gross written premiums, policy fees and insurance deposits	**27,675**	26,029	6%
Farmers Management Services management fees and other related revenues	**2,778**	2,690	3%
Farmers Re gross written premiums and policy fees	**4,194**	6,615	(37%)
General Insurance business operating profit	**2,673**	3,463	(23%)
General Insurance combined ratio	**97.9%**	96.8%	(1.1 pts)
Global Life business operating profit	**1,474**	1,477	–
Global Life new business annual premium equivalent (APE)	**3,699**	3,667	1%
Global Life new business margin, after tax (as % of APE)	**22.1%**	21.3%	0.8 pts
Global Life new business value, after tax	**817**	782	4%
Farmers business operating profit	**1,686**	1,554	8%
Farmers Management Services gross management result	**1,338**	1,291	4%
Farmers Management Services managed gross earned premium margin	**7.3%**	7.2%	0.1 pts
Group investments average invested assets[3]	**195,532**	187,063	5%
Group investments result, net	**7,990**	5,929	35%
Group investments return (as % of average invested assets)	**4.1%**	3.2%	0.9 pts
Total return on Group investments	**5.4%**	6.4%	(1.1 pts)
Shareholders' equity	**31,984**	29,304	9%
Solvency I ratio	**243%**[5]	195%[4]	48 pts
Diluted earnings per share (in CHF)	**24.38**	29.88	(18%)
Book value per share (in CHF)	**202.69**	206.58	(2%)
Return on common shareholders' equity (ROE)	**11.4%**	16.1%	(4.7 pts)
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE)	**12.9%**	17.6%	(4.7 pts)

[1] Parentheses around numbers represent an adverse variance.
[2] Restated to reflect a change in accounting policy (see note 1 of the Consolidated financial statements).
[3] Excluding average cash received as collateral for securities lending of USD 246 million and USD 335 million in the years ended December 31, 2010 and 2009, respectively.
[4] Finalized, restated for accounting change and as filed with the Swiss regulator; after 2009 dividend.
[5] Taking into account the proposed 2010 dividend.

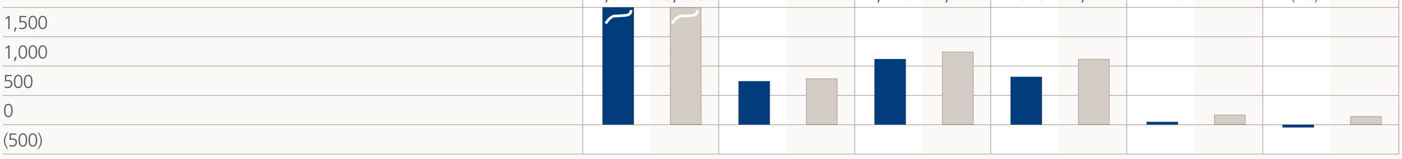
Business operating profit by segment

in USD millions, for the years ended December 31	Total		General Insurance		Global Life		Farmers		Other Operating Businesses		Non-Core Businesses	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	4,875	5,593	2,673	3,463	1,474	1,477	1,686	1,554	(801)	(611)	(157)	(290)



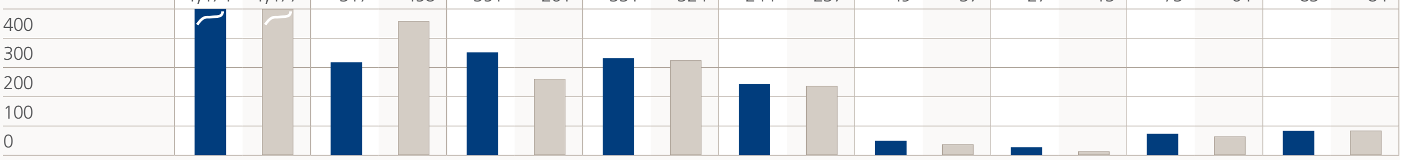
General Insurance business operating profit

in USD millions, for the years ended December 31	Total		Global Corporate		North American Commercial		Europe General Insurance		International Markets		GI Global Functions	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	2,673	3,463	741	787	1,118	1,243	816	1,120	48	169	(49)	144



Global Life business operating profit

in USD millions, for the years ended December 31	Total		Americas		United Kingdom		Germany		Switzerland		Ireland		Spain		Emerging Markets in Asia		Rest of the World	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	1,474	1,477	317	458	351	261	331	324	244	237	49	37	27	13	73	64	83	84



Farmers business operating profit

in USD millions, for the years ended December 31	Total		Farmers Management Services (FMS)		Farmers Re	
	2010	2009	**2010**	2009	**2010**	2009
	1,686	1,554	1,365	1,326	321	228

Operating and financial review *continued*

Performance overview for the year ended December 31, 2010

Zurich Financial Services Ltd and its subsidiaries (collectively "the Group") delivered full year results for the year ended December 31, 2010, that reflect its strong focus on profitability with robust underlying performances from all core businesses despite difficult underlying economic conditions in many of the markets in which the Group operates. Group results were also impacted by a number of significant events during the year.

Insured event-related losses were more frequent compared with the relatively benign experience in 2009. The total incurred losses from such events, including earthquakes, weather-related events as well as large losses from our commercial insurance business, exceeded the 2009 amount by over USD 600 million. In the non-core banking business, the Group included the banking loan loss provision increase of USD 330 million booked in the second quarter of 2010. The continuing low interest rate environment has also impacted the Group's business performance as lower investment yields from reinvested and new funds reduced investment income for the Group's businesses. Consequently, the Group has put even more focus on its pricing and margin strategy to compensate for these lower investment returns.

Improved equity markets and the high quality of the Group's bond portfolio have benefited the overall result. As reported in the nine months results, the Group has also recognized a total cost, including attorneys' fees, of USD 545 million for the settlement of a class action lawsuit in the U.S.

Disciplined asset liability management and the Group's risk management approach have resulted in a continued strong Group capital and solvency position with further improvements to both during the year. The Solvency I position has increased by 48 percentage points since December 31, 2009, to 243 percent, and shareholders' equity has increased by USD 2.7 billion to USD 32.0 billion after deducting USD 2.2 billion for dividends paid in 2010. Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE) for the year ended December 31, 2010, was 12.9 percent. The Group's continued sustained profitability and strong balance sheet have enabled the Board of Directors to propose a dividend of CHF 17.00 per share demonstrating the Group's commitment to shareholder value. As the dividend payment is being planned from the newly created capital contribution reserve, it will be exempt from Swiss withholding tax.

Business operating profit decreased by USD 717 million to USD 4.9 billion or by 13 percent in U.S. dollar terms and 10 percent on a local currency basis.

- **General Insurance** business operating profit decreased by USD 791 million to USD 2.7 billion, or by 23 percent in U.S. dollar terms and 22 percent on a local currency basis. The ongoing focus on profitability continued to benefit the underlying underwriting result with an improved underlying loss ratio compared with 2009. This improvement was more than offset by lower levels of investment income, lower earned premiums, and the higher level of event-related losses such as large losses and weather related losses, including the Chilean earthquake and Australian floods.

- **Global Life** business operating profit remained flat at USD 1.5 billion in U.S. dollar terms, and increased by 1 percent on a local currency basis. Allowing for special operating items, which were lower than in 2009, underlying performance improved by 7 percent driven by increases in the expense and risk margins.

- **Farmers** business operating profit increased by USD 132 million to USD 1.7 billion, or by 8 percent. **Farmers Management Services** business operating profit increased by USD 39 million to USD 1.4 billion, or 3 percent, supported by the successful integration of 21st Century which was acquired in July 2009 by the Farmers Exchanges, which are managed but not owned by Farmers Group, Inc., a wholly owned subsidiary of the Group. **Farmers Re** business operating profit increased by USD 93 million to USD 321 million, or 41 percent, reflecting favorable underwriting trends.

Other Operating Businesses business operating loss increased by USD 190 million to USD 801 million reflecting a normalized run-rate for Group financing costs, with 2009 having benefited from one-off gains associated with the buyback of subordinated debt.

Non-Core Businesses reported a business operating loss of USD 157 million compared with USD 290 million in 2009. The loss for the year included the increase of USD 330 million in banking loan loss provisions relating to commercial loans on property development in the UK and Ireland booked in the second quarter of 2010. The reduced losses compared with 2009 arose principally from the effect of losses in 2009 driven by volatile financial markets, the impact of which has been mitigated in 2010 through the dynamic hedge strategy implemented in March 2010.

Total Group business volumes, comprising gross written premiums, policy fees, insurance deposits and management fees, decreased by USD 1.8 billion to USD 67.7 billion, or by 3 percent in U.S. dollar terms and 1 percent on a local currency basis. Volumes in the Group's core operating segments developed as follows:

- **General Insurance** gross written premiums and policy fees decreased by USD 1.1 billion to USD 33.1 billion, or by 3 percent in both, U.S. dollar terms and on a local currency basis. Average rate increases of 2 percentage points were achieved through continuing disciplined underwriting focused on profit margin. However, these positive actions did not fully compensate for competitive markets and weak economic conditions, with lower levels of new business activity and reduced insured customer exposures. Customer retention levels remain strong across the business.

- **Global Life** gross written premiums, policy fees and insurance deposits increased by USD 1.6 billion to USD 27.7 billion, or by 6 percent in U.S. dollar terms and 9 percent on a local currency basis. This increase was primarily driven by higher levels of new business, particularly in single premium products but also from continued focus on in-force management.

- **Farmers Management Services** management fees and other related revenue increased by USD 88 million to USD 2.8 billion, or by 3 percent, supported by an underlying increase of 2 percent in gross earned premiums by the Farmers Exchanges, which are managed but not owned by Farmers Group, Inc., a wholly owned subsidiary of the Group. 21st Century generated an increase of USD 130 million in fees and revenue in the first full year after its acquisition. The 37 percent decrease to USD 4.2 billion in gross written premiums of **Farmers Re** reflects the changes in the All Lines quota share reinsurance treaty and consequent portfolio transfers.

Net income attributable to shareholders decreased by USD 529 million to USD 3.4 billion, or by 13 percent as a result of the lower business operating profit. Net investment gains were largely offset by the costs of the class action lawsuit settlement in the U.S. and by the effect of the restatement on the 2009 result as a consequence of the change of measurement to a fair value basis for a closed life insurance book in the U.S.

The **shareholders' effective tax rate** was 20.3 percent for the year ended December 31, 2010, compared with 22.7 percent for the year ended December 31, 2009, primarily due to a combination of favorable tax settlements and shifts in the geographic profit mix.

ROE of 11.4 percent was affected by the decrease in net income attributable to shareholders and the continued strengthening of the Group's capital position. **BOPAT ROE** was 12.9 percent. **Diluted earnings per share** decreased by 18 percent to CHF 24.38 for the year ended December 31, 2010, compared with CHF 29.88 in 2009.

Operating and financial review *continued*

General Insurance

in USD millions, for the years ended December 31	2010	2009	Change
Gross written premiums and policy fees	33,066	34,157	(3%)
Net earned premiums and policy fees	27,837	29,071	(4%)
Insurance benefits and losses, net of reinsurance	(19,795)	(20,622)	4%
Net underwriting result	577	930	(38%)
Net investment income	2,867	3,070	(7%)
Net non-technical result (excl. items not included in BOP)	(796)	(650)	(22%)
Business operating profit	**2,673**	**3,463**	**(23%)**
Loss ratio	71.1%	70.9%	(0.2 pts)
Expense ratio	26.8%	25.9%	(0.9 pts)
Combined ratio	**97.9%**	**96.8%**	**(1.1 pts)**

in USD millions, for the years ended December 31	Business operating profit		Combined ratio	
	2010	2009	2010	2009
Global Corporate	741	787	95.8%	95.1%
North America Commercial	1,118	1,243	97.1%	96.9%
Europe General Insurance	816	1,120	97.5%	98.4%
International Markets	48	169	104.6%	96.9%
GI Global Functions including Group Reinsurance	(49)	144	nm	nm
Total	**2,673**	**3,463**	**97.9%**	**96.8%**

General Insurance delivered a set of results below those of 2009. Rate increases and targeted underwriting actions implemented in previous periods were visible in better underlying loss ratios. However, these improvements were more than offset by the extraordinary frequency of loss events, such as earthquakes, weather-related losses and higher levels of large losses, as well as lower investment yields and the overall impact of the recessionary environment which continued to negatively impact insured customer exposures and new business activity.

Business operating profit decreased by USD 791 million to USD 2.7 billion or by 23 percent in U.S. dollar terms and 22 percent on a local currency basis. The decrease was mainly attributable to the impact of USD 175 million from the earthquake in Chile, of which USD 110 million was recorded in Group Reinsurance, USD 100 million from the Australian floods in 2010, and other severe weather events, as well as an impairment relating to the values of the Group's Russian business reflected in the non-technical result. Additionally, investment income declined mainly due to lower yields, but also due to a lower asset base after the repatriation of capital to the Group. Rate increases achieved in prior periods now earning into the underwriting result compensated for lower investment returns.

Gross written premiums and policy fees decreased by USD 1.1 billion to USD 33.1 billion or 3 percent in both U.S. dollar terms and on a local currency basis. In line with the strategy to maintain margins, average rate increases of 2 percentage points were achieved, with increased rates in European markets while the Group's North American rates remained broadly flat in a market environment of reduced rates. The depressed levels of economic activity have reduced many insured customer exposures and lower levels of new business activity have also been evident in European and North American markets. Despite this, premium growth has been achieved in International Markets, as well as in certain commercial units in North America and specific market segments in Europe. In the North American market, where insured customer exposures are lower than in the prior year, competitors have aggressively defended their portfolios and the market continued to experience rate decreases. However, North American new business and customer retention levels continued to develop favorably. European volumes continue to be under pressure because of higher unemployment and other recessionary impacts. In the personal lines motor business, underwriting actions implemented to restore margins have impacted new business and retention levels negatively.

The **net underwriting result** decreased by USD 352 million to USD 577 million, or by 38 percent. The combined ratio was 97.9 percent, a deterioration of 1.1 percentage points compared with 2009. The loss ratio was impacted by the earthquakes in Chile and New Zealand, the floods in Australia and Tennessee, and the higher occurrence of severe weather in North America and Europe compared with an average experience in 2009. In addition, higher levels of large losses were experienced when compared with 2009. The loss ratio benefited from higher favorable development of reserves established in prior years as well as from a lower underlying loss ratio with increases in rates and targeted underwriting actions now improving the result. The expense ratio developed unfavorably by 0.9 percentage points to 26.8 percent driven largely by the reduction in net earned premiums resulting from lower business volumes, return premiums and reinsurance reinstatement premiums.

Operating and financial review *continued*

Global Corporate

in USD millions, for the years ended December 31	2010	2009	Change
Gross written premiums and policy fees	7,624	7,602	–
Net underwriting result	205	231	(11%)
Business operating profit	**741**	**787**	**(6%)**
Loss ratio	74.7%	74.7%	–
Expense ratio	21.1%	20.4%	(0.7 pts)
Combined ratio	**95.8%**	**95.1%**	**(0.7 pts)**

Business operating profit decreased by USD 46 million to USD 741 million, or by 6 percent in U.S. dollar terms and 7 percent on a local currency basis. The decrease was attributable to losses incurred by corporate customers from the Chilean and New Zealand earthquakes, floods in Australia and Tennessee and a higher occurrence of large losses. The underlying loss ratio improved compared with 2009. Investment income was lower due to reduced yields, repatriation of capital to the Group and a reduction in hedge fund gains compared with 2009. The non-technical result benefited from favorable foreign currency gains on transactions and some non-recurring provision releases.

Gross written premiums and policy fees were USD 7.6 billion, nearly flat in both U.S. dollar and local currency terms. Global Corporate continued to focus on underwriting and pricing discipline. As a result average rate increases of 1 percent were achieved on business written with most of the increases arising in European markets while rates in North America showed a slight negative trend. Towards the end of the year, growth in European property lines was achieved. Recession-related impacts on insured customer exposures also resulted in lower premiums. In North America, the market environment remained very competitive, and reduced new business volumes were accepted in order to maintain required margins. Premiums in Asia-Pacific and the Middle East increased 52 percent, although from a small base, reflecting the strategy to expand the Group's presence in those markets. This, together with improved retention levels compared with 2009, helped maintain overall volumes.

The **net underwriting result** decreased by USD 25 million to USD 205 million, which resulted in a combined ratio of 95.8 percent, a deterioration of 0.7 percentage point. The loss ratio was impacted by a significant increase in property losses from weather-related and catastrophe events, as well as higher levels of large losses, after the relatively benign experience in 2009. The underlying loss ratio improved compared with 2009 as a result of increased rates and improved risk selection. In addition, the loss ratio benefited from the favorable development of reserves established in prior years compared with 2009. The expense ratio increased by 0.7 percentage points to 21.1 percent, driven mainly by commissions which were impacted by a reduction in received reinsurance commissions following a change in external reinsurance programs. Other underwriting expenses improved, with reductions mainly in Europe offset by strategic investments, in particular in the Middle East.

North America Commercial

in USD millions, for the years ended December 31	2010	2009	Change
Gross written premiums and policy fees	9,728	9,864	(1%)
Net underwriting result	217	257	(16%)
Business operating profit	**1,118**	**1,243**	**(10%)**
Loss ratio	67.3%	68.5%	1.2 pts
Expense ratio	29.8%	28.4%	(1.5 pts)
Combined ratio	**97.1%**	**96.9%**	**(0.2 pts)**

Business operating profit decreased by USD 126 million to USD 1.1 billion, or by 10 percent. The reduction arose from a lower underwriting result compared with 2009 driven by the lower level of net earned premiums and lower investment income as a result of lower yields and repatriation of capital to the Group.

Gross written premiums and policy fees decreased by USD 135 million to USD 9.7 billion, or by 1 percent. The decrease resulted from the continuing effect of the weak economic activity with reductions in insured customer exposures, particularly in the construction and automotive industries. However, leading premium indicators, such as new business, have improved in specific segments such as middle market commercial business, energy casualty and accident and health. Overall, rates achieved by the Group in North America were broadly flat in a highly competitive marketplace; however, in some cases rate reductions have been accepted in order to retain profitable targeted key customer accounts. The risk selection and segmentation strategies have led to higher retention ratios in more profitable portfolios compared with 2009.

The **net underwriting result** decreased by USD 41 million to USD 217 million, or by 16 percent. This was reflected in the increase of 0.2 percentage points in the combined ratio to 97.1 percent. The loss ratio improved compared with the prior year by 1.2 percentage points driven by higher favorable development of reserves established in prior years and a slightly lower level of large losses; however, these improvements were partially offset by higher weather-related losses. The expense ratio increased by 1.5 percentage points driven mostly by a reduction in earned premiums that was due to lower premium volume and return premiums. The commission ratio improved slightly due to the impact of changes in the business mix, but this was partially offset by profit commissions paid relating to profits arising from the prior year on crop business. The other underwriting expense ratio increased as a result of the lower earned premiums, while absolute underlying expenses increased only marginally, primarily as a result of non-recurring items benefiting the prior year results.

Operating and financial review *continued*

Europe General Insurance

in USD millions, for the years ended December 31	**2010**	2009	Change
Gross written premiums and policy fees	13,273	14,556	(9%)
Net underwriting result	327	222	47%
Business operating profit	**816**	**1,120**	**(27%)**
Loss ratio	71.9%	73.6%	1.7 pts
Expense ratio	25.6%	24.8%	(0.8 pts)
Combined ratio	**97.5%**	**98.4%**	**0.9 pts**

Business operating profit decreased by USD 304 million to USD 816 million or by 27 percent in both U.S. dollar terms and on a local currency basis. This decrease was due to lower investment income and higher non-technical expenses and was partially offset by an improved underwriting result. The reduction in investment income was the result of lower yields, a reduction in hedge fund gains and repatriation of capital to the Group. Non-technical expenses were higher due to one-off benefits in 2009 from the sale of own use property and an impairment in 2010 of the Group's investment in Russia following continuing depressed market trends. Overall, profit improvement strategies have resulted in an improved underlying loss ratio as rate actions and segmented underwriting strategies have begun to earn into the result. However, this was partially offset by an increased expense ratio following lower earned premiums.

Gross written premiums and policy fees decreased by USD 1.3 billion to USD 13.3 billion or by 9 percent in U.S. dollar terms and 7 percent on a local currency basis. The market environment in many European countries remains challenging with depressed economic activity and higher unemployment levels impacting commercial lines premium volumes in particular. The personal lines businesses throughout Europe remained focused on improving margins and as such an average rate increase of 5 percent has been achieved. The rate and segmented underwriting strategies for personal lines businesses have impacted new business and renewal premiums while keeping the retention ratio broadly flat. Selective premium growth was achieved in certain segments of commercial and specialties lines of business.

The **net underwriting result** increased by USD 105 million to USD 327 million or by 47 percent in U.S. dollar terms and 37 percent on a local currency basis. The rate actions and underwriting improvement strategies contributed to an improvement in the loss ratio of 1.7 percentage points to 71.9 percent. However, lower favorable development of reserves established in prior years had an adverse impact, particularly in Germany as certain longer tail business has developed unfavorably. In addition, some countries continued to experience adverse claims development in motor, particularly in the UK, where the increase in the underlying loss ratio was attributable to continuing claims farming activity. In Italy, efforts to improve profitability through rate increases and targeted underwriting actions have progressively improved the underlying loss ratio and the business achieved a significant improvement in the underwriting result, with a return to profitability in the second half of the year. The increase in the expense ratio was driven by the impact of lower earned premiums as volumes have fallen, as well as a number of one-off items.

International Markets

in USD millions, for the years ended December 31	2010	2009	Change
Gross written premiums and policy fees	3,011	2,695	12%
Net underwriting result	(102)	64	nm
Business operating profit	**48**	**169**	**(72%)**
Loss ratio	68.3%	61.5%	(6.8 pts)
Expense ratio	36.3%	35.3%	(1.0 pts)
Combined ratio	**104.6%**	**96.9%**	**(7.8 pts)**

Business operating profit decreased by USD 122 million to USD 48 million, or by 72 percent in U.S. dollar terms and 43 percent on a local currency basis. The decrease was attributable to a lower underwriting result in both the Asia-Pacific and Latin America regions due to earthquakes in Chile, Mexico, Australia and New Zealand, as well as severe weather events in Australia, including the floods in Queensland in late December. Between the Chile earthquake and the Queensland floods alone, International Markets was impacted by USD 47 million in 2010. This result was partially offset by an improved investment result driven by higher yields and a non-technical benefit related to currency revaluations in Latin America.

Gross written premiums and policy fees increased by USD 315 million to USD 3.0 billion or by 12 percent in U.S. dollar terms and 11 percent on a local currency basis. Excluding the impact of transfers to Global Life, premiums in Latin America grew by 16 percent on a local currency basis driven by growth in Brazil and Argentina. Asia-Pacific premiums increased by 11 percent on a local currency basis reflecting growth in most major lines in Australia, mainly driven by rate increases, growth in the wholesale business in Japan, and continued growth in emerging Asian markets, although from a small base. Overall, the International Markets businesses achieved average rate increases of 3 percent on business written during the year. These rate increases were achieved mainly in Australia, where the focus has been on margins, as well as in certain Latin American countries.

The **net underwriting result** decreased by USD 166 million to a loss of USD 102 million, reflected in the combined ratio of 104.6 percent, an increase of 7.8 percentage points. The impact of natural catastrophes, particularly the earthquakes in Chile, Mexico, Australia and New Zealand, the floods in Australia and other severe weather losses as well as a higher frequency of large losses resulted in an increase in the loss ratio to 68.3 percent, equivalent to an increase of 6.8 percentage points. The higher expense ratio was driven by costs related to investment in the Asia-Pacific region, coupled with higher marketing expenses in Japan. The underlying expense ratio in Latin America remained flat.

Operating and financial review *continued*

Global Life

in USD millions, for the years ended December 31	2010	2009	Change
Insurance deposits	15,382	13,589	13%
Gross written premiums and policy fees	12,292	12,440	(1%)
Net investment income on Group investments	3,892	4,081	(5%)
Insurance benefits and losses, net of reinsurance	(10,140)	(10,594)	4%
Underwriting and policy acquisition costs, net of reinsurance[1]	(1,503)	(1,145)	(31%)
Administrative and other operating expenses	(2,217)	(2,207)	–
Business operating profit	**1,474**	**1,477**	**–**
Total reserves for life insurance contracts, net of reinsurance, and liabilities for investment contracts	187,196	180,145	4%
Assets under management[2]	222,326	213,943	4%
Net policyholder flows[3]	5,520	5,434	2%
New Business – highlights			
New business annual premium equivalent (APE)	**3,699**	**3,667**	**1%**
Present value of new business premiums (PVNBP)	31,399	29,515	6%
New business margin, after tax (as % of APE)	**22.1%**	**21.3%**	**0.8 pts**
New business margin, after tax (as % of PVNBP)	2.6%	2.6%	0 pts
New business value, after tax[4]	**817**	**782**	**4%**

[1] Excluding non-recurring items in the U.S. and U.K. in 2009, underwriting and policy acquisition costs, net of reinsurance, remained flat at USD 1.5 billion.
[2] 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, on which the Group earns fees. For details of prior year restatements, see note 1 of the audited Consolidated financial statements.
[3] Net policyholder flows are defined as the sum of gross written premiums and policy fees and deposits, less policyholder benefits and reinsurance.
[4] The new business figures in this report reflect a zero liquidity premium. However it is the intention of the Group to alter its embedded value assumptions in 2011 to reflect a liquidity premium in the key major operating currencies. In addition, for greater consistency with other European Insurers, the Group will increase the cost of capital applied to residual non hedgeable risks from 2.5 percent to 4 percent. If these assumptions had been applied in 2010 the new business value, after tax would have increased from USD 817 million to USD 862 million. For details see Embedded value report.

in USD millions, for the years ended December 31	New business value (NBV), after tax		New business annual premium equivalent (APE)		New business margin, after tax (as % of APE)		Business operating profit	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
Americas	120	136	300	259	40.2%	52.4%	317	458
of which:								
United States	*68*	*100*	*98*	*97*	*69.8%*	*102.5%*	*241*	*398*
Latin America	*52*	*36*	*202*	*161*	*25.9%*	*22.1%*	*76*	*60*
United Kingdom	145	95	961	785	15.0%	12.1%	351	261
Germany	171	144	653	622	26.2%	23.1%	331	324
Switzerland	4	24	89	118	3.9%	20.1%	244	237
Ireland	80	69	370	310	21.6%	22.4%	49	37
Spain	107	111	509	709	21.0%	15.7%	27	13
Emerging Markets in Asia	117	128	486	528	24.0%	24.2%	73	64
of which:								
ZIS	*112*	*112*	*424*	*453*	*26.5%*	*24.7%*	*79*	*62*
Hong Kong	*4*	*16*	*62*	*75*	*7.1%*	*21.4%*	*11*	*14*
Rest of the World	74	75	330	336	22.3%	22.4%	83	84
Total	**817**	**782**	**3,699**	**3,667**	**22.1%**	**21.3%**	**1,474**	**1,477**

New business value, after tax, increased by USD 35 million to USD 817 million or by 4 percent in U.S. dollar terms and 7 percent on a local currency basis. Growth was driven by a combination of increased volumes and continued focus on high-margin business, resulting in a new business margin, after tax, of 22.1 percent, or an increase of 0.8 percentage points. The major contributors to the increase in new business value were improved margins in Bank Distribution, growth in IFA/Broker value, continued strong growth in Corporate Life & Pensions, and growth in the Direct and Central Initiatives pillar, partly offset by lower value contributed by the Agents pillar. The improved margins in Bank Distribution were achieved through a focus on sales of higher margin products, especially in Germany and Spain, that more than compensated for the impact of reduced volumes of savings products in markets where the Group did not compete with uneconomic pricing behaviors. The growth in IFA/Broker value was driven by strong growth in Italy and the UK from the European hub in Ireland, and increased margins in Germany. The strong growth in Corporate Life & Pensions resulted from the effective execution of the distribution strategy through employee benefit consultants in the UK and Latin America. Direct and Central Initiatives value increased as a result of growth in fee-based businesses in the UK and direct marketing initiatives in Japan. These improvements in new business value were partly offset by lower value contributed by the Agents driven businesses in the U.S., Switzerland and Hong Kong due to interest rate development and reduced volumes.

New business annual premium equivalent (APE) increased by USD 32 million to USD 3.7 billion or by 1 percent in U.S. dollar terms and 4 percent on a local currency basis. In Ireland, APE increased by 19 percent in U.S. dollar terms and by 25 percent on a local currency basis due to growth of sales into Italy and the UK from the European hub and continued growth in Irish domestic sales. In the UK, APE increased by 22 percent in U.S. dollar terms and by 24 percent on a local currency basis led by Corporate Life & Pensions businesses and Private Banking Client Solutions. In the Americas, APE increased by 16 percent in U.S. dollar terms and by 19 percent on a local currency basis driven by strong growth in Latin America, especially from Corporate Life & Pensions and Direct Distribution sales. APE in Germany increased by 5 percent in U.S. dollar terms and by 10 percent on a local currency basis due to growth in the Bank Distribution and Agents pillars. APE in the Rest of the World decreased by 2 percent in U.S. dollar terms but was flat on a local currency basis, due to strong IFA/Broker sales through the Finanza e Futuro distribution channel in Italy offset by reduced sales through the Private Banking Client Solutions hub in Luxembourg which had benefited from a one-off product launch in Italy in 2009. In Switzerland, APE decreased by 24 percent in U.S. dollar terms and by 27 percent on a local currency basis as customers anticipated the reduction in the technical interest rate that took effect on January 1, 2010, during the later part of 2009, increasing sales in 2009 and reducing sales in 2010. APE in Emerging Markets in Asia decreased by 8 percent in U.S. dollar terms and by 5 percent on a local currency basis due to lower sales in international corporate business and in the Agents channel in Hong Kong. In Spain, APE decreased by 28 percent in U.S. dollar terms and by 25 percent on a local currency basis primarily due to lower volumes of short-term savings products in a highly competitive market.

Underlying **business operating profit,** after adjusting for special operating items, increased 7 percent driven by improvements in the expense and risk margins. The expense margin benefited from increased fee income due to the recovery in financial markets, especially in the UK and continued focus on expense control. The risk margin improved as a result of continued increase in value from protection lines of business. Special operating items in the year were lower than in the prior year, resulting in reported business operating profit remaining flat at USD 1.5 billion in U.S. dollar terms, and increasing by 1 percent on a local currency basis. Special operating items in the prior year included in particular a reduction in the amortization of deferred acquisition costs in the U.S. business, which substantially reduced underwriting and policy acquisition costs in 2009.

Insurance deposits increased by USD 1.8 billion to USD 15.4 billion or by 13 percent in U.S. dollar terms and 17 percent on a local currency basis, primarily driven by growth in the UK, Ireland and Germany.

Gross written premiums and policy fees decreased by USD 148 million to USD 12.3 billion or by 1 percent in U.S. dollar terms but increased by 1 percent on a local currency basis. The increase on a local currency basis was primarily due to increases in Germany, the UK and Latin America, partly offset by a reduction in sales of short-term saving products in Spain.

Net reserves increased by USD 7.0 billion to USD 187.2 billion or by 4 percent in U.S. dollar terms and 7 percent on a local currency basis. The net reserves increased due to increased net policyholder flows and the recovery of financial markets. **Assets under management** increased by 4 percent in U.S. dollar terms and by 6 percent on a local currency basis, compared with December 31, 2009. **Net policyholder flows** increased by USD 86 million to USD 5.5 billion in U.S. dollar terms driven by new business flows.

Operating and financial review *continued*

NBV and APE by pillar

in USD millions, for the year ended December 31	New business value (NBV), after tax		New business annual premium equivalent (APE)		New business margin, after tax (as % of APE)	
	2010	2009	**2010**	2009	**2010**	2009
Bank Distribution	213	191	932	1,099	22.8%	17.4%
IFA/Brokers	197	167	972	924	20.2%	18.1%
Agents	130	189	510	503	25.6%	37.5%
Corporate Life & Pensions	124	101	729	603	17.0%	16.8%
International/Expats	73	83	256	258	28.6%	32.0%
Private Banking Client Solutions	12	12	207	186	5.9%	6.6%
Direct and Central Initiatives	68	39	93	94	72.6%	41.6%
Total	**817**	**782**	**3,699**	**3,667**	**22.1%**	**21.3%**

Bank Distribution increased new business value by USD 22 million to USD 213 million or by 12 percent in U.S. dollar terms and 19 percent on a local currency basis. This improvement was predominantly driven by higher volumes and margin improvements in Germany and higher margins in Spain due to growth in protection sales, as well as higher margins generated through Global Life's banking partners in the UK which together more than offset reduced volumes of short-term savings products in Spain.

IFA/Brokers increased new business value by USD 29 million to USD 197 million or by 18 percent in U.S. dollar terms and 19 percent on a local currency basis. This growth was fuelled by substantially increased business into Italy manufactured from the European hub in Ireland, improved margins in Germany, and increased sales in Australia.

Agents decreased new business value by USD 58 million to USD 130 million or by 31 percent in U.S. dollar terms and 29 percent on a local currency basis. Higher sales in Germany and Italy were more than offset by the impact in the U.S. of higher average interest rates and assumption changes depressing the margin for protection business, and the impact of lower sales volumes in Switzerland and Hong Kong.

Corporate Life & Pensions increased new business value by USD 23 million to USD 124 million or by 23 percent in U.S. dollar terms and 23 percent on a local currency basis. This growth was mainly driven by increased pension sales in the UK, increased protection sales in Latin America, and increased margins in international corporate business.

International/Expats decreased new business value by USD 9 million to USD 73 million or by 11 percent in U.S. dollar terms and 9 percent on a local currency basis. Improved sales of investment products, reflecting the recovery of financial markets in 2010 and higher protection business sales were offset by lower margins.

Private Banking Client Solutions new business value was at the same level as in 2009 in U.S. dollar terms at USD 12 million. The new business value was driven by the continued placement of tranches of an investment bond through bank partners in the UK, but offset by reduced sales from the Private Bank Client Solutions hub in Luxembourg that benefited from a one-off product launch in Italy in 2009.

Direct and Central Initiatives increased new business value by USD 28 million to USD 68 million in U.S. dollar terms. Increased fee income from investment businesses in the UK and direct marketing initiatives in Japan was the main contributor to this growth.

Farmers

Farmers business operating profit was USD 1.7 billion, compared with USD 1.6 billion for 2009. Farmers Management Services contributed USD 1.4 billion compared with USD 1.3 billion and Farmers Re contributed USD 321 million compared with USD 228 million.

Farmers Management Services

in USD millions, for the years ended December 31	2010	2009	Change
Management fees and other related revenues	2,778	2,690	3%
Management and other related expenses	(1,440)	(1,399)	(3%)
Gross management result	1,338	1,291	4%
Other net income	27	35	(23%)
Business operating profit	**1,365**	**1,326**	**3%**
Managed gross earned premium margin	7.3%	7.2%	0.1 pts

Business operating profit increased by USD 39 million to USD 1.4 billion, or by 3 percent, driven by an increase of USD 75 million in the contribution from 21st Century reflecting a full year's contribution in 2010 compared with six months in 2009, and partly offset by lower core revenues as well as lower investment income.

Management fees and other related revenues increased by USD 88 million to USD 2.8 billion or by 3 percent driven by a 2 percent increase in gross earned premiums in the Farmers Exchanges. 21st Century generated an increase of USD 130 million in fees and revenue in the first full year after its acquisition. This contribution was partly offset by a reduction in management fees from the auto line of business, reflecting the continuing economic pressures in the U.S.

Management and other related expenses increased by USD 41 million to USD 1.4 billion or by 3 percent driven by an increase of USD 63 million related to the full year costs from 21st Century. The underlying expenses of the remaining business were lower compared with 2009 reflecting continued strict expense discipline and the benefits of ongoing operational transformation. Overall, the gross management result improved by USD 47 million to USD 1.3 billion, or by 4 percent, while the **managed gross earned premium margin** improved by 0.1 points to 7.3 percent.

Operating and financial review *continued*

Farmers Re

in USD millions, for the years ended December 31	2010	2009	Change
Gross written premiums and policy fees	4,194	6,615	(37%)
Net underwriting result	134	58	nm
Business operating profit	**321**	**228**	**41%**
Loss ratio	66.5%	68.2%	1.7 pts
Expense ratio	31.1%	30.8%	(0.3 pts)
Combined ratio	**97.6%**	**99.0%**	**1.4 pts**

Business operating profit increased by USD 93 million to USD 321 million, or by 41 percent. This result was driven by favorable loss trends. On June 30, 2010, the All Lines quota share participation with the Farmers Exchanges, which are managed but not owned by Farmers Group, Inc., a wholly owned subsidiary of the Group, reduced from 35 percent to 25 percent and further reduced to 12 percent on December 31, 2010. In 2009, participation changed in various steps from 25 percent to 37.5 percent during the year. As a result of these changes in participation and the consequent portfolio transfers, **gross written premiums and policy fees** decreased by USD 2.4 billion to USD 4.2 billion or by 37 percent compared with 2009.

The loss ratio improved 1.7 percentage points as a result of favorable underwriting trends, particularly in the auto and homeowner lines of business, compared with 2009. The higher expense ratio resulted from an increase in the ceding commission on the All Lines quota share reinsurance treaty, reflecting changes to the underlying business mix in the Farmers Exchanges.

Farmers Exchanges

in USD millions, for the years ended December 31	2010	2009	Change
Gross written premiums	18,131	17,620	3%
Gross earned premiums	18,311	17,885	2%

Gross earned premiums in the Farmers Exchanges, which are managed but not owned by Farmers Group, Inc., a wholly owned subsidiary of the Group, increased by USD 426 million to USD 18.3 billion or by 2 percent driven by the 21st Century acquisition in July 2009, partly offset by lower gross earned premium in the other lines of business.

Other Operating Businesses

in USD millions, for the years ended December 31	2010	2009	Change
Business operating profit:			
Holding and financing	(638)	(438)	(46%)
Headquarters	(138)	(141)	2%
Alternative investments	(25)	(32)	24%
Total business operating profit	**(801)**	**(611)**	**(31%)**

Holding and financing increased its business operating loss by USD 200 million to USD 638 million, or by 46 percent. This reflects a normalized run-rate for Group financing costs with 2009 including USD 210 million of one-off gains associated with the buy back of subordinated debt, and a favorable impact from movements in foreign currencies. This was partly offset by an improvement in net financing costs in 2010 due to increased repatriation of capital from the units. **Headquarters** business operating loss decreased slightly to USD 138 million, primarily due to a reduction in pension liabilities as a consequence of the outsourcing of an IT data center, which was partly offset by an increase in one-off expenses related to the review of the Group's management structure.

Operating and financial review *continued*

Non-Core Businesses

in USD millions, for the years ended December 31	2010	2009	Change
Business operating profit:			
Centre	39	160	(76%)
Banking activities	(307)	(182)	(69%)
Centrally managed businesses	113	(279)	nm
Other run-off	(2)	10	nm
Total business operating profit	**(157)**	**(290)**	**46%**

Centre business operating profit decreased by USD 121 million to a profit of USD 39 million, mainly driven by a lower positive impact of financial markets on an insurance portfolio where both assets and liabilities are carried at fair value, and from reserve increases. **Banking activities** decreased by USD 125 million to a loss of USD 307 million. The loss for the year included the increase of USD 330 million in banking loan loss provisions relating to commercial loans on property development in the UK and Ireland booked in the second quarter 2010, compared with provisions of USD 236 million booked in 2009. Subsequent reviews of the provisions in the second six months of the year have not resulted in any further increases. **Centrally managed businesses,** which comprise portfolios that are managed with the intention to achieve a profitable run-off over time, improved by USD 392 million to a profit of USD 113 million, primarily driven by the lower impact of reserve increases as a consequence of the implementation of a dynamic hedge strategy in March 2010. As set out in note 1 of the audited Consolidated financial statements, there has been a change in accounting policy for a closed book of variable annuity products in the U.S. Along with the implementation of the dynamic hedge strategy, this has reduced future volatility and the economic exposure associated with this block of business. Additionally, the loss in the prior year reflected an increase of certain life insurance reserves addressing policyholders' behavior.

Investment position and performance

Breakdown of investments

in USD millions, as of	Group investments		Unit-linked investments	
	12/31/10	12/31/09	**12/31/10**	12/31/09
Cash and cash equivalents	8,558	11,041	7,163	5,840
Equity securities:	13,729	12,581	85,765	78,311
Common stocks, including equity unit trusts	9,881	8,839	76,187	69,004
Unit trusts (debt securities, real estate and short-term investments)	3,208	2,607	9,577	9,307
Common stock portfolios backing participating with-profit policyholder contracts	515	673	–	–
Trading equity portfolios in capital markets and banking activities	125	461	–	–
Debt securities	140,254	136,723	9,376	10,194
Real estate held for investment	8,274	7,789	4,081	3,897
Mortgage loans	11,851	12,736	–	–
Policyholders' collateral and other loans	13,043	14,556	1,563	924
Equity method accounted investments	188	232	–	–
Total	**195,898**	**195,658**	**107,947**	**99,167**

Group investments increased by USD 240 million since December 31, 2009. In local currency terms, total Group investments increased by USD 1.6 billion reflecting positive market developments and investment of new cash flows. For details of prior year restatements, see note 1 of the audited Consolidated financial statements.

Unit-linked investments increased by USD 8.8 billion to USD 107.9 billion, or by 9 percent since December 31, 2009. On a local currency basis, unit-linked investments increased by USD 12.8 billion, or 13 percent, driven by positive cash flows and performance of financial markets in 2010. This increase is mirrored in higher unit-linked insurance and investment contract liabilities.

The quality of the Group's investment portfolio remains high. Investment grade securities comprised 98.5 percent of the Group's debt securities, of which 53 percent were rated AAA as of December 31, 2010. The Group's investment strategy remains disciplined and the Group continues to selectively reduce risks which it believes to be unacceptable, where the risks are not adequately compensated, or which incur disproportionately high regulatory capital charges.

Performance of Group investments

in USD millions, for the years ended December 31	**2010**	2009	Change
Net investment income	7,092	7,505	(5%)
Net capital gains/(losses) on investments and impairments	898	(1,576)	nm
of which: net capital gains/(losses) on investments and impairments attributable to shareholders	279	(1,528)	nm
Net investment result	7,990	5,929	35%
Net investment return on Group investments	**4.1%**	**3.2%**	**0.9 pts**
Movements in net unrealized gains/(losses) on investments included in total equity	2,511	6,084	(59%)
Total investment result, net of investment expenses[1]	**10,501**	**12,012**	**(13%)**
Average group investments[2]	195,532	187,063	5%
Total return on Group investments	**5.4%**	**6.4%**	**(1.1 pts)**

[1] After deducting investment expenses of USD 225 million and USD 243 million for the for the years ended December 31, 2010 and 2009, respectively.
[2] Excluding average cash received as collateral for securities lending of USD 246 million and USD 335 million for the years ended December 31, 2010 and 2009, respectively.

Total return, net of investment expenses, on average Group investments was positive 5.4 percent. Debt securities, which are invested to match the Group's insurance liability profiles, returned 5.2 percent. Equity securities returned 18.2 percent, as equity markets recovered to the highest level since September 2008 and other investments, mostly real estate and mortgages, returned 2.7 percent.

Operating and financial review *continued*

Total **net investment income** decreased by USD 413 million to USD 7.1 billion, or by 5 percent in U.S. dollar terms and 4 percent on a local currency basis. Net investment income yield was 3.6 percent, a decrease of 38 basis points compared with the prior year. This decrease was driven by cash balances yielding lower returns and lower income returns from investing cash flows into debt securities at lower yields.

Total **net capital gains on investments and impairments** were USD 898 million, compared with losses of USD 1.6 billion in the prior year. The net capital gains comprised USD 1.5 billion of gains realized from active management, USD 384 million of gains from asset revaluations and USD 1.0 billion of impairments. The positive asset revaluations on securities designated as fair value through profit and loss were driven by gains on debt securities of USD 373 million and gains on equity securities of USD 294 million offset by negative revaluations on other investments of USD 283 million, largely due to derivatives. Impairments consisted of USD 497 million attributable to equity securities, USD 407 million to mortgages and other investments and USD 97 million to debt securities.

Net unrealized gains included in total equity increased by USD 2.5 billion since December 31, 2009, due to a USD 1.8 billion increase in net unrealized gains on equity securities, principally as a result of a revaluation of the Group's investment in New China Life Insurance Co., Ltd. and also as a consequence of global equity market improvements, and due to a USD 744 million increase in the value of debt securities and others, mainly due to the fall in interest rates.

Performance of unit-linked investments

in USD millions, for the years ended December 31	2010	2009	Change
Net investment income	1,561	1,638	(5%)
Net capital (losses)/gains on investments and impairments	8,533	10,837	(21%)
Net investment result, net of investment expenses[1]	10,093	12,475	(19%)
Average investments	103,557	88,685	17%
Total return on unit-linked investments	**9.7%**	**14.1%**	**(4.3 pts)**

[1] After deducting investment expenses of USD 532 million and USD 524 million for the for the years ended December 31, 2010 and 2009, respectively.

Total return on unit-linked investments was 9.7 percent compared with 14.1 percent in 2009. The reduction in the total return was due to net capital gains of USD 8.5 billion compared with net capital gains of USD 10.8 billion in 2009 as continuing improvement in financial markets slowed compared with 2009. Net investment income decreased by USD 77 million or 5 percent, primarily due to lower bond yields and a decrease in dividend income from common equity stocks.

Insurance and investment contract liabilities

Reserves for losses and loss adjustment expenses

The majority of the Group's reserves for losses and loss adjustment expenses are attributable to General Insurance. The remaining reserves mostly relate to Farmers Re and Non-Core Businesses.

in USD millions	Total Group		of which General Insurance	
	2010	2009	**2010**	2009
As of January 1				
Gross reserves for losses and loss adjustment expenses	68,086	65,218	63,476	61,396
Reinsurers' share	(12,182)	(12,232)	(10,962)	(10,867)
Net reserves for losses and loss adjustment expenses	**55,903**	**52,986**	**52,514**	**50,530**
Net losses and loss adjustment expenses incurred	23,620	24,639	19,773	20,590
Current year	24,987	25,698	21,085	21,663
Prior years	(1,367)	(1,059)	(1,313)	(1,074)
Total net losses and loss adjustment expenses paid	(23,240)	(23,689)	(19,408)	(20,235)
Acquisitions/(divestments)	(12)	104	6	(158)
Foreign currency translation effects	(296)	1,863	(250)	1,787
As of December 31				
Net reserves for losses and loss adjustment expenses	**55,976**	**55,903**	**52,634**	**52,514**
Reinsurers' share	(12,093)	(12,182)	(11,192)	(10,962)
Gross reserves for losses and loss adjustment expenses	68,069	68,086	63,826	63,476

As of December 31, 2010, the Group **net reserves for loss and loss adjustment expenses** were USD 56.0 billion, an increase of USD 73 million since December 31, 2009. This increase was mainly due to a USD 380 million increase in underlying reserves mostly offset by divestments of USD 12 million and the effects of foreign currency translation of USD 296 million. Prior year favorable development amounted to USD 1.4 billion. Further details of reserve developments are shown in note 8 of the audited Consolidated financial statements.

The increase in the total net reserves during the year included USD 1.4 billion favorable development emerging from reserves established in prior years. This favorable development is primarily attributable to General Insurance and breaks down into many individual movements by business division, country, line of business, and accident year. In Global Corporate, favorable development of USD 443 million was approximately equally shared between North America and the rest of the world. North America Commercial favorable development of USD 434 million arose mostly from specialties, program, middle market commercial, and surety businesses. Europe General Insurance favorable development of USD 371 million arose from several European countries, except Germany, where the Group experienced adverse development of USD 155 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.

Operating and financial review *continued*

Development of cumulative net loss ratio

	2001	2002	2003	2004	2005	2006	2007	2008	2009	**2010**
In the year	81.4%	70.6%	67.1%	68.3%	73.3%	69.6%	72.7%	74.6%	72.3%	73.5%
One year later	85.7%	72.0%	66.1%	64.2%	68.1%	66.2%	71.7%	74.1%	72.0%	
Two years later	85.8%	72.3%	65.4%	63.5%	66.6%	64.8%	70.6%	72.4%		
Three years later	87.4%	74.5%	65.5%	63.7%	65.0%	63.3%	69.4%			
Four years later	88.5%	74.7%	65.7%	62.9%	63.8%	62.6%				
Five years later	90.2%	73.4%	65.0%	62.2%	63.2%					
Six years later	90.2%	74.3%	64.6%	62.1%						
Seven years later	90.3%	74.1%	64.4%							
Eight years later	90.6%	74.1%								
Nine years later	90.9%									

This table represents the loss ratio development for individual accident years for the Group, with General Insurance 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 earthquake in Chile and the floods in Australia had an impact on the 2010 loss ratio of 0.8 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 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	
	2010	2009	**2010**	2009	**2010**	2009
Net reserves as of January 1	180,145	154,700	17,655	18,994	197,800	173,694
Movements in net reserves	7,051	25,445	(324)	(1,339)	6,727	24,106
Net reserves as of December 31	**187,196**	**180,145**	**17,331**	**17,655**	**204,527**	**197,800**

The following provides further detail on the development and composition of reserves and liabilities in the **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	
	2010	2009	**2010**	2009	**2010**	2009
As of January 1						
Gross reserves	92,841	71,299	89,452	85,393	182,293	156,692
Reinsurers' share	–	–	(2,148)	(1,992)	(2,148)	(1,992)
Net reserves	**92,841**	**71,299**	**87,304**	**83,401**	**180,145**	**154,700**
Premiums	16,224	14,275	10,445	10,750	26,669	25,025
Claims	(11,629)	(9,940)	(10,556)	(11,368)	(22,186)	(21,308)
Fee income and other expenses	(1,875)	(1,367)	(1,995)	(2,178)	(3,870)	(3,546)
Interest and bonuses credited to policyholders	9,911	11,403	3,418	3,330	13,329	14,734
Change in assumptions	–	–	51	(59)	51	(59)
(Divestments)/acquisitions and transfers	(1,035)[3]	587	(552)[4]	(495)	(1,587)	91
(Decreases)/increases recorded in other comprehensive income	(35)	28	(193)	1,129	(228)	1,157
Foreign currency translation effects	(3,512)	6,556	(1,616)	2,794	(5,127)	9,351
As of December 31						
Net reserves	**100,891**	**92,841**	**86,306**	**87,304**	**187,196**	**180,145**
Reinsurers' share	–	–	(1,993)	(2,148)	(1,993)	(2,148)
Gross reserves	100,891	92,841	88,299	89,452	189,189	182,293

[1] Includes reserves for unit-linked contracts, the net amounts of which were USD 50.0 billion and USD 46.5 billion, and liabilities for investment contracts, the net amounts of which were USD 50.9 billion and USD 46.4 billion as of December 31, 2010 and 2009, respectively.
[2] Includes reserves for future life policyholders' benefits, the net amounts of which were USD 72.9 billion and USD 72.7 billion and policyholders' contract deposits and other funds, the net amounts of which were USD 13.4 billion and USD 14.6 billion as of December 31, 2010 and 2009, respectively.
[3] The 2010 movement includes USD (884) million related to the reclassification to other reserves categories following the review of contract classification (see note 1 of the audited Consolidated financial statements) and USD (160) million related to loss of control of Caixa Sabadell (see note 5 of the audited Consolidated financial statements).
[4] The 2010 movement includes USD 982 million related to the reclassification to other reserves categories following the review of contract classification (see note 1 of the audited Consolidated financial statements) and USD (1.5) billion related to loss of control of Caixa Sabadell (see note 5 of the audited Consolidated financial statements).

Total reserves and liabilities for insurance and investment contracts, net of reinsurance, increased by USD 7.1 billion or by 4 percent in U.S. dollar terms compared with December 31, 2009, and by USD 13.3 billion or by 7 percent on a local currency basis. The increase was driven by continuing improvements in financial markets and positive net policyholder flows, primarily driven by higher levels of new business, particularly in single premium products in the UK and the European hub in Ireland. These increases were partly offset by the impact of loss of control of Caixa Sabadell and decreases recorded in other comprehensive income due to changes in unrealized gains and losses.

Operating and financial review *continued*

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	
	2010	2009	**2010**	2009	**2010**	2009
Americas	1,350	1,233	7,149	6,730	8,499	7,964
of which:						
United States	*845*	*789*	*5,107*	*5,002*	*5,952*	*5,791*
Latin America	*505*	*444*	*2,042*	*1,729*	*2,547*	*2,173*
United Kingdom	54,757	51,968	4,792	4,394	59,549	56,363
Germany	10,666	9,467	41,347	42,645	52,013	52,111
Switzerland	650	1,842	18,688	15,678	19,339	17,520
Ireland	10,414	8,484	1,318	1,337	11,732	9,821
Spain	5,352	4,411	6,783	9,670	12,134	14,080
Emerging Markets in Asia	8,483	7,486	1,156	1,115	9,639	8,601
of which:						
ZIS	*8,057*	*7,121*	*245*	*252*	*8,302*	*7,373*
Hong Kong	*426*	*365*	*886*	*852*	*1,311*	*1,218*
Rest of the world	9,219	7,951	5,073	5,735	14,292	13,686
Eliminations	–	–	(1)	(2)	(1)	(2)
Total	**100,891**	**92,841**	**86,306**	**87,304**	**187,196**	**180,145**

Unit-linked insurance and investment contracts, increased by USD 8.0 billion or by 9 percent in U.S. dollar terms compared with December 31, 2009, and by USD 12.4 billion or by 13 percent on a local currency basis. The increase in local currency was driven by positive net policyholder flows, primarily driven by higher levels of new business in single premium products in the UK and the European hub in Ireland, and the positive performance of unit-linked funds in 2010. This was offset by the impact of the reserve reclassification, mainly related to a reclassification from investment products to insurance products of the endowment product in Switzerland (see note 1 of the audited Consolidated financial statements).

Other life insurance liabilities, net of reinsurance, decreased by USD 1.0 billion or by 1 percent in U.S. dollar terms compared with December 31, 2009, but increased by USD 915 million or by 1 percent on a local currency basis. The increase was driven by higher interest and bonuses credited to policyholders, offset by the combined effect of the loss of control of Caixa Sabadell in Spain (see note 5 of the audited Consolidated financial statements) and the reserve reclassification.

Indebtedness

in USD millions	12/31/10							
	Repurchase agreements	**Collateralized loans**	**Capital markets**[1]	**Senior debt**[2]	**Subordinated debt**	**12/31/10**	12/31/09	Change
Operational debt	3,330	743		865	–	4,938	6,126	(19%)
Financial debt	–	–	400	5,188	5,004	10,592	10,422	2%
Total operational and financial debt	**3,330**	**743**	**400**	**6,053**	**5,004**	**15,530**	16,548	(6%)

[1] Deposits previously presented under operational debt related to banking activities (USD 814 million as of December 31, 2009) are now presented under "other liabilities". See notes 1 and 22 of the audited Consolidated financial statements.
[2] The operational senior debt includes the book value of the USD 750 million senior debt issued under the EMTN Programme by Zurich Finance (Luxembourg) S.A. in September 2009, which was loaned directly to the Group's capital markets and banking activities. This issue was recognized as operational debt by Moody's but not by Standard & Poor's. In addition, it includes an adjustment of USD 100 million for non-recourse debt.

Total operational and financial debt decreased by USD 1.0 billion to USD 15.5 billion or by 6 percent.

Operational debt decreased by USD 1.2 billion to USD 4.9 billion or by 19 percent in U.S. dollar terms. The main drivers were a decrease of USD 646 million in obligations to repurchase securities, a decrease of USD 359 million in collateralized loans and a reduction from the repayment of the USD 200 million debt drawn under a credit facility for the sole purpose of financing surplus notes issued by the Leschi Life Assurance Company (Leschi), which expired in June 2010 .

Financial debt increased by USD 170 million to USD 10.6 billion or by 2 percent in U.S. dollar terms. The increase was largely due to the additional issuance of USD 375 million of commercial paper by Zurich Capital Markets and the translation effects of the depreciation of the U.S. dollar against the Swiss Franc, partially offset by the net effect of a refinancing of debt and the translation effects of the appreciation of the U.S. dollar against the euro and British pound. The refinancing of the financial debt involved the redemption of USD 768 million of the Series I and III Enhanced Capital Advantaged Preferred Securities ("ECAPS"), which were replaced by the issuance of CHF 700 million of subordinated notes under the Euro Medium Term Note Programme (EMTN Programme).

Details of debt issuances are set out in note 22 of the audited Consolidated financial statements.

Operating and financial review *continued*

Capitalization

in USD millions	Shareholders' equity	Non-controlling interests	Total equity
As of December 31, 2009, as previously reported	29,678	1,800	31,478
Adjustment arising from the change in accounting policy[1]	(374)	–	(374)
As of December 31, 2009, as restated	**29,304**	**1,800**	**31,104**
Proceeds from issuance of share capital	205	–	205
Proceeds from treasury share transactions	(61)	–	(61)
Dividends	(2,213)	(7)	(2,220)
Share-based payment transactions	28	–	28
Change of ownership with no loss of control	4	–	4
Total comprehensive income	4,717	(13)	4,704
Net income after taxes	3,434	79	3,513
Net other recognized income and expenses	1,283	(92)	1,191
Net changes in capitalization and non-controlling interests	–	(443)	(443)
As of December 31, 2010	**31,984**	**1,337**	**33,321**

[1] See note 1 of the audited Consolidated financial statements.

Total equity increased by USD 2.2 billion to USD 33.3 billion, or by 7 percent, compared with USD 31.1 billion as of December 31, 2009. Net income after taxes of USD 3.5 billion and net other recognized income and expenses of USD 1.2 billion more than offset the dividend payments of USD 2.2 billion. Changes in net other recognized income and expenses were driven by net unrealized gains of USD 2.1 billion, offset by changes in net actuarial losses on pension plans of USD 162 million and negative currency translation adjustments of USD 813 million.

Cash flows

Summary of cash flows

in USD millions, for the year ended December 31	2010	2009
Net cash provided by/(used in) operating activities	2,310	(1,346)
Net cash used in investing activities	(135)	(581)
Net cash provided by/(used in) financing activities	(2,460)	2,448
Foreign currency translation effects on cash and cash equivalents	(383)	859
Change in cash and cash equivalents excluding change in cash received as collateral for securities lending	(668)	1,380
Cash and cash equivalents as of January 1 [1]	16,389	15,009
Cash and cash equivalents as of December 31 [1]	15,721	16,389
Change in cash received as collateral for securities lending	(493)	316
Cash and cash equivalents as of January 1 [2]	16,882	15,186
Cash and cash equivalents as of December 31 [2]	**15,721**	**16,882**

[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, as well as within, total investments, was USD 2.3 billion for the year ended December 31, 2010. Net cash used in investing activities of USD 135 million was primarily related to net cash outflows from purchases and sales of property and equipment and the acquisition of Compagnie Libanaise d'Assurances SAL for USD 48 million. Net cash outflows from financing activities of USD 2.5 billion were primarily the result of the payment of dividends of USD 2.2 billion (see Capitalization section) and the repayment of outstanding debt of USD 200 million (see Indebtedness section).

Operating and financial review *continued*

Currency translation impact

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

As the Group has chosen the U.S. dollar as its presentation currency, differences arise when functional currencies are translated into the Group's presentation currency. 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, 2010	in USD millions	in %
Gross written premiums and policy fees	(430)	(1%)
Insurance benefits and losses, gross of reinsurance	324	1%
Net income attributable to shareholders	(50)	(1%)
Business operating profit	(75)	(2%)

The income statements are translated at average exchange rates. Throughout 2010, the U.S. dollar has on average been stronger against the euro and the British pound, but has been weaker against the Swiss franc compared with 2009. 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, 2009, as of December 31, 2010	in USD millions	in %
Total investments	(5,382)	(2%)
Reserves for insurance contracts, gross	(4,134)	(2%)
Cumulative translation adjustment in shareholders' equity	(729)	(2%)

The balance sheets are translated at end-of-period rates. The U.S. dollar has strengthened against the euro and British pound, but has significantly weakened against the Swiss franc as of December 31, 2010, compared with December 31, 2009, resulting in a decrease in U.S. dollar terms in most balance sheet line items.

Risk review

The Risk review is an integral part of the Consolidated financial statements (except for the 'Economic Capital Adequacy' section presented on pages 130-131).

Risk review *continued*

Risk Management

Mission and objectives of risk management

The mission of risk management at Zurich Financial Services Group (Zurich, or the Group) is to promptly identify, measure, manage, report and monitor risks that affect the achievement of 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.

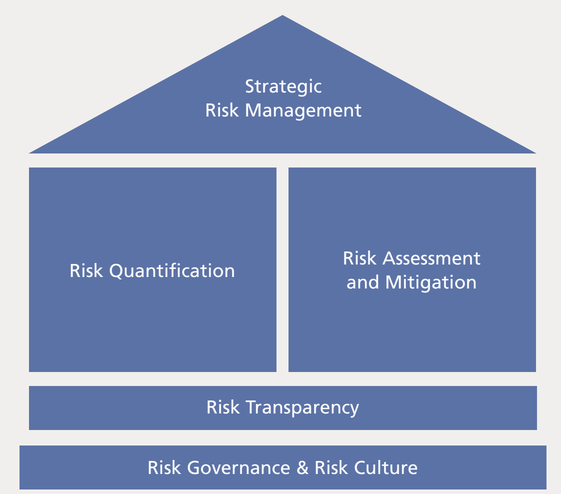
The Group's major risk management objectives are to:

- 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 Zurich's reputation and brand by promoting a sound culture of risk awareness and disciplined and informed risk taking

Risk management framework

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

Risk management framework



At the heart of the risk management framework is a governance process with clear responsibilities for taking, managing, monitoring and reporting risks. The Group articulates the roles and responsibilities for risk management throughout the organization, from the Board of Directors and the Chief Executive Officer to its businesses and functional areas, thus embedding risk management in the business (see the 'Risk Governance and Risk Management Organization' section in the Risk Review).

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 earnings 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. The Group regularly enhances the Zurich Risk Policy to reflect new insights and changes in the Group's environment and to reflect changes to the Group's risk tolerance. In 2010, the Zurich Risk Policy was updated and strengthened for various areas, including liquidity risk, remuneration, information risk and country risk. Related procedures and risk controls were strengthened or clarified for these areas.

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. The Group regularly reports on its risk profile, current risk issues, adherence to its risk policies and improvement actions both at a local and on a Group level. The Group has 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 Zurich's business but is also aligned with the Group's strategic and operational planning process. The Group assesses risks systematically and from a strategic perspective through its proprietary Total Risk Profiling™ (TRP) process, which allows Zurich to identify and then evaluate the probability of a risk scenario occurring, as well as the severity of the consequences should it occur. The Group then develops, implements and monitors appropriate improvement actions. The TRP process is integral to how Zurich deals with change, and is particularly suited for evaluating strategic risks as well as risks to its 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. Zurich's 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, the Group's 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 the Group's risk management framework is a well-balanced and effectively managed remuneration program. This includes a Group-wide remuneration philosophy, robust short- and long-term incentive plans, strong governance and links to the business planning, performance management and risk policies of the Group. Based on the Group's Remuneration Rules, the Board establishes the structure and design of the remuneration arrangements so that they do not encourage inappropriate risk taking. For more information on Zurich's remuneration system, see the Remuneration Report (unaudited).

Through these processes, responsibilities and policies, Zurich embeds a culture of disciplined risk taking across the Group. The Group continues to consciously take risks for which it expects 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, place emphasis on the importance of sound risk management in the insurance industry.

New 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 interested in risk management as a factor in evaluating companies. Standard & Poor's, a rating agency with a separate rating for Enterprise Risk Management, has rated Zurich's overall Enterprise Risk Management as "strong." Reinsurance risk, credit risk and asset/liability management and market risk controls remain "excellent." Reserving risk, catastrophe risk and operational risk controls, as well as strategic and emerging risk management, remain "strong." Zurich is rated either "excellent" or "strong" in all of Standard & Poor's dimensions for Enterprise Risk Management.

The Group also seeks external expertise from its International Advisory Council, Natural Catastrophe Advisory Council and Climate Change Advisory Council to better understand and assess risks, particularly regarding areas of complex change. For discussion of these councils, see 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.

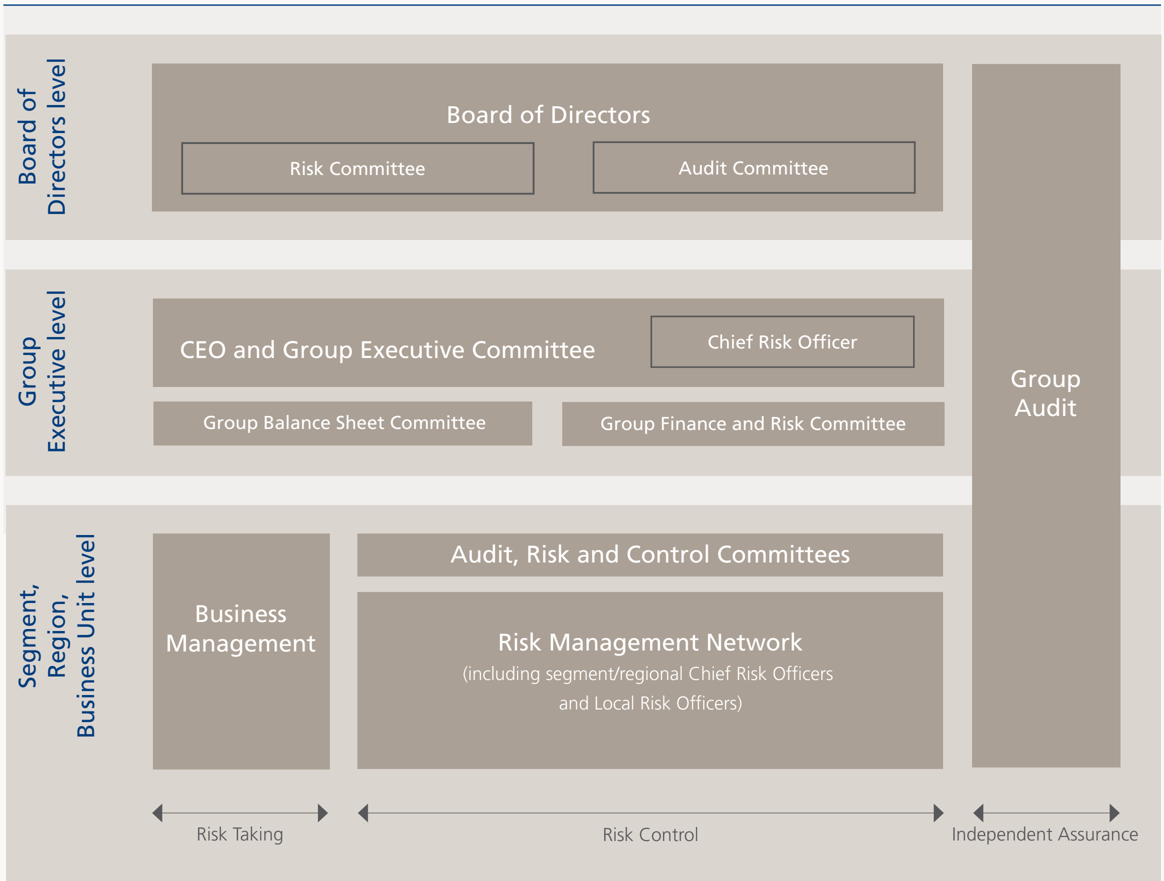
The Group is also involved in a number of international industry organizations engaged in advancing the regulatory dialogue pertaining to insurance and financial services. In 2010, Zurich senior executives contributed to the drafting of key papers issued by the CRO Forum (an organization composed of the chief risk officers of major insurance companies and financial conglomerates that focuses on developing and promoting industry best practices in risk management). In 2010, Zurich's Chief Risk Officer served as vice-chair of the CRO Forum, and in 2011 serves as chair. In addition, Zurich's Chief Financial Officer continues to serve as 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, as well as establishing the principles for Embedded Value reporting). 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 review *continued*

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 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 2010.

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 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 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 courses 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 Chief Financial Officer, while the 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 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 Chief Underwriting Officer General Insurance.
- 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 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 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 segment, regional, business unit and functional levels.

At Group level 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 and the Internal Control Framework. It serves as the link between the risk management network (segments, regions, business units and functions) and risk management at Group level.
At the end of 2010, the risk management organization was realigned with the new Group structure. Information risk management and Business Continuity Management and Disaster Recovery were reassigned to the risk management function within the newly formed Group Operations segment. Chief Risk Officers were appointed for the Group Operations, General Insurance and Global Life segments.

Risk review *continued*

The risk management network consists of the Chief Risk Officers (CROs) of the Group's segments and regions, 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 risk officers are part of the respective business' management teams and therefore are embedded in the business. The LROs also report to the segment and regional CROs, the latter also to the Group's Chief Risk Officer. The CROs of the Group's segments and regions are members of the executive leadership team of the Group's Chief Risk Officer.

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.

Analysis by Risk Type

Risk type description

In order to enable a consistent, systematic and disciplined approach to risk management, Zurich categorizes its 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 its 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 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 its 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.

In 2010, the Group enhanced its assessment of strategic risks by implementing procedures to aggregate and analyze its exposures by country. This helps the Group evaluate when making strategic decisions whether its aggregated exposures, including insurance and investment exposures, to a country could become overly concentrated.

The Group specifically evaluates the risks of M&A transactions both from a quantitative and a qualitative perspective. The Group conducts risk assessments of M&A transactions to evaluate risks specifically related to the integration of acquired businesses.

Risk review *continued*

Insurance risk

Insurance risk is the inherent uncertainty regarding the occurrence, amount or timing of insurance liabilities. The exposure is transferred to Zurich through the underwriting process. Zurich actively seeks to write those risks it understands and that provide a reasonable opportunity to earn an acceptable profit. As Zurich assumes certain customer risks, it aims 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 the Group's insurance business
- Ceding insurance risk through proportional, non-proportional and specific risk reinsurance treaties. The Group centrally manages reinsurance treaties.

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, and errors and omissions liability.
- Special lines include directors and officers, 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 its competitive strengths while avoiding risks with disruptive volatility. At the core of the Group's underwriting is a robust governance process. The Group's four major processes for underwriting governance – underwriting strategy, authorities, referrals and reviews – are implemented at Group and local levels.

A fundamental component of managing insurance risk is underwriting discipline. The Group sets limits on underwriting capacity, and cascades authority to individuals based on their specific expertise. Through The Zurich Way, the Group sets 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 regularly. Technical reviews confirm whether underwriters perform within authorities and adhere to underwriting philosophies and policies. The Group's global line of business networks share best practices across the globe, providing additional guidance and governance. The Group has 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, in particular inflation, 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 Zurich's underwriting operations now, or in the future. Examples of such risks are the possible consequences of nanotechnology, electromagnetic fields, genetically modified organisms and solar storms. 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 of, and in 2010 chaired, 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. General Insurance premiums ceded to reinsurers (including retrocessions) amounted to USD 5.1 billion and USD 5.2 billion for the years ended December 31, 2010 and 2009, 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, 2010	Motor	Property	Liability	Special lines	Worker injury	Total
North America	1,400	2,645	3,462	1,489	2,118	11,114
Europe & Africa	6,467	5,142	2,304	2,144	457	16,513
International Markets[1]	1,181	1,085	324	593	95	3,278
Total	**9,048**	**8,872**	**6,090**	**4,225**	**2,670**	**30,906**

[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, 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

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.

Risk review *continued*

Insurance risk sensitivity for the General Insurance business

Table 2.a

in USD millions, as of December 31, 2010	Global Corporate	North America Commercial	Europe General Insurance	International Markets
+1% in net loss ratio				
Net income before tax	(49)	(76)	(131)	(22)
Net assets	(39)	(60)	(104)	(18)

Insurance risk sensitivity for the General Insurance business

Table 2.b

in USD millions, as of 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)	(64)	(107)	(16)

Modeling natural catastrophes

Understanding the potential effects of natural catastrophes is a critical component of risk management for General Insurance. While specific catastrophes are unpredictable, modeling helps to determine potential losses should catastrophes occur. The Group uses a combination of third party and in-house models to manage its underwriting and accumulations in modeled areas to stay within intended exposure limits and to guide the levels of reinsurance Zurich buys.

The Group models at the local and Group level in order to assess and aggregate its exposures. The Group centrally oversees its modeling for consistency in approach and to form a global perspective on accumulations. The Group has technical centers embedded within the business which help to improve the overall quality of data. The Group models potential losses from property policies located in the most hazard-prone areas and adjusts 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. The Group constantly seeks to improve its modeling, fill in gaps in models with additional assessments and increase the granularity of data collection in order to increase the accuracy and utility of the information.

Zurich continues its efforts to extend assessments by evaluating potential correlations between property and other lines of business such as engineering or marine for major peril 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, the Group's accumulation monitoring and analyses contain a number of assumptions about the potential characteristics of such threats.

The Group reviews and aggregates workers' injury and property exposures to identify areas of significant concentration. The Group also assesses other lines of business, such as liability and auto, although the potential exposure is not as significant. The resulting data allows underwriters to evaluate how insuring a particular customer's risk might affect Zurich's overall exposure. In North America, Zurich uses a vendor-provided catastrophe model to evaluate potential exposures in every major U.S. city. The Group undertakes more detailed and frequent analytics for cities in which Zurich has greater exposure. In 2010, Zurich continued to use a multi-disciplinary team to examine the vendor tool and make adjustments based on its own experience, expertise and view of the potential risks.

For areas other than North America, the Group's analysis has shown that its exposures generally are significantly lower, due in large part to government-provided pools. The Group periodically monitors accumulation limits for those areas, and continues to refine its analytics.

Peril regions assessed for 2010

Zurich's Group-wide catastrophe modeling is annual, with quarterly reviews for significantly exposed regions.

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 policyholders' 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 its 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 is analyzed in the 'Market Risk' section in the Risk Review.
- Credit risk is the risk associated with a loss or potential loss from counterparties failing to fulfill their financial obligations, which is analyzed in the 'Credit Risk' section in the Risk Review.

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 between unit-linked and traditional business reduce some of the risk associated with Life Insurance business.

The Group has 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 its risks. Such reviews allow Zurich to manage new risks inherent in its new business propositions. The Group regularly reviews the continued suitability and the potential risks of existing products.

The Group's use of market-consistent embedded value reporting principles allows Zurich to further understand and report on the risk profile of its Life products and how risks would change in differing market conditions. Embedded value is the measure that markets use to value life businesses, which is considered industry best practice. For more information, see the Embedded Value Report.

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. Those risks inherent in these products are largely passed on to the policyholder, although a portion of the Group's 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 review *continued*

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 Zurich American Life Insurance Company (ZALICO) (formerly known as KILICO) which in the past wrote variable annuity contracts that provide policyholders with certain guarantees related to minimum death and income benefits. After 2001, ZALICO no longer issued new policies with such features. In 2010, the Group implemented a dynamic hedging strategy to manage its economic exposure and reduce the volatility associated with its closed book of variable annuities products within its U.S. life business. New Life products developed with financial guarantees are subject to review and approval by the Group-level product approval committee.

The Group defines concentration risk in the Life business as the risk of exposure to increased losses associated with inadequately diversified portfolios of assets and/or obligations. Concentration risk for a life insurer may arise with respect to investments in a geographical area, economic sector, or individual issuers, or due to a concentration of business written within a geographical area, of a policy type, or of underlying risks covered.

Zurich is exposed to two main types of concentration risk in its Life business:

- From a market risk perspective, interest rate guarantees in Germany and Switzerland expose Zurich to financial losses that may arise as a result of adverse movements in financial markets. The Group also writes variable annuity business in the U.S. with minimum guaranteed death benefits and income retirement benefits. The management of these guarantees is a combination of asset-liability matching and hedging; see the 'Market Risk' section in the Risk Review.
- From an insurance risk perspective, the main factors that would affect concentration risk include mortality risk, morbidity risk, longevity risk, policyholder behavior risk (lapse, anti-selection) and expense risk. There is diversification across geographical regions, lines of business and even across the different insurance risk factors such that Zurich is not exposed to significant concentrations of insurance risk.

The table on the next page 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.

See note 8 of the Consolidated financial statements for additional information on reserves for insurance contracts.

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 market-consistent approach to allow explicitly for market risks. See the Embedded Value Report for more information on the sensitivities of Life Insurance business to economic and operating risk factors.

Table 3

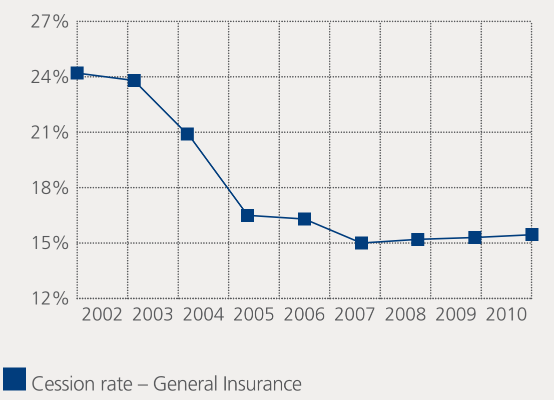
Reserves, net of reinsurance, by region

in USD millions, as of December 31	Unit-linked insurance contracts		Other life insurance liabilities		Total reserves	
	2010	2009	**2010**	2009	**2010**	2009
Global Life						
Americas	968	854	7,149	6,730	8,117	7,584
United Kingdom	29,105	28,126	4,792	4,394	33,896	32,520
Germany	9,800	8,690	41,347	42,645	51,147	51,334
Switzerland	650	590	18,688	15,678	19,339	16,268
Ireland	278	131	1,318	1,337	1,596	1,469
Spain	5,352	4,411	6,783	9,670	12,134	14,080
Emerging Markets in Asia	2,259	1,960	1,156	1,115	3,415	3,075
Rest of the world	1,568	1,707	5,073	5,735	6,641	7,442
Eliminations	–	–	(1)	(2)	(1)	(2)
Subtotal	**49,978**	46,468	**86,306**	87,304	**136,284**	133,772
Other segments	11,807	11,736	5,770	6,168	17,577	17,905
Total	**61,786**	58,204	**92,075**	93,472	**153,861**	151,676

Reinsurance for General Insurance and Life Insurance

The Group's objectives for purchasing reinsurance are to provide market-leading capacity for customers while protecting the balance sheet and optimizing the Group's capital efficiency. The Group follows a centralized purchasing strategy for both General Insurance and Life Insurance, and bundles programs where appropriate to benefit from diversification and economies of scale. Due to its strong balance sheet, Zurich is able to structure and align its reinsurance programs to achieve an optimum risk/reward ratio. The Group is able to manage its risks to retain a significant and stable portion of premium, as shown in the illustration below for General Insurance. For Life Insurance, since 2007 Zurich has applied the same focus on risk and reward with the goal to optimize external protection.

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

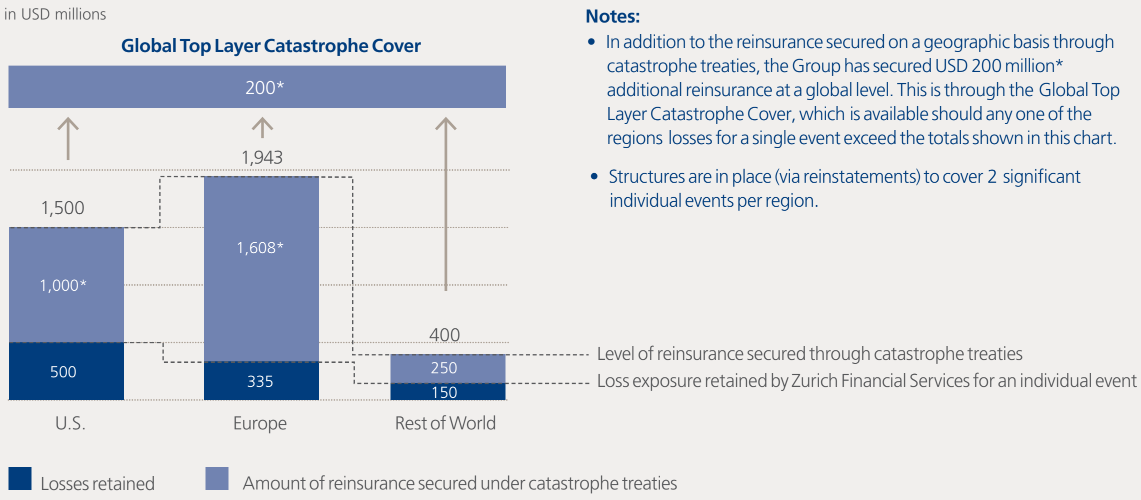


The Group continues to use traditional reinsurance markets and other alternatives, such as catastrophe bonds, to protect against extreme single events and increased frequency of events. The Group is able to use its global reach in particular for catastrophe protection, where it has in place a combination of per event and annual aggregate covers, which protects the Group's 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.

The Group uses reinsurance to manage risk to unusually severe or unusually frequent events, as illustrated on the following page, through the main in-force reinsurance covers as of December 31, 2010 for natural catastrophe events. The Group participates in the underlying risks through its retention and through its participation in the excess layers. The contracts are on a risk-occurrence basis except the aggregate catastrophe cover which operates on an annual aggregate basis. In addition to these covers, the Group has per risk programs, local catastrophe covers, bilateral risk swaps and cat bonds in place. These covers are reviewed continuously and are subject to change going forward.

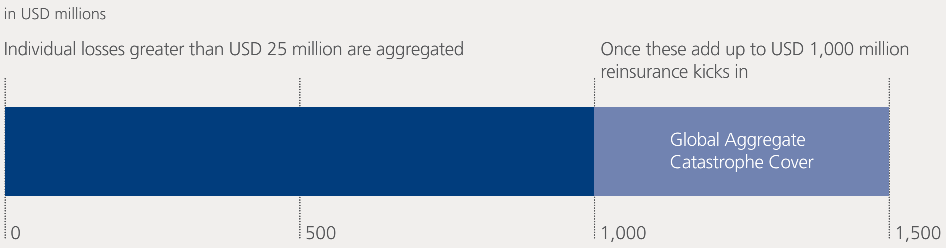
Risk review *continued*

Reinsurance for natural catastrophes – unusually severe natural catastrophe events



Notes:
- In addition to the reinsurance secured on a geographic basis through catastrophe treaties, the Group has secured USD 200 million* additional reinsurance at a global level. This is through the Global Top Layer Catastrophe Cover, which is available should any one of the regions losses for a single event exceed the totals shown in this chart.
- Structures are in place (via reinstatements) to cover 2 significant individual events per region.

Reinsurance for natural catastrophes – unusually frequent natural catastrophe events



*On a co-participation basis, as summarized below:

U.S. Catastrophe Treaty (USD 1,000 million)	Co-participation varies by layer and is approximately 36% overall.
European Catastrophe Treaty (USD 1,608 million)	Co-participation varies by layer and is approximately 39% overall.
Global Top Layer Catastrophe Cover (USD 200 million)	Cover excludes U.S. named windstorms and California earthquake, co-participation of 50%.
Global Aggregate Catastrophe Cover (USD 500 million)	Cover operates on an annual aggregate basis. Co-participation of 55%.

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. The Group aligns its strategic asset allocation to its risk-taking capacity. The Group centralizes management of certain asset classes to control aggregation of risk, and provides a consistent approach to constructing portfolios and selecting external asset managers. The Group also diversifies portfolios, investments and asset managers. The Group regularly measures and manages market risk exposure. The Group has established limits on 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 the Group limits investments that are illiquid.

The Group 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 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.

The Group applies processes to manage market risk scenarios to test and analyze market hotspots, and risk mitigation actions are taken if necessary 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 assets and liabilities and 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 Zurich's borrowings, in order to mitigate 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 by Group Risk Management of open positions and annual reviews of derivative programs.

For more information on the Group's investment result, including impairments and the treatment of selected financial instruments, see note 6 of the Consolidated financial statements. For more information on derivative financial instruments and hedge accounting, see 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. Market movements impact the amount of fee income earned when the fee income level is dependent on the valuation of the asset base. Also, the value of in-force business for unit-linked business can be negatively impacted by adverse movements in equity and real estate markets.

Risk review *continued*

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 policies and guidelines. Specifically, Zurich has established limits for holdings in equities, real estate and alternative investments.

For additional information on equity securities and real estate held for investment, see note 6 of the Consolidated financial statements.

Interest rate and credit spread 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. The Group also manages the credit 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.

In 2010, the negative convexity embedded in Global Life's liabilities has exposed the Group to large rises and falls in interest rates. In particular, exposure to the downward shock have risen as long-term interest rates have fallen. Zurich purchased receiver swaptions to partially hedge the duration and convexity gap in the German Life business unit during 2010.

Analysis of market risk sensitivities

Basis of presentation – General Insurance and rest of the businesses

The basis of the presentation below is an economic valuation represented by the fair value for Group investments, IFRS insurance liabilities discounted at risk-free market rates (the Group describes risk-free market rates as swap 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 Zurich considers available to protect policyholders in a worst-case situation.

The following tables 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. This is in line with management's monitoring of the Group's investment and liabilities base. As mentioned above, Zurich has established limits on holdings in real assets and deviations of asset interest rate sensitivities from liability interest rate sensitivities, in order to limit the economic impact of interest rate, equity and real estate risk.

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 after tax. They do not include the 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. See 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 Zurich uses 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 the Group's 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.
- The sensitivity analysis is calculated after tax; the Group internal tax rate is assumed to be 20.3 percent for 2010. For 2009, it is calculated at 22.7 percent.

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 all property markets, and an unrelated parallel shift of all interest rates in different currencies.
- 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.

See 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, 2010 and 2009, respectively.

Economic interest rate sensitivities for the General Insurance business – current period

Table 4.a

in USD millions, as of December 31, 2010	USD	EUR	GBP	CHF	Other currencies	Total
100 basis points increase in the interest rate yield curves						
Group investments	(1,293)	(530)	(307)	(260)	(175)	**(2,564)**
Liabilities	(967)	(382)	(287)	(353)	(92)	**(2,082)**
Net impact before tax	(326)	(148)	(19)	93	(82)	**(482)**
Tax impact	66	30	4	(19)	17	**98**
Net impact after tax	(260)	(118)	(15)	74	(66)	**(384)**
100 basis points decrease in the interest rate yield curves						
Group investments	1,176	560	325	246	172	**2,479**
Liabilities	966	389	304	382	92	**2,133**
Net impact before tax	210	170	21	(136)	80	**346**
Tax impact	(43)	(35)	(4)	28	(16)	**(70)**
Net impact after tax	167	136	17	(109)	64	**275**

Risk review *continued*

Economic interest rate sensitivities for the General Insurance business – prior period

Table 4.b

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 before tax	(235)	(209)	11	39	(70)	**(464)**
Tax impact	53	47	(2)	(9)	16	**105**
Net impact after tax	(182)	(161)	8	30	(54)	**(359)**
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 before tax	82	221	(8)	(86)	70	**279**
Tax impact	(19)	(50)	2	20	(16)	**(63)**
Net impact after tax	64	171	(6)	(67)	54	**216**

Economic interest rate sensitivities for the Global Life business – current period

Table 5.a

in USD millions, as of December 31, 2010	USD	EUR	GBP	CHF	Other currencies	Total
100 basis points increase in the interest rate yield curves						
Total impact on Embedded Value	(207)	156	(73)	29	(67)	**(164)**
100 basis points decrease in the interest rate yield curves						
Total impact on Embedded Value	185	(886)	86	(77)	94	**(598)**

Economic interest rate sensitivities for the Global Life business – prior period

Table 5.b

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)**

Table 6.a

Economic interest rate sensitivities for the rest of the businesses – current period

in USD millions, as of December 31, 2010	USD	EUR	GBP	CHF	Other currencies	Total
100 basis points increase in the interest rate yield curves						
Group investments	(743)	(106)	(29)	(1)	(1)	**(880)**
Liabilities	(512)	(114)	(2)	(27)	–	**(656)**
Net impact before tax	(230)	8	(27)	27	(1)	**(224)**
Tax impact	31	(2)	4	(5)	–	**28**
Net impact after tax	(199)	6	(24)	21	(1)	**(196)**
100 basis points decrease in the interest rate yield curves						
Group investments	813	107	26	7	1	**954**
Liabilities	627	114	2	16	–	**759**
Net impact before tax	186	(7)	24	(9)	1	**196**
Tax impact	(46)	1	(3)	2	–	**(45)**
Net impact after tax	141	(5)	21	(7)	1	**150**

Table 6.b

Economic interest rate sensitivities for the rest of the businesses – prior period

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	(635)	(153)	(35)	(43)	–	**(866)**
Net impact before tax	(167)	237	(219)	54	(3)	**(99)**
Tax impact	60	(54)	47	(12)	1	**42**
Net impact after tax	(107)	183	(172)	42	(2)	**(57)**
100 basis points decrease in the interest rate yield curves						
Group investments	884	(97)	291	(1)	2	**1,079**
Liabilities	786	160	44	30	–	**1,020**
Net impact before tax	98	(257)	247	(32)	2	**59**
Tax impact	(44)	58	(53)	7	–	**(32)**
Net impact after tax	54	(199)	194	(25)	2	**26**

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, 2010 and 2009, 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	**2010**	2009
10% decline in stock markets		
Group investments	(435)	(362)
Liabilities	–	na
Net impact before tax	(435)	(362)
Tax impact	88	82
Net impact after tax	(347)	(280)

Risk review *continued*

Economic equity price sensitivities for the Global Life business

Table 8

in USD millions, as of December 31	2010	2009
10% decline in stock and property market values		
Impact of a decline in stock market values	(261)	(233)
Impact of a decline in property market values	(294)	(240)
Total impact on Embedded Value	(556)	(473)

Economic equity price sensitivities for the rest of the businesses

Table 9

in USD millions, as of December 31	2010	2009
10% decline in stock markets		
Group investments	(324)	(145)
Liabilities	75	167
Net impact before tax	(399)	(312)
Tax impact	71	67
Net impact after tax	(329)	(245)

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, 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 the U.S. dollar.

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. Residual local mismatches are reported centrally in order to make use of the netting effect across the Group. Zurich then hedges residual mismatches from local balance sheets through a central balance sheet within an established limit. The monetary currency risk exposure on local balance sheets is considered immaterial.

Because the Group has chosen the U.S. dollar as its presentation currency, differences arise when functional currencies are translated into the presentation currency. The Group does not hedge movements of the Currency Translation Adjustment, or take speculative positions on foreign currency market movements. Using constant exchange rates from one year to the next, the Group's 2010 net income attributable to shareholders would have been higher by USD 50 million (applying 2009 exchange rates to the 2010 result). In 2009 the result would have been higher by USD 14 million (applying 2008 exchange rates to the 2009 results).

The table below shows the sensitivity of the total IFRS equity to changes in exchange rates for the main functional currencies to which the Group is exposed. Positive values represent an increase in the value of the Group's total equity. The sensitivity analysis does not take into account management actions. The sensitivities show the effects of a change of the exchange rates only, while other assumptions remain unchanged. 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 Zurich's view of expected future market changes. While the table below shows the effect of a 10 percent increase in currency exchange rates, a decrease of 10 percent would have the converse effect.

See notes 1 and 3 of the Consolidated financial statements for additional information on foreign currency translation and transactions.

Sensitivity of the Group's total equity to exchange rate fluctuations

Table 10

in USD millions, as of December 31	2010	2009
10% increase in		
EUR/USD rate	907	1,109
GPB/USD rate	435	383
CHF/USD rate	(137)	(503)
Other currencies/USD rates	482	439

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:

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

The Group manages individual exposures as well as credit risk concentrations. The Group's objective in managing credit risk exposures is to maintain them within parameters that reflect the Group's strategic objectives and 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, the Group assesses the reasons for the inconsistencies and applies the lowest of the respective ratings unless other indicators of declining credit quality justify the assignment of lower internal credit ratings. The Group maintains counterparty credit risk databases, which record external and internal sources of credit intelligence.

In 2010, the global sovereign credit crisis was dominated by Greece, Ireland, Italy, Portugal and Spain. Although Greece was technically the weakest, Ireland's repeated support of its large banking sector created greater creditworthiness concerns (see the 'Credit Risk Related to Debt Securities' section in the Risk Review). The concept of risk-free sovereign debt within developed economies was dispelled and numerous sovereign and corporate rating downgrades followed. Further differentiation occurred between stronger and weaker credits, with fairly stable investment-grade default rates, while speculative-grade default rates in the current cycle exceed levels last seen in the 1991 recession. Zurich's portfolio maintained its high average credit quality ('AA-') throughout 2010 and is well positioned to continue this.

The Group regularly tests and analyzes credit risk scenarios. Commencing in 2008, the Group expanded the number and the specificity of scenarios tested, and has prepared possible contingency measures, which may be implemented should the credit risk environment worsen. From the expanded set of scenarios, the Group has selected and standardized those most relevant to the Group. Zurich can adjust the scenarios if market conditions warrant.

Although the Group actively uses collateral to mitigate credit risks, the principle is nevertheless to manage the underlying credit risks independently from the collateral. In light of the 2008-2009 banking crisis, the Group has established limits and quality criteria to identify acceptable letter of credit providers. Letters of credit enable Zurich to limit the risk embedded in reinsurance captives and deductibles.

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, 2010 and December 31, 2009, respectively. 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, such as letters of credit, used to protect the underlying credit exposures on the balance sheet. The Group also has off-balance sheet exposures related to undrawn loan commitments of Zurich Bank of USD 98 million and USD 310 million as of December 31, 2010 and 2009, respectively. See note 26 of the Consolidated financial statements for undrawn loan commitments.

Credit risk related to cash and cash equivalents

The Group has significant exposure to cash and cash equivalents across the globe. In order to mitigate concentration, settlement and operational risks related to cash and cash equivalents, the Group limits the maximum cash amount that can be deposited with a single counterparty. In addition, the Group maintains an authorized list of acceptable cash counterparties based on current ratings and outlook, taking into account analysis of fundamentals and market indicators.

Cash and cash equivalents amounted to USD 8.6 billion as of December 31, 2010 and USD 11.0 billion as of December 31, 2009. The decrease was partly related to cash being invested in highly liquid assets (see the 'Liquidity Risk' section in the Risk Review). 50 percent of the total was with the ten largest global banks, whose average rating was 'A+' as of December 31, 2010. 47 percent of the total was with the 10 largest global banks, whose average rating was 'A+', as of December 31, 2009. The risk-weighted average rating of the overall cash portfolio remained stable at 'A+' in 2010 and 2009.

Risk review *continued*

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.

Debt securities by rating of issuer

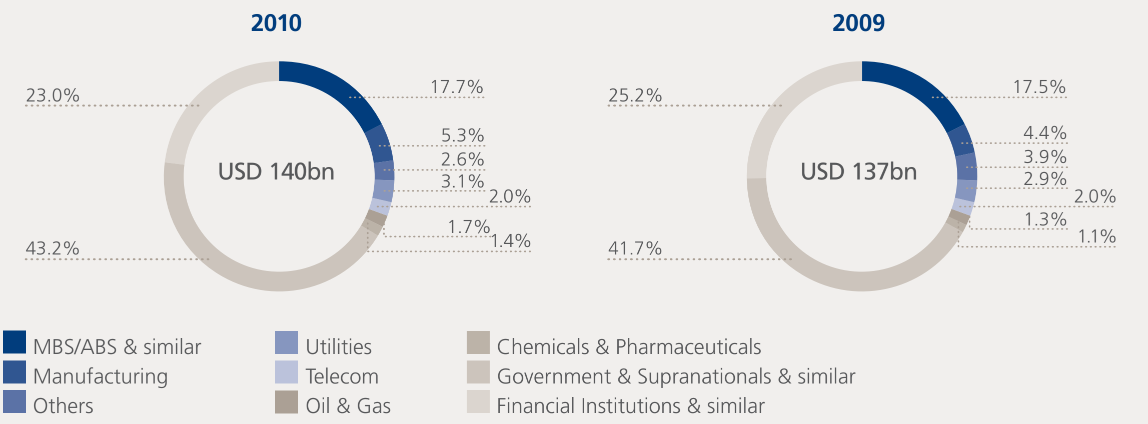
Table 11

as of December 31	2010		2009	
	USD millions	**% of total**	USD millions	% of total
Rating				
AAA	73,725	52.5%	69,590	50.9%
AA	16,149	11.5%	17,594	12.9%
A	36,864	26.3%	36,288	26.5%
BBB	11,443	8.2%	10,363	7.6%
BB and below	1,769	1.3%	2,709	2.0%
Unrated	304	0.2%	179	0.1%
Total	**140,254**	**100.0%**	**136,723**	**100.0%**

As of December 31, 2010, investment grade securities comprise 98.5 percent of the Group's debt securities, and 52.5 percent are rated 'AAA'. Debt securities rated 'BBB' and below are within the limits of the Group's risk policy. As of December 31, 2009, investment grade securities comprised 97.9 percent of debt securities, and 50.9 percent were rated 'AAA'. The Group's investment policy prohibits speculative grade investments, unless specifically authorized and under exceptional circumstances. The Group identifies investments expected to be downgraded to below investment grade and implements appropriate corrective actions.

The risk-weighted average issuer credit rating of the Group's debt securities portfolio is 'AA-' (2009: 'AA-'). Applying a linear average, the average rating would be 'AA', (2009: 'AA-'), which is in line with the Group's risk policy.

Debt securities – credit risk concentration by industry
(%, as of December 31)



As of December 31, 2010 the largest concentration in the Group's debt securities portfolio is in government and supranational debt securities at 43.2 percent. A total of USD 41.3 billion or 51.4 percent of the non-government and non-supranational debt securities are secured. As of December 31, 2009, 41.7 percent of the Group's debt portfolio was invested in governments and supranationals and a total of USD 43.0 billion or 54.3 percent of the non-government and non-supranational debt securities were secured.

Group sovereign debt exposure

Table 12

in USD millions, as of December 31	2010	2009
Greece	36	467
Ireland	818	883
Italy	7,186	7,579
Portugal	753	558
Spain	1,949	2,277
Total	**10,742**	**11,764**

As of December 31, 2010 and 2009 respectively, the Group had sovereign debt exposure to Greece, Ireland, Italy, Portugal and Spain, as shown in the table above.

The second largest concentration in the Group's debt securities portfolio is to financial institutions (including banks), at 23.0 percent, of which 44.6 percent is secured. In response to the 2010 European sovereign debt crisis, the Group identified and selectively reduced subordinated credit exposure issued by banks with weak credit profiles, and credit exposure to banks supported by weaker sovereigns.

The third largest concentration is to structured finance securities (mortgage backed securities (MBS)/asset backed securities (ABS) and similar). Although credit risks of underlying securities are diverse in nature, the Group also considers macro impacts that may affect structured finance sub-categories (e.g. auto or credit card ABS's) in its credit assessments. All structured finance exposures are assessed on a look-through basis prior to acquisition and not merely on the strength of prevailing credit ratings or credit profiles.

Credit risk related to reinsurance assets

As part of its 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.

The Group's Corporate Reinsurance Security Committee manages the credit quality of cessions and reinsurance assets. The Group typically cedes new business to authorized reinsurers with a minimum rating of 'BBB'. 54 percent and 74 percent of the business ceded to reinsurers that fall below 'BBB' or are not rated are collateralized, as of December 31, 2010 and 2009, respectively. Of these percentages, 42 percent and 51 percent are ceded to captive insurance companies, in 2010 and 2009, respectively.

Reinsurance assets include reinsurance recoverables of USD 18.9 billion and USD 18.8 billion as of December 31, 2010 and 2009, respectively, which are the reinsurers' share of reserves for insurance contracts, and receivables arising from ceded reinsurance, gross of allowance for impairments, of USD 1.2 billion and USD 1.1 billion as of December 31, 2010 and 2009, respectively. Reserves for potentially uncollectible amounts of reinsurance assets amount to USD 234 million and USD 268 million as of December 31, 2010 and 2009, 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.

Compared with December 31, 2009, collateral went down by USD 465 million to USD 8.0 billion. The decrease in collateral was mainly due to the fact that it became more difficult for Zurich's insureds to obtain affordable letter of credit cover in light of the financial crisis. Nevertheless the increase in unsecured exposure to captives is still within the Group's defined risk boundaries. Because the Group expects the pressure on obtaining collateral to continue, the Group continues to work with its largest customers on solutions for alternative credit mitigants.

The risk-weighted average credit quality of reinsurance assets (including receivables, but after deduction of collateral) was 'A' as of December 31, 2010 and 2009, 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 the Group applies 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.

Risk review *continued*

Table 13

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

as of December 31	2010				2009			
	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	88	1.5%	94	0.5%	107	1.8%	85	0.4%
AA	1,150	20.2%	6,729	33.8%	1,209	20.7%	6,519	33.2%
A	2,482	43.7%	8,884	44.6%	2,401	41.1%	9,402	47.8%
BBB	700	12.3%	1,596	8.0%	693	11.9%	1,244	6.3%
BB	168	2.9%	600	3.0%	268	4.6%	410	2.1%
B	27	0.5%	101	0.5%	49	0.8%	87	0.4%
Unrated	1,070	18.8%	1,899	9.5%	1,117	19.1%	1,915	9.7%
Total	**5,683**	**100.0%**	**19,903**	**100.0%**	**5,844**	**100.0%**	**19,662** [1]	**100.0%**

[1] The value of the collateral received amounts to USD 8.0 billion and USD 8.4 billion as of December 31, 2010 and 2009, 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 (i.e. maximum mortgage loan to property value ratios) and the diversification of loans across many single borrowers, particularly in Germany and in Switzerland, help reduce potential loss. Zurich Bank has however suffered from concentrations to a smaller number and type of borrowers, such as property developers and investors. 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 6.1 billion, including mortgage loans given as collateral) and in Switzerland (USD 4.3 billion); 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 1.8 billion (after provisions) 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. During 2010, the banks ceased to originate new business in this area. 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 618 million over the year to USD 1.2 billion as of December 31, 2010. Similarly, past due but not impaired loans at Zurich Bank also increased by USD 498 million to USD 711 million as of December 31, 2010.

Provisions at Zurich Bank now stand at a significant USD 576 million (USD 256 million in 2009) or 24 percent of the portfolio as of December 31, 2010; this accordingly reduces the carrying balance of net loans outstanding.

Mortgage loans are lent against underlying property (collateral). In Switzerland, the underlying properties of individual loans are revalued every 10 years. In Germany, the property valuation is not generally reassessed after the granting of the mortgage loan. A less frequent or no revaluation of the underlying property means that reported loan-to-value (LTV) ratios will be higher (lower) than they would be if property prices have risen (fallen) since their valuation. To ensure LTV ratios are not understated and to identify potentially higher LTV loans, the Group has undertaken to revalue properties in locations where property prices may have fallen since their valuation and to be conservative in valuing or revaluing property in locations where prices have substantially risen. Property valuations at Zurich Bank are reviewed regularly as part of the need to continually assess the appropriateness of provisioning on a portfolio that is largely impaired.

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. 72.3 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, 2010, a total of USD 9.8 billion or 75.4 percent of loans are secured. As of December 31, 2009, a total of USD 10.9 billion or 74.6 percent of loans were secured.

Other loans by rating of issuer

Table 14

as of December 31	2010		2009	
	USD millions	**% of total**	USD millions	% of total
Rating				
AAA	7,113	54.6%	7,934	54.5%
AA	2,313	17.7%	2,494	17.2%
A	1,893	14.5%	2,378	16.3%
BBB and below	81	0.6%	28	0.2%
Unrated	1,643	12.6%	1,722	11.8%
Total	**13,043**	**100.0%**	**14,556**	**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 2010, the Group continued efforts to reduce past-due receivables through both short- and long-term initiatives to improve processes and systems; some progress was made, particularly in reducing long-outstanding past-due receivables. 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.

See 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 the Group has 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. The Group mitigates credit exposures from derivative transactions further by using exchange-traded instruments whenever possible.

Risk review *continued*

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.

Table 15.a

Analysis of financial assets – current period

in USD millions, as of December 31, 2010	Debt securities	Mortgage loans	Mortgage loans given as collateral	Other loans	Receivables and other financial assets	Total
Neither past due nor impaired financial assets	**139,504**	**10,431**	**737**	**13,043**	**14,911**	**178,626**
Past due but not impaired financial assets. Past due by:						
1 to 90 days	–	238	–	1	1,376	1,615
91 to 180 days	–	354	–	–	325	680
181 to 365 days	–	78	–	–	232	310
> 365 days	–	86	4	–	292	383
Past due but not impaired financial assets	**–**	**757**	**4**	**1**	**2,226**	**2,988**
Financial assets impaired	**750**	**1,254**	**2**	**1**	**176**	**2,184**
Gross carrying value	**140,254**	**12,442**	**744**	**13,045**	**17,313**	**183,797**
Less: impairment allowance						
Impairment allowances on individually assessed financial assets	–	548	–	1	123	673
Impairment allowances on collectively assessed financial assets	–	42	–	1	199	242
Net carrying value	**140,254**	**11,851**	**743**	**13,043**	**16,990**	**182,882**

[1] Available-for-sale debt securities are included net of USD 137 million of impairment charges recognized during the year.

Table 15.b

Analysis of financial assets – prior period

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	**136,097**	**12,105**	**1,090**	**14,557**	**16,103**	**179,952**
Past due but not impaired financial assets. Past due by:						
1 to 90 days	–	137	–	–	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**	**–**	**2,164**	**2,437**
Financial assets impaired	**758**	**641**	**5**	**1**	**226**	**1,630**
Gross carrying value	**136,855**	**13,010**	**1,103**	**14,558**	**18,493**	**184,019**
Less: impairment allowance						
Impairment allowances on individually assessed financial assets	132	239	1	1	160	534
Impairment allowances on collectively assessed financial assets	–	34	–	–	276	310
Net carrying value	**136,723** [1]	**12,736**	**1,102**	**14,556**	**18,057**	**183,175**

[1] Available-for-sale debt securities are included net of USD 510 million of impairment charges recognized during 2009.

The table below shows how the allowances for impairments of financial assets shown in tables 15.a and 15.b have developed over the 2009 and 2010 financial years.

Table 16.a

Development of allowance for impairments – current period

in USD millions	Debt securities held-to-maturity	Mortgage loans	Mortgage loans given as collateral	Other loans	Receivables
As of January 1, 2010	132	273	1	1	436
Increase/(decrease) in allowance for impairments	(40)	353	–	19	(90)
Amounts written-off	(83)	(6)	(1)	(20)	(17)
Foreign currency translation effects	(10)	(30)	–	1	(6)
As of December 31, 2010	**–**	**590**	**–**	**2**	**323**

Table 16.b

Development of allowance for impairments – prior period

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)	(26)
Amounts written-off	–	(6)	(1)	(1)	(6)
Foreign currency translation effects	4	(3)	–	–	12
As of December 31, 2009	**132**	**273**	**1**	**1**	**436**

Risk review *continued*

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 and high quality, liquid investment portfolios 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 2010, 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 into three levels to reflect how their fair value was determined. These tables indicate the high liquidity of the Group's investments.

See note 22 of the Consolidated financial statements for additional information on 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, 2010 and 2009. Reserves for unit-linked insurance contracts amounting to USD 61.8 billion and USD 58.2 billion as of December 31, 2010 and 2009, 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 17.a

Expected maturity profile for reserves for insurance contracts, net of reinsurance – current period

in USD millions, as of December 31, 2010	Reserves for losses and loss adjustment expenses	Future life policyholders' benefits	Policyholders' contract deposits and other funds	Total
< 1 year	17,642	6,433	1,123	25,198
1 to 5 years	22,840	20,585	2,083	45,507
6 to 10 years	8,028	15,683	2,448	26,159
11 to 20 years	5,247	18,258	2,231	25,736
> 20 years	2,220	15,932	7,300	25,452
Total	**55,976**	**76,891**	**15,184**	**148,051**

Expected maturity profile for reserves for insurance contracts, net of reinsurance – prior period

Table 17.b

in USD millions, as of December 31, 2009	Reserves for losses and loss adjustment expenses	Future life policyholders' benefits	Policyholders' contract deposits and other funds	Total
< 1 year	14,777	5,803	1,397	21,978
1 to 5 years	22,169	21,837	1,908	45,914
6 to 10 years	8,065	16,399	2,482	26,946
11 to 20 years	6,836	17,618	2,617	27,071
> 20 years	4,056	15,414	7,996	27,466
Total	**55,903**	**77,072**	**16,400**	**149,375**

For additional information on reserves for insurance contracts, see 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, 2010 and 2009. The undiscounted contractual cash flows for liabilities for investment contracts are USD 50.8 billion and USD 48.4 billion as of December 31, 2010 and December 31, 2009, respectively. Liabilities for unit-linked investment contracts amount to USD 44.9 billion and USD 40.1 billion as at December 31, 2010 and 2009, 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 1.0 billion and USD 1.2 billion as of December 31, 2010 and 2009 respectively. The Group has established active management of the Global Life in-force business to improve persistency and retention.

Expected maturity profile for liabilities for investment contracts – current period

Table 18.a

in USD millions, as of December 31, 2010	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	3,853	347	326	4,526
1 to 5 years	5,704	67	1,207	6,977
6 to 10 years	6,805	143	932	7,879
11 to 20 years	9,115	35	630	9,780
> 20 years	19,464	1	2,040	21,505
Total	**44,941**	**592**	**5,134**	**50,667**

Expected maturity profile for liabilities for investment contracts – prior period

Table 18.b

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**

See 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, see note 20 of the Consolidated financial statements.

See note 6 of the Consolidated financial statements for information on the maturity of debt securities for total investments.

Risk review *continued*

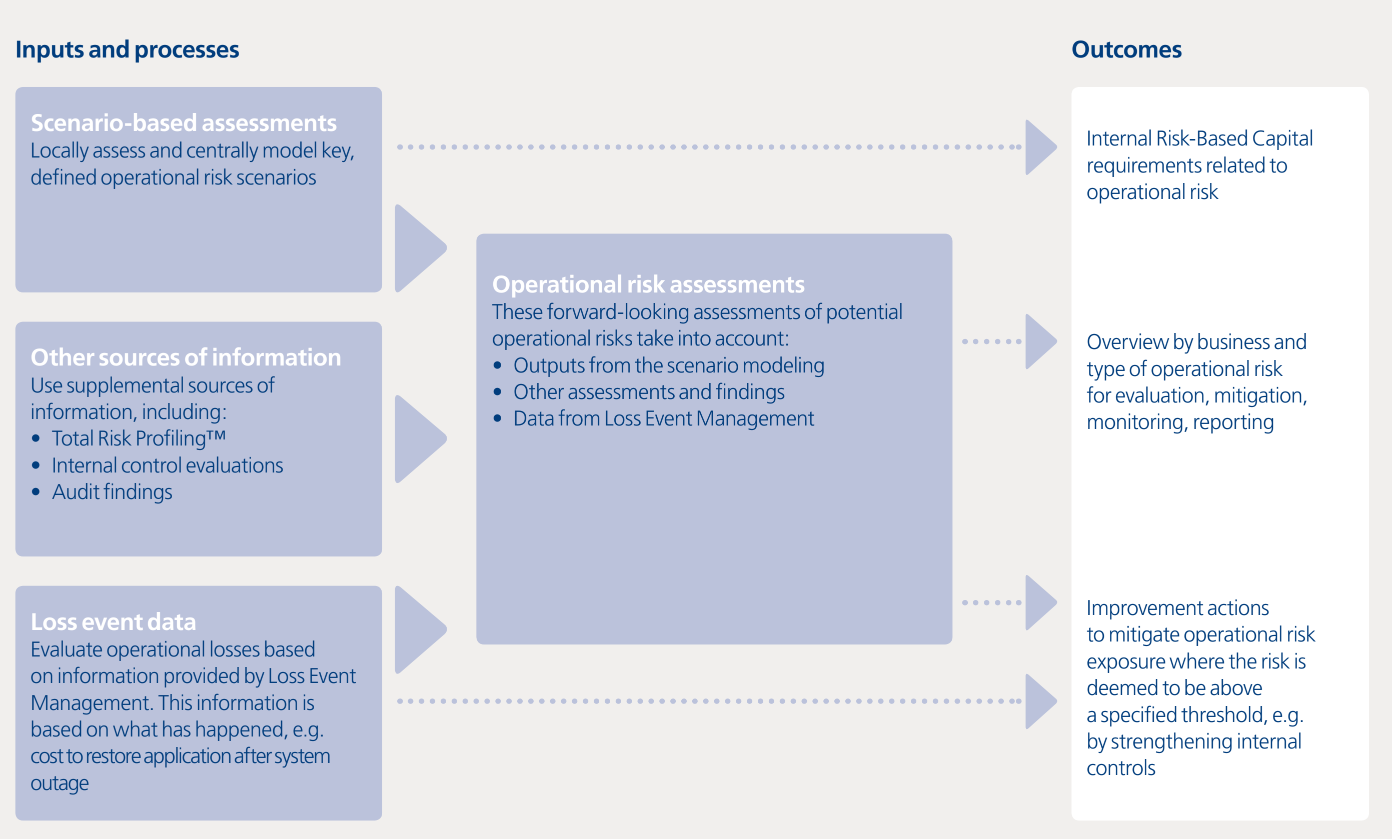
The Group has committed to contribute capital to subsidiaries and third parties that engage in making investments in direct private equity and private equity funds. Commitments may be called by the counterparty over the term of the investment (generally three to five years) and must be funded by the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

Zurich has a comprehensive framework with a common approach to identify, assess, quantify, mitigate, monitor and report operational risk within the Group as summarized below.

Operational risk



Within this framework, the Group:

- Uses a scenario-based approach to assess, quantify and allocate risk-based capital for operational risk for all business units. This approach allows comparison 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 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 2010, the scoping resulted in at least 33 percent of business units, responsible for at least 65 percent of operational risk RBC, conducting operational risk assessments. In the assessments, the Group makes 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 its overall framework, the Group has 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, the Group especially focused in 2010 on rolling out a global data security improvement initiative with special emphasis on data classification and ownership; improving data security with its suppliers and monitoring access to customer data. This helps the Group's businesses to further enhance data protection measures for electronic and non-electronic information assets to protect data from theft or loss.

A key task is keeping the Group's business continuity plans up-to-date, with an emphasis on recovery from events such as natural catastrophes and the possibility of a pandemic. In 2010, the Group continued to develop its existing business continuity capability. A full review of the business continuity operating model was undertaken in the first half of the year. Initial steps to implement the review findings were undertaken to provide a more globally consistent business continuity program.

Addressing the risk of claims and non-claims fraud continues to be of importance. In 2010, the Group continued a global anti-fraud initiative to further improve 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 the 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 Zurich manage operational risks through standardization of processes. Projects with an expected budget over a defined threshold undergo a risk assessment.

The Group considers controls to be key instruments for monitoring and managing operational risk. Although primarily focused on important controls for financial reporting, internal control efforts also include related operational and compliance controls. Therefore, the Group continues to strengthen the consistency, documentation and assessment of internal controls for significant entities, processes and locations. Operational effectiveness of key controls is assessed in various ways, including self assessment, management validation and independent testing. For more details, see the 'Risk Management and Internal Control Statement' in the Corporate Governance Report (unaudited).

Risks to the Group's reputation

Risks to the Group's 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 its stakeholders. Every risk type has potential consequences for Zurich's reputation, and therefore, effectively managing each type of risk helps Zurich reduce threats to its reputation.

Additionally, the Group endeavors to preserve its reputation by adhering to applicable laws and regulations, and by following the core values and principles of Zurich Basics, the Group's code of conduct, which includes integrity and good business practice. The Group centrally manages certain aspects of reputation risk, for example, communications, through functions with the appropriate expertise.

Risk review *continued*

Capital Management and Analysis of Capital Adequacy

Capital management

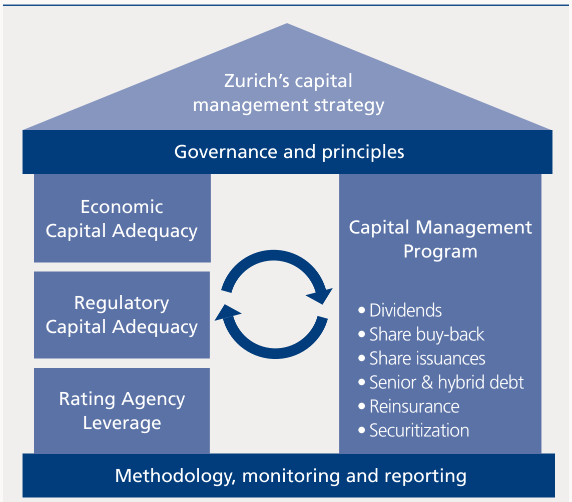
The Group's capital management strategy is to maximize long term shareholder value by optimizing capital allocation while managing the balance sheet at 'AA' level and in accordance with regulatory, solvency and rating agency requirements. In particular, the Group endeavors to manage its capital such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

Further, Zurich strives to simplify the Group's legal entity structure in order to reduce complexity and increase fungibility of capital. The Group also wants to minimize constraints to capital fungibility by pooling risk, capital and liquidity centrally as much as possible.

Capital management framework

The Group's capital management framework forms the basis for actively managing capital within Zurich. Regulatory, rating agency and economic capital adequacy are major elements thereof.

Capital management framework



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

The Group manages 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. The Group's capital and solvency position is monitored and reported regularly. Based on the results of the capital models and 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

The Group's capital management program comprises various actions to optimize shareholders' total return and to meet capital needs, while enabling Zurich to take advantage of growth opportunities as they arise. Such actions are performed as and when required and include dividends, share buy-backs, issuances of shares, issuance of senior and hybrid debt, securitization and purchase of reinsurance.

The Group seeks to maintain the balance between higher returns for shareholders on equity held, 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, the Group undertook a number of actions. It continued its major legal entity reorganization project in Europe by transferring its main German General Insurance unit into a German branch of its Irish carrier, Zurich Insurance plc, following the transfer of Italy, Spain and Portugal on January 1, 2010.

Zurich reduced capital support to the Farmers Exchanges, which are managed but not owned by a wholly owned subsidiary of Zurich, through a reduction of the quota share reinsurance agreement from 35% at the beginning of 2010 to 12% as of December 31, 2010.

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; therefore the earnings allocated to those reserves are restricted. As of December 31, 2010, the amount of the general legal reserve exceeded 20 percent of the paid-in share capital of the Group. Similarly, 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 such as foreign exchange control restrictions existing in some countries.

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.

For details on dividend payments, share buy-backs, and issuances and redemptions of debt, see notes 22 and 23 of the Consolidated financial statements. For details on the quota share reinsurance agreement provided to the Farmers Exchanges, see note 29 of the Consolidated financial statements.

Analysis of capital adequacy

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 main areas are Switzerland and 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 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.

Some countries have already introduced, or are in the process of introducing, requirements for an economic risk-based capital assessment. In Switzerland, the transition period for the Swiss Solvency Test (SST) has expired and the SST has become fully effective and mandatory as of January 1, 2011. Under SST, groups, conglomerates and reinsurers are required to use company-specific internal models to calculate risk-bearing and target capital. Internal models must be approved by the Swiss Financial Market Supervisory Authority (FINMA). In 2010, Zurich continued to further enhance and refine its internal model to meet evolving regulatory requirements. The model approval process continues with FINMA, which has approved on a provisional basis the use of Zurich's internal model for 2011, without prejudicing the final approval of the internal model. Zurich has filed an SST ratio with FINMA in excess of 200 percent for the Group, both as of December 31, 2009 and as of June 30, 2010.

On November 25, 2009 the directive on Solvency II was adopted. Solvency II introduces a new 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

Risk review *continued*

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 assessment, 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.

EU/EEA Member States must bring into force the laws, regulations and administrative provisions necessary to comply with the directive by January 1, 2013, at the latest. Zurich is fully engaged in an extensive program of work in order to meet all Solvency II requirements by this deadline. The Group intends to use its internal model, which aligns the Solvency II approach with that used for the SST. The Group has started the pre-application process in order to gain regulatory approval for the internal model from the EU supervisors, coordinated by the Central Bank of Ireland, the Group's EU lead regulator from 2011. In addition, Zurich participated in the Solvency II Quantitative Impact Study 5 (QIS5), presenting results to six EU regulators in 2010. QIS5 helps companies prepare for the Solvency II requirements and is important for calibration of the standard model, which is used by smaller insurance companies that may not have an internal model.

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. The Group is closely following and will adopt the Basel III framework in which new requirements are expected to be implemented in phases between 2013 and 2019. Key aspects of the new global banking standards include higher quality of capital, better coverage of risk, an internationally harmonized leverage ratio, capital buffers, minimum global liquidity standards as well as stronger standards for supervision, public disclosure and risk management.

At a Group level, Zurich endeavors to pool risk and capital as much as possible and thereby create diversification benefits for the Group. This also allows the Group to take into account the benefits that arise from this pooling in those regions where these benefits are recognized under the capital adequacy regime, e.g. in the U.S., Ireland, 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 2009 and as drafted for filing with the Swiss regulator for 2010.

Table 19

The Group's Solvency I composition as of December 31

in USD millions, as of December 31	**2010**	2009
Eligible equity		
Total equity	**33,321**	**31,104**
Net of intangibles and other assets	(6,998)	(7,456)
Free reserves for policyholder dividends	2,736	2,799
Subordinated debt[1]	4,522	4,161
Deferred policyholder acquisition costs non-life insurance	(2,754)	(3,054)
Dividends, share buy-back and nominal value reduction	(2,643)[2]	(2,226)
Total eligible equity	**28,184**	**25,239**
Total required solvency capital	**11,613**	**12,966**
Excess margin	**16,571**	**12,273**
Solvency I ratio	**243%**	**195%**

[1] Under regulations 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 2010, 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.

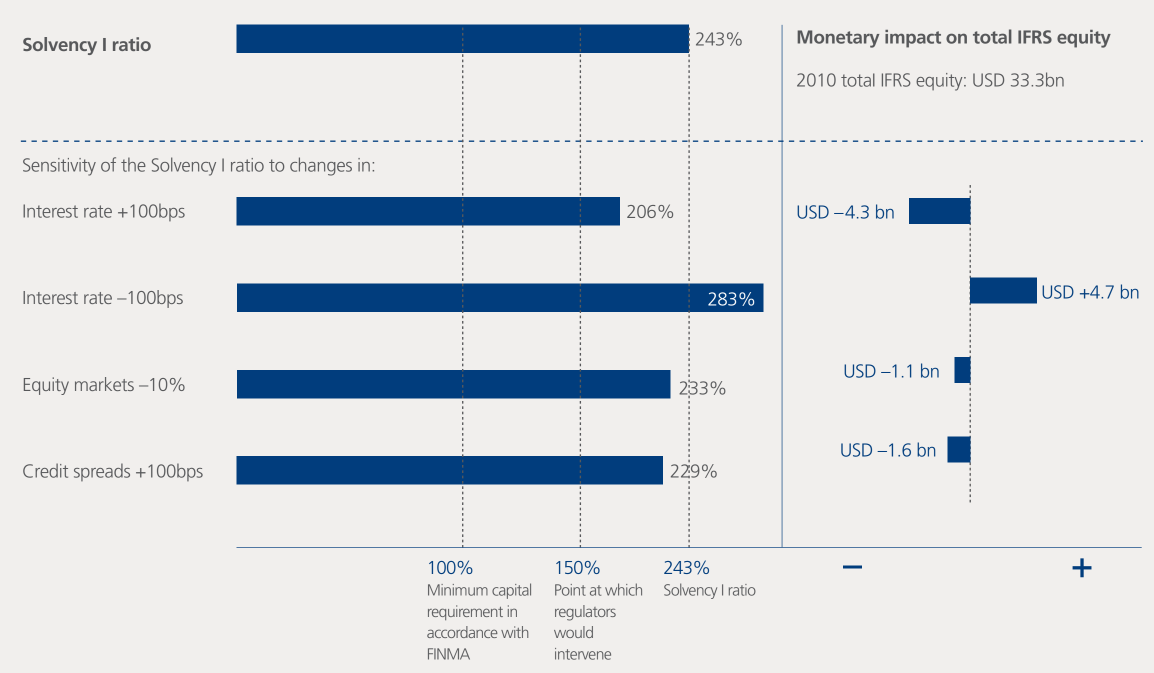
Throughout 2009 and 2010, the Group and all its material, regulated subsidiaries complied with the applicable regulatory minimum capital requirements.

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, 2010. 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 majority of 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 U.S. and Europe. The major interest rate exposures are to U.S. dollar- 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 20.3 percent in 2010.

Sensitivities for Solvency I ratio and total IFRS equity
(As of December 31, 2010)



Rating agency leverage

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. The Group maintains a continuous dialogue with rating agencies regarding the assessment of capital adequacy and leverage position.

The financial strength ratings of the Group's main operating entities are an important element of Zurich's competitive position. Moreover, the Group's credit ratings derived from the financial strength ratings affect the cost of capital. As of December 31, 2010 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-/stable', by A.M. Best as 'A+/stable' and by Moody's as 'A1/on review for possible upgrade'. The Group is no longer rated by Fitch.

Risk review *continued*

Beginning of unaudited section.

Economic capital adequacy

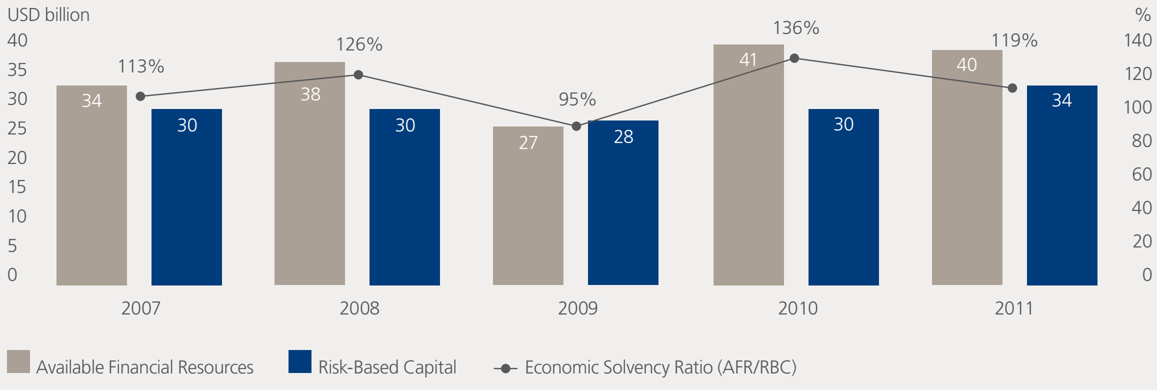
The Group uses an additional capital management tool, its internal risk-based capital (RBC) model. This model targets a total capital level that is calibrated to an 'AA' financial strength. Zurich defines RBC as being the capital required to protect the Group's policyholders in order to meet all of their claims with a confidence level of 99.95 percent over a one-year time horizon.

The Group uses RBC to assess the economic capital consumption of its business on a one-balance-sheet approach. The RBC framework is an integral part of how the Group is managed. The RBC framework is embedded in the Group's organization and decision making, and is used in capital allocation, business performance management, pricing, reinsurance purchasing, transaction evaluation, risk optimization, regulatory, investor, and rating agency communication.

At the Group level, Zurich compares RBC to the Group's Available Financial Resources (AFR) to derive an Economic Solvency Ratio. 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 the Group's 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.

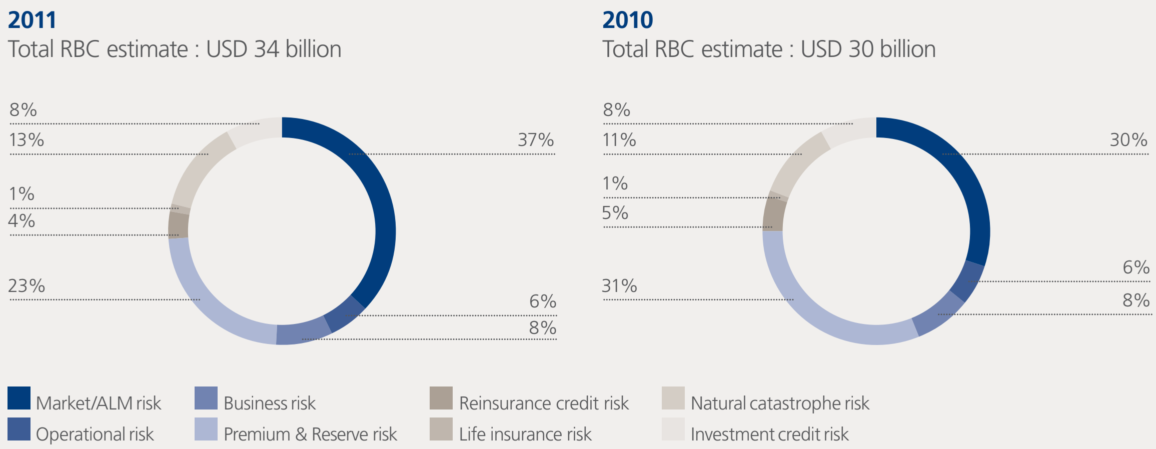
Analysis of the Group's Available Financial Resources and Risk-Based Capital
(in USD billions as of January 1)



As of January 1, 2011 AFR amounted to USD 40 billion, while the latest estimate of the internal RBC requirements for the year 2011 amounted to USD 34 billion, resulting in an estimated Economic Solvency Ratio of 119 percent compared with 136 percent for 2010. The decrease in AFR over 2010 was driven by a reduction in the amount of eligible senior debt, a reduction in the embedded value of the Global Life business and a discount release on General Insurance reserves, partially offset by the increase of shareholders' equity. 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 due primarily to the effect of lower interest rates on Market/ALM risk as well as higher equity risk, driven by the revaluation of New China Life.

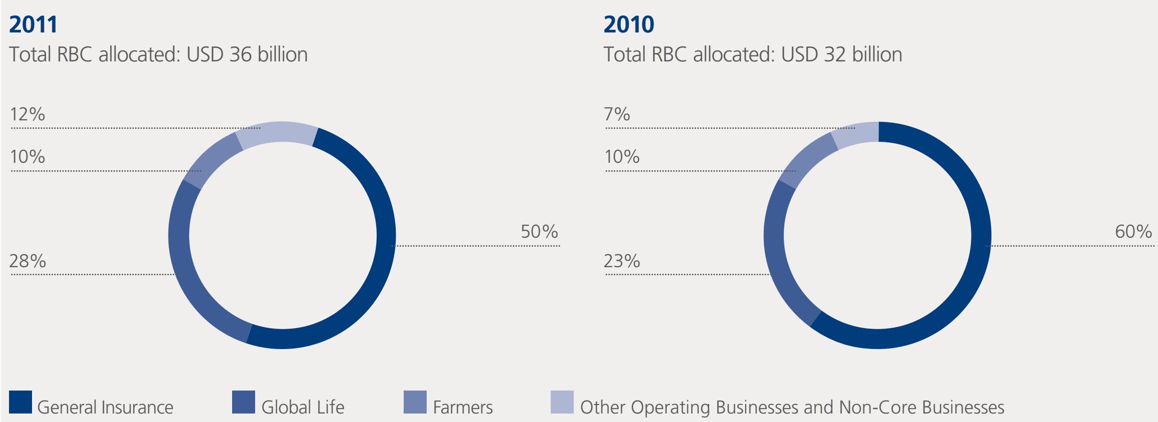
The chart below shows a split of the internal RBC requirements for the year 2011 and 2010 respectively. The largest proportion of RBC arises from Market/ALM risk which comprises 37% of the total. Premium & Reserve risk is the second largest, comprising 23% percent.

Risk-Based Capital (RBC) split by risk type
(%, as of January 1)



The following chart shows a split of the RBC allocated to the segments. As of January 1, 2011 the total allocated capital corresponds to the RBC of USD 34 billion plus USD 2 billion directly allocated to the Farmers Management Services.

Risk-Based Capital (RBC) allocated by segment
(%, as of January 1)



End of unaudited section.

Financial information

Consolidated financial statements

Contents

Consolidated income statements

in USD millions, for the years ended December 31	Notes	2010	Restated 2009
Revenues			
Gross written premiums and policy fees		49,965	53,817
Less premiums ceded to reinsurers		(5,683)	(5,844)
Net written premiums and policy fees		44,282	47,973
Net change in reserves for unearned premiums	11	1,227	(746)
Net earned premiums and policy fees		45,509	47,227
Farmers management fees and other related revenues	14	2,778	2,690
Net investment result on Group investments	6	7,990	5,929
Net investment income on Group investments		7,092	7,505
Net capital gains/(losses) and impairments on Group investments		898	(1,576)
Net investment result on unit-linked investments	6	10,093	12,475
Net gain/(loss) on divestments of businesses	5	38	(5)
Other income		1,442	1,802
Total revenues		67,850	70,118
Benefits, losses and expenses			
Insurance benefits and losses, gross of reinsurance	11	38,591	38,304
Less ceded insurance benefits and losses	11	(4,106)	(3,201)
Insurance benefits and losses, net of reinsurance	11	34,484	35,103
Policyholder dividends and participation in profits, net of reinsurance	11	10,801	12,859
Underwriting and policy acquisition costs, net of reinsurance	11	8,636	8,403
Administrative and other operating expense	13	7,976	7,098
Interest expense on debt	22	556	555
Interest credited to policyholders and other interest		529	563
Total benefits, losses and expenses		62,982	64,582
Net income before income taxes		4,868	5,537
Income tax expense	21	(1,355)	(1,553)
attributable to policyholders	21	(462)	(387)
attributable to shareholders	21	(893)	(1,167)
Net income after taxes		**3,513**	3,983
attributable to non-controlling interests		79	21
attributable to shareholders		3,434	3,963
in USD			
Basic earnings per share	23	23.63	27.78
Diluted earnings per share	23	23.44	27.58
in CHF			
Basic earnings per share	23	24.57	30.09
Diluted earnings per share	23	24.38	29.88

The notes to the Consolidated financial statements are an integral part of these Consolidated financial statements.

Consolidated financial statements *continued*

Consolidated statements of comprehensive income

in USD millions, for the year ended December 31	Net income attributable to shareholders	Net unrealized gains/(losses) on available-for-sale investments
2009, as restated		
Comprehensive income for the period	3,963	3,411
Details of movements during the period		
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		3,548
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		1,014
Deferred income tax (before foreign currency translation effects)		(1,144)
Foreign currency translation effects		(7)
2010		
Comprehensive income for the period	3,434	2,081
Details of movements during the period		
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		3,069
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		(589)
Deferred income tax (before foreign currency translation effects)		(520)
Foreign currency translation effects		121

The notes to the Consolidated financial statements are an integral part of these Consolidated financial statements.

	Cash flow hedges	Cumulative foreign currency 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
	7	944	(1)	171	4,532	8,495	91	8,586
	119	944	(2)	288	4,898			
	(96)	–	–	–	918			
	(16)	–	–	(63)	(1,223)			
	–	–	–	(53)	(61)			
	65	(729)	28	(162)	1,283	4,717	(13)	4,704
	(45)	(709)	41	(192)	2,164			
	134	(20)	–	–	(475)			
	(6)	–	(13)	51	(488)			
	(18)	–	–	(22)	81			

Consolidated financial statements *continued*

Consolidated balance sheets

Assets

in USD millions, as of	Notes	12/31/10	Restated 12/31/09	Restated 01/01/09
Investments				
Total Group investments		195,898	195,658	179,138
Cash and cash equivalents		8,558	11,041	10,726
Equity securities		13,729	12,581	14,571
Debt securities		140,254	136,723	118,493
Real estate held for investment		8,274	7,789	7,524
Mortgage loans		11,851	12,736	12,820
Other loans		13,043	14,556	14,784
Equity method accounted investments		188	232	220
Investments for unit-linked contracts		107,947	99,167	78,203
Total investments	6	303,845	294,825	257,341
Reinsurers' share of reserves for insurance contracts	8	18,809	18,751	18,778
Deposits made under assumed reinsurance contracts		2,832	3,861	2,397
Deferred policy acquisition costs	12	16,326	16,181	14,323
Deferred origination costs	12	866	856	770
Accrued investment income		2,749	2,744	2,429
Receivables	15	13,935	13,782	13,662
Other assets	19	3,741	3,327	4,095
Mortgage loans given as collateral	16	743	1,102	1,233
Deferred tax assets	21	2,067	2,421	3,165
Assets held for sale[1]		–	67	–
Property and equipment	17	1,689	1,942	1,889
Goodwill	18	2,104	2,297	1,677
Other intangible assets	18	5,954	7,044	6,633
Total assets		**375,661**	**369,202**	**328,391**

[1] Includes land and buildings formerly classified as held for own use.

The notes to the Consolidated financial statements are an integral part of these Consolidated financial statements.

Liabilities and equity

in USD millions, as of	Notes	12/31/10	Restated 12/31/09	Restated 01/01/09
Liabilities				
Reserve for premium refunds		518	649	620
Liabilities for investment contracts	9	50,667	46,124	35,979
Deposits received under ceded reinsurance contracts		1,362	1,558	1,619
Deferred front-end fees		5,626	5,543	4,695
Reserves for insurance contracts	8	242,646	242,094	224,078
Obligations to repurchase securities		3,330	3,976	3,608
Accrued liabilities		3,011	2,839	2,820
Other liabilities	20	18,396	18,299	17,391
Collateralized loans	16	743	1,102	1,233
Deferred tax liabilities	21	4,585	4,445	3,273
Debt related to capital markets	22	400	25	2,079
Senior and subordinated debt	22	11,057	11,444	8,455
Total liabilities		**342,340**	**338,098**	**305,850**
Equity				
Share capital	23	10	10	10
Additional paid-in capital	23	11,630	11,400	10,131
Net unrealized gains/(losses) on available-for-sale investments		2,468	387	(3,024)
Cash flow hedges		56	(9)	(16)
Cumulative foreign currency translation adjustment		(1,125)	(396)	(1,341)
Revaluation reserve		126	98	99
Retained earnings		18,344	17,253	14,441
Common shareholders' equity		31,509	28,743	20,301
Preferred securities	23	475	561	561
Shareholders' equity		31,984	29,304	20,862
Non-controlling interests		1,337	1,800	1,678
Total equity		**33,321**	**31,104**	**22,540**
Total liabilities and equity		**375,661**	**369,202**	**328,391**

The notes to the Consolidated financial statements are an integral part of these Consolidated financial statements.

Consolidated financial statements *continued*

Consolidated statements of cash flows

in USD millions, for the year ended December 31	**2010**	Restated 2009
Cash flows from operating activities		
Net income attributable to shareholders	3,434	3,963
Adjustments for:		
Net (gain)/loss on divestments of businesses	(38)	5
Income from equity method accounted investments	(17)	(4)
Depreciation, amortization and impairments of fixed and intangible assets	1,086	892
Other non-cash items	789	554
Underwriting activities:	12,999	11,944
Reserves for insurance contracts, gross	*5,785*	7,664
Reinsurers' share of reserves for insurance contracts	*(13)*	625
Liabilities for investment contracts	*7,058*	6,674
Deferred policy acquisition costs	*(622)*	(1,455)
Deferred origination costs	*(23)*	(16)
Deposits made under assumed reinsurance contracts	*1,028*	(1,453)
Deposits received under ceded reinsurance contracts	*(214)*	(97)
Investments:	(16,490)	(18,349)
Net capital (gains)/losses on total investments and impairments	*(9,430)*	(9,261)
Net change in trading securities and derivatives	*7*	214
Net change in money market investments	*411*	(142)
Sales and maturities		
Debt securities	*96,192*	223,066
Equity securities	*57,853*	52,271
Other	*47,233*	23,139
Purchases		
Debt securities	*(104,679)*	(231,089)
Equity securities	*(56,960)*	(52,538)
Other	*(47,117)*	(24,008)
Proceeds from sale and repurchase agreements	(502)	(14)
Movements in receivables and payables	1,379	(279)
Net changes in debt for capital markets	411	(2,054)
Net changes in other operational assets and liabilities	(995)	1,283
Deferred income tax, net	255	711
Net cash provided by/(used in) operating activities	2,310	(1,346)

The notes to the Consolidated financial statements are an integral part of these Consolidated financial statements.

in USD millions, for the year ended December 31	2010	2009
Cash flows from investing activities		
Sales of property and equipment	117	86
Purchase of property and equipment	(182)	(359)
Disposal of equity method accounted investments, net	2	6
Acquisitions of companies, net of cash acquired	(48)	(307)
Divestments of companies, net of cash balances	(27)	(10)
Dividends from equity method accounted investments	3	5
Net cash used in investing activities	(135)	(581)
Cash flows from financing activities		
Dividends paid	(2,220)	(1,426)
Issuance of share capital	95	929
Net movement in treasury shares and preferred securities	(61)	367
Issuance of debt	709	3,475
Repayments of debt outstanding	(982)	(898)
Net cash provided by/(used in) financing activities	(2,460)	2,448
Foreign currency translation effects on cash and cash equivalents	(383)	859
Change in cash and cash equivalents excluding change in cash held as collateral for securities lending	(668)	1,380
Cash and cash equivalents as of January 1, excluding cash held as collateral for securities lending	16,389	15,009
Cash and cash equivalents as of December 31, excluding cash held as collateral for securities lending	**15,721**	**16,389**
Change in cash held as collateral for securities lending	(493)	316
Cash and cash equivalents as of January 1, including cash held as collateral for securities lending	16,882	15,186
Cash and cash equivalents as of December 31, including cash held as collateral for securities lending	**15,721**	**16,882**
of which:		
– cash and cash equivalents – Group investments	8,558	11,042
– cash and cash equivalents – unit linked	7,163	5,840
Other supplementary cash flow disclosures		
Other interest income received	6,868	7,146
Dividend income received	1,667	1,644
Other interest expense paid	(1,182)	(1,146)
Income tax paid	(1,363)	(1,019)

As of December 31, 2010 and 2009, cash and cash equivalents held to meet local regulatory requirements were USD 1,238 million and USD 1,678 million, respectively.

Cash and cash equivalents

in USD millions, as of December 31	2010	2009
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	7,363	7,388
Cash equivalents	8,358	9,000
Cash held as collateral for securities lending	–	493
Total	**15,721**	**16,882**

The notes to the Consolidated financial statements are an integral part of these Consolidated financial statements.

Consolidated financial statements *continued*

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, 2008, as previously reported	10	10,131	(2,957)
Total adjustments due to restatement	–	–	(66)
Balance as of December 31, 2008, as restated	10	10,131	(3,024)
Issuance of share capital[1]	–	929	–
Dividends to shareholders	–	–	–
Share-based payment transactions	–	59	–
Treasury share transactions[2]	–	282	–
Total comprehensive income for the period, net of tax	–	–	3,411
Net income	–	–	–
Net unrealized gains/(losses) on available-for-sale investments	–	–	*3,411*
Cash flow hedges	–	–	–
Cumulative foreign currency translation adjustment	–	–	–
Net actuarial gains/(losses) on pension plans	–	–	–
Net changes in capitalization and non-controlling interests	–	–	–
Balance as of December 31, 2009, as restated	10	11,400	387
Balance as of December 31, 2009, as previously reported	10	11,400	334
Total adjustments due to restatement	–	–	53
Balance as of December 31, 2009, as restated	10	11,400	387
Issuance of share capital[1]	–	205	–
Dividends to shareholders	–	–	–
Share-based payment transactions	–	28	–
Treasury share transactions[2]	–	(3)	–
Change of ownership with no loss of control	–	–	–
Total comprehensive income for the period, net of tax	–	–	2,081
Net income	–	–	–
Net unrealized gains/(losses) on available-for-sale investments	–	–	*2,081*
Cash flow hedges	–	–	–
Cumulative foreign currency translation adjustment	–	–	–
Revaluation reserve	–	–	–
Net actuarial gains/(losses) on pension plans	–	–	–
Net changes in capitalization and non-controlling interests	–	–	–
Balance as of December 31, 2010	**10**	**11,630**	**2,468**

[1] The number of common shares issued as of December 31, 2010 was 146,586,896 (December 31, 2009: 147,473,068, December 31, 2008: 142,122,620).
[2] The number of treasury shares deducted from equity as of December 31, 2010 amounted to 1,399,080 (December 31, 2009: 3,269,338, December 31, 2008: 5,219,803). On March 30, 2010, the cancellation of the 1,836,404 shares with nominal value of CHF 0.10 each repurchased through the Group share buy-back program until December 2008 was approved by the Annual General Meeting. The effective date of the capital reduction was June 15, 2010.

The notes to the Consolidated financial statements are an integral part of these Consolidated financial statements.

	Cash flow hedges	Cumulative foreign currency translation adjustment	Revaluation reserve	Retained earnings	Common shareholders' equity	Preferred securities	Shareholders' equity	Non-controlling interests	Total equity
	(16)	(1,341)	99	15,616	21,542	561	22,103	1,678	23,781
	–	–	–	(1,174)	(1,241)	–	(1,241)	–	(1,241)
	(16)	(1,341)	99	14,441	20,301	561	20,862	1,678	22,540
	–	–	–	–	929	–	929	–	929
	–	–	–	(1,389)	(1,389)	(19)	(1,408)	(17)	(1,425)
	–	–	–	–	59	–	59	–	59
	–	–	–	85	366	–	366	–	366
	7	944	(1)	4,115	8,476	19	8,495	91	8,586
	–	*–*	*–*	*3,943*	*3,943*	*19*	*3,963*		
	–	*–*	*–*	*–*	*3,411*	*–*	*3,411*		
	7	*–*	*–*	*–*	*7*	*–*	*7*		
	–	*944*	*–*	*–*	*944*	*–*	*944*		
	–	*–*	*–*	*171*	*171*	*–*	*171*		
	–	–	–	–	–	–	–	48	48
	(9)	(396)	98	17,253	28,743	561	29,304	1,800	31,104
	(9)	(396)	98	17,680	29,117	561	29,678	1,800	31,478
	–	–	–	(427)	(374)	–	(374)	–	(374)
	(9)	(396)	98	17,253	28,743	561	29,304	1,800	31,104
	–	–	–	–	205	–	205	–	205
	–	–	–	(2,202)	(2,202)	(11)	(2,213)	(7)	(2,220)
	–	–	–	–	28	–	28	–	28
	–	–	–	28	25	(86)	(61)	–	(61)
	–	–	–	4	4	–	4	–	4
	65	(729)	28	3,261	4,705	11	4,717	(13)	4,704
	–	*–*	*–*	*3,422*	*3,422*	*11*	*3,434*		
	–	*–*	*–*	*–*	*2,081*	*–*	*2,081*		
	65	*–*	*–*	*–*	*65*	*–*	*65*		
	–	*(729)*	*–*	*–*	*(729)*	*–*	*(729)*		
	–	*–*	*28*	*–*	*28*	*–*	*28*		
	–	*–*	*–*	*(162)*	*(162)*	*–*	*(162)*		
	–	–	–	–	–	–	–	(443)	(443)
	56	**(1,125)**	**126**	**18,344**	**31,509**	**475**	**31,984**	**1,337**	**33,321**

Consolidated financial statements *continued*

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 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 9, 2011 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 31, 2011.

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 and reinsurance products, IFRS permits reference to another comprehensive body of accounting principles that uses a similar conceptual framework. 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 in areas where IFRS 4 did not include specific requirements. Before 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 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 96 to 131, and they form an integral part of the Consolidated financial statements.

Significant subsidiaries included in the scope of consolidation are disclosed on pages 256 to 258.

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 life insurance products. The classification was corrected in the current year as the impact on the Group's income statement was not material. The reclassifications in the balance sheet from reserves for unearned premiums, reserves for policyholders' contract deposits and other funds, and liabilities related to investment contracts with discretionary participation features (DPF) to reserves for future life policyholders' benefits and liabilities related to unit-linked investment contracts are shown in notes 8 and 9.

Reserves for premium rebates previously reported as reserves for premium refunds amounting to USD 94 million as of December 31, 2009, are now presented as deferred front-end fees to better reflect the nature of the underlying transactions. The classification was corrected in the current year as the impact on the Group's income statement was not material.

Certain balances previously reported as cash and cash equivalents amounting to USD 589 million as of December 31, 2009, are now presented, depending on their nature and measurement basis, as debt securities available-for-sale, equity securities available-for-sale, other loans and receivables. Furthermore, certain deposits previously presented under debt related to capital markets and banking activities within debt amounting to USD 814 million as of December 31, 2009, are now presented under other liabilities. The related impact on the Group's income statement amounting to USD 31 million as of December 31, 2009, has been reclassified from interest expense on debt to other interest expense, accordingly. These changes in presentation are reflected in the consolidated balance sheets, consolidated income statements, consolidated statements of cash flows and notes 6 and 22.

Premium taxes erroneously reported under Administrative and other operating expense amounting to USD 149 million as of December 31, 2009, are now presented under Underwriting and policy acquisition costs in order to ensure consistency with the treatment of other related items.

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, deferred policy acquisition costs on general insurance contracts, accrued investment income, receivables, reserve for premium refunds, obligations to repurchase securities and accrued liabilities.

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

The following balances are mixed in nature (including both current and non-current portions): debt securities, mortgage loans, other loans, reinsurers' share of reserves for insurance contracts, deposits made under assumed reinsurance contracts, 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, deferred front-end fees, 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 senior and subordinated debt.

Maturity tables have been provided for the following balances: reserves for insurance contracts (tables 17a and 17b in the "Risk Review"), liabilities for investment contracts (tables 18a and 18b in the "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, unless otherwise stated, are shown in USD, rounded to the nearest million 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 134 million and USD (49) million for the years ended December 31, 2010 and 2009, respectively. Foreign currency exchange forward and swap gains/(losses) included in these amounts were USD (141) million and USD 118 million for the years ended December 31, 2010 and 2009, respectively.

Table 1

Principal exchange rates

USD per foreign currency unit	Balance sheets		Income statements and cash flows	
	12/31/2010	12/31/2009	**2010**	2009
Euro	1.3391	1.4333	1.3272	1.3935
Swiss franc	1.0707	0.9649	0.9617	0.9232
British pound	1.5596	1.6164	1.5459	1.5650

Consolidated financial statements *continued*

Change in accounting policies in 2010

The Group decided to dynamically hedge the risks associated with its closed U.S. life book included in its Non-Core Businesses segment, starting in March 2010. In order to offset the accounting volatility from the fair valuation of the hedge, the Group concluded that it should measure the underlying insurance liabilities in this book of business at current value and as a consequence has changed its accounting policy for this closed U.S. life book by exercising the option in IFRS 4 to remeasure designated insurance liabilities using current financial and non-financial assumptions. All financial assets, which were previously designated as available-for-sale, related to these insurance liabilities have therefore also been redesignated at fair value through profit or loss. As a consequence of this change in accounting policy, prior year figures have been restated to ensure comparability. Business operating profit (BOP) has not been restated, as the business was not managed on a fair value basis, prior to the implementation of the dynamic hedge and therefore to restate BOP would not be a fair reflection of a sustainable operating profit nor provide comparability with the previous period.

Restatement and reclassifications of consolidated income statement

Table 1.1

in USD millions, for the year ended December 31, 2009	As reported	Change in acounting policy	Other restatements	As restated
Revenues				
Gross written premiums and policy fees	53,817	–	–	53,817
Less premiums ceded to reinsurers	(5,844)	–	–	(5,844)
Net written premiums and policy fees	47,973	–	–	47,973
Net change in reserves for unearned premiums	(746)	–	–	(746)
Net earned premiums and policy fees	47,227	–	–	47,227
Farmers management fees and other related revenues	2,690	–	–	2,690
Net investment result on Group investments	6,082	(153)	–	5,929
Net investment income on Group investments	7,505	–	–	7,505
Net capital gains/(losses) and impairments on Group investments	(1,423)	(153)	–	(1,576)
Net investment result on unit-linked investments	12,475	–	–	12,475
Net gain/(loss) on divestments of businesses	(5)	–	–	(5)
Other income	1,802	–	–	1,802
Total revenues	70,272	(153)	–	70,118
Benefits, losses and expenses				
Insurance benefits and losses, gross of reinsurance	39,522	(1,217)	–	38,304
Less ceded insurance benefits and losses	(3,261)	59	–	(3,201)
Insurance benefits and losses, net of reinsurance	36,261	(1,158)	–	35,103
Policyholder dividends and participation in profits, net of reinsurance	12,859	–	–	12,859
Underwriting and policy acquisition costs, net of reinsurance	8,254	–	149	8,403
Administrative and other operating expense	7,248	(1)	(149)	7,098
Interest expense on debt	586	–	(31)	555
Interest credited to policyholders and other interest	533	–	31	563
Total benefits, losses and expenses	65,741	(1,159)	–	64,582
Net income before income taxes	4,531	1,006	–	5,537
Income tax expense	(1,295)	(258)	–	(1,553)
attributable to policyholders	(387)	–	–	(387)
attributable to shareholders	(908)	(258)	–	(1,167)
Net income after taxes	**3,236**	**747**	**–**	**3,983**
attributable to non-controlling interests	21	–	–	21
attributable to shareholders	3,215	747	–	3,963
in USD				
Basic earnings per share	22.51	5.26	–	27.78
Diluted earnings per share	22.35	5.23	–	27.58
in CHF				
Basic earnings per share	24.39	5.70	–	30.09
Diluted earnings per share	24.21	5.66	–	29.88

Restatement of consolidated balance sheet

Table 1.2

in USD millions, as of December 31, 2009	As reported	Change in accounting policy	Other restatements	As restated
Investments				
Total Group investments	196,258	–	(600)	195,658
Cash and cash equivalents	11,631	–	(589)	11,041
Equity securities	12,450	–	131	12,581
Debt securities	136,344	–	380	136,723
Real estate held for investment	7,789	–	–	7,789
Mortgage loans	12,736	–	–	12,736
Other loans	15,077	–	(521)	14,556
Equity method accounted investments	232	–	–	232
Investments for unit-linked contracts	99,167	–	–	99,167
Total investments	295,425	–	(600)	294,825
Reinsurers' share of reserves for insurance contracts	18,627	124	–	18,751
Deposits made under assumed reinsurance contracts	3,861	–	–	3,861
Deferred policy acquisition costs	16,181	–	–	16,181
Deferred origination costs	856	–	–	856
Accrued investment income	2,744	–	–	2,744
Receivables	13,182	1	600	13,782
Other assets	3,327	–	–	3,327
Mortgage loans given as collateral	1,102	–	–	1,102
Deferred tax assets	2,257	164	–	2,421
Assets held for sale	67	–	–	67
Property and equipment	1,942	–	–	1,942
Goodwill	2,297	–	–	2,297
Other intangible assets	7,044	–	–	7,044
Total assets	**368,914**	**288**	**–**	**369,202**
Liabilities				
Reserve for premium refunds	649	–	–	649
Liabilities for investment contracts	46,124	–	–	46,124
Deposits received under ceded reinsurance contracts	1,558	–	–	1,558
Deferred front-end fees	5,543	–	–	5,543
Reserves for insurance contracts	241,412	682	–	242,094
Obligations to repurchase securities	3,976	–	–	3,976
Accrued liabilities	2,839	–	–	2,839
Other liabilities	17,485	–	814	18,299
Collateralized loans	1,102	–	–	1,102
Deferred tax liabilities	4,464	(20)	–	4,445
Debt related to capital markets	839	–	(814)	25
Senior and subordinated debt	11,444	–	–	11,444
Total liabilities	**337,435**	**662**	**–**	**338,098**
Equity				
Shareholders' equity	29,678	(374)[1]	–	29,304
Non-controlling interests	1,800	–	–	1,800
Total equity	**31,478**	**(374)**	**–**	**31,104**
Total liabilities and equity	**368,914**	**288**	**–**	**369,202**

[1] Of the USD (374) million restatement of total equity, USD 867 million relates to 2009, and USD (1,241) million relates to 2008 and prior years.

Consolidated financial statements *continued*

2. New accounting standards and amendments to published accounting standards

Standards, amendments and interpretations effective or early adopted as of January 1, 2010 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, 2010 with no material impact on the Group's financial position or performance.

In January 2008, the International Accounting Standards Board (IASB) issued the revised IFRS 3 "Business Combinations". The standard is effective for reporting periods beginning on or after July 1, 2009. 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. The standard permits advice to be made in respect of each acquisition to measure the non-controlling interests in the acquiree either at fair value or at the non-controlling interests' 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, International Financial Reporting Interpretations Committee (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 share-based payment award.

In November 2009, the IASB issued IFRIC Interpretation 19 'Extinguishing Financial Liabilities with Equity Instruments' which clarifies the accounting when the terms of a financial liability are renegotiated and result in the issue of equity instruments by an entity to settle, in full or in part, that financial liability. The interpretation is effective for annual periods beginning on or after July 1, 2010 with earlier application being permitted.

Standards, amendments and interpretations issued that are not yet effective nor yet adopted by the Group

The following standards, amendments and interpretations of existing published standards are not yet effective but are relevant to the Group's operations. The Group is currently evaluating the impact of adopting these standards, amendments and interpretations, but is not expecting a significant impact, unless otherwise stated.

In October 2009, the IASB issued amendments to IAS 32 "Classification of Rights Issues". The amendments will be 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 will be 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, as part of the phased project to replace IAS 39 "Financial Instruments: Recognition and Measurement", the IASB issued IFRS 9 "Financial Instruments" which reconsiders the classification and measurement of financial assets. Under the new requirements, 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 cost 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). In October 2010, the IASB completed the first phase of IFRS 9 "Financial Instruments" by carrying forward unchanged most of the requirements in IAS 39 regarding the classification and measurement of financial liabilities. The requirements related to the fair value option for financial liabilities were amended insofar as the effects of changes in a liability's credit risk will be recorded in OCI rather than through the income statement, unless this presentation creates an accounting mismatch. Also, the IASB has carried forward to IFRS 9 the existing IAS 39 requirements related to the derecognition of financial assets and financial liabilities. IFRS 9 will be effective for reporting periods beginning on or after January 1, 2013, with earlier adoption permitted. 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. Changes to the IFRS timetable may have an impact on this approach.

While the accounting treatment for transferred assets is unchanged (see IFRS 9 above), in October 2010, the IASB amended IFRS 7 "Financial Instruments: Disclosures" to include additional disclosure requirements regarding transfers of assets (for example, securities sold under repurchase agreements or securities lending transactions) with the aim of increasing the transparency in the risk exposures relating to such transferred assets. The amendment will be effective for annual periods beginning on or after July 1, 2011.

In May 2010, the IASB issued amendments to IFRS resulting from the IASB's annual improvement project. These amendments will be effective for annual periods beginning on or after January 1, 2011. The amendments primarily comprise clarification to presentation, disclosure and measurement provisions related to a several IFRS standards.

In December 2010, the IASB issued amendments to IAS 12 "Income Taxes". The amendments will be effective for reporting periods beginning on or after January 1, 2012. The amendments provide a practical approach for measuring deferred taxes when investment property is measured using the fair value model.

Consolidated financial statements *continued*

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. Effects of transactions with non-controlling interests are recorded in equity if there is no change in control.

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, including attributable goodwill, 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) Foreign currency translation and transactions

Foreign currency translation

In view of the international operations 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 and statements of cash flows are translated at average exchange rates for the period. The resulting translation differences are recorded directly in OCI 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 OCI, any foreign currency component of that gain or loss is also recognized directly in OCI;

- 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 in 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 OCI; and

- foreign currency translation differences arising on monetary items that form part of net investments in foreign operations are recognized directly in OCI as cumulative translation adjustments.

- 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 OCI as cumulative translation adjustments.

Equity method accounted investments are translated at the end-of-period exchange rates, with any foreign currency translation differences recorded directly in OCI as cumulative translation adjustments.

c) Insurance contracts and investment contracts with discretionary participating features (DPF)

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 are those that have commercial substance.

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 intangibles.

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. 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 the new product 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

General insurance

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.

Life insurance

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 insurance 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 deferred and recognized over the estimated life of the contracts.

Consolidated financial statements *continued*

Cash flows from certain universal life-type contracts in the Group's Spanish operations are recognized as gross written premiums and insurance benefits and losses instead of deposits.

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.

Reserves for life benefits

Future life policyholders' benefits represent the estimated future benefit liability for traditional life insurance policies.

The reserves for life 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.

The reserves for life 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 estimated policy benefits for investment type insurance contracts invested in non unit-linked funds. This liability comprises 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 OCI in accordance with the Group's accounting policy for such assets, with the corresponding adjustments to the reserves for life benefits and related assets also recognized directly in OCI.

The policyholders' share of unrealized gains or losses, which may be paid in the future, in respect of assets, is included in the reserves for life benefits.

Reserves for unit-linked contracts represent the estimated policy benefits for investment type insurance contracts invested in unit-linked funds. This liability is 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.

For products managed on a dynamic basis, the option in IFRS 4 to measure the insurance liabilities using current financial and non financial assumptions is used, to better reflect the way these products are managed. Financial assets relating to these liabilities are designated as "fair value through profit or loss".

Discretionary participation features (DPF)

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 OCI until such time as the discretionary element of a bonus is determined and declared.

Deferred policy acquisition costs (DAC)

Costs that vary with and are directly related to the acquisition of new and renewal business, including for example commissions and underwriting and policy issue expenses, are deferred and subsequently amortized over a defined period. 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.

Unamortized DAC associated with internally replaced contracts that are, in substance, contract modifications continues to be deferred and amortized. Unamortized DAC associated with internally replaced contracts that are, in substance, new contracts is written down at the time of replacement.

General insurance

DAC for general insurance contracts is amortized over the period in which the related premiums written are earned.

Life insurance

DAC for traditional participating life insurance contracts is amortized over the 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 actual and anticipated future experience using the latest revised interest rate for the remaining benefit period. Resultant deviations are reflected in income.

DAC for other traditional life insurance and annuity contracts is amortized over the 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 investment type insurance contracts such as universal life, unit-linked and unitized with-profits contracts is amortized over the 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 actual and anticipated future experience using either the rate in effect at the inception of the contracts or the latest revised interest rate for the remaining benefit period, depending on whether crediting is based on the policyholder's or on the reporting entity's investment performance. Resultant deviations are reflected in income.

Unamortized DAC for life insurance contracts accrues interest at a rate consistent with the related assumptions for reserves.

For traditional participating and investment type life insurance contracts the DAC asset is adjusted for the impact of unrealized gains/(losses) on allocated investments that are recorded in OCI (shadow accounting).

Liability adequacy tests

Liability adequacy testing is performed annually for groupings of contracts determined in accordance with the Group's manner of acquiring, servicing and measuring the profitability of its insurance contracts.

General insurance

For general insurance contracts, unearned premiums are tested to determine whether they are sufficient to cover related expected losses, loss adjustment expenses, policyholder dividends, unamortized DAC and maintenance expenses using current assumptions and considering anticipated investment returns. If a premium deficiency is identified, the DAC asset for the respective grouping of contracts is written down by the amount of the deficiency. If, after writing down the DAC asset to nil, a premium deficiency still exists for the respective grouping of contracts, then a premium deficiency reserve is established for the amount of the remaining deficiency.

Life insurance

For life insurance contracts, the carrying amount of the existing reserve for life benefits, including any deferred front-end fees, reduced by the unamortized balance of DAC or present value of future profits of acquired insurance contracts (PVFP), is compared with the reserve for life benefits, calculated using revised assumptions for actual and anticipated experience as of the valuation date. If a deficiency is identified, the DAC or PVFP for the respective grouping of contracts is written down by the amount of the deficiency. If, after writing down the DAC or PVFP to nil, a deficiency still exists for the respective grouping of contracts, the reserve for life benefits is increased by the amount of the remaining deficiency.

Consolidated financial statements *continued*

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 contracts that do not transfer significant insurance risk are accounted for using the deposit method. A deposit asset or liability is recognized based on the premium paid or received less any explicitly identified premiums or fees to be retained by the ceding company. Interest on deposits is 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. Reinsurance deposit assets or liabilities also include funds deposited or held by the Group, respectively under assumed or ceded reinsurance contracts, when funds are retained under the terms of the contract.

Reinsurance assets include balances expected to be recovered from reinsurance companies for ceded 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 liability associated with the reinsured policy. Reinsurance is recorded gross in the consolidated balance sheet.

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 or changes in credit ratings of a counterparty, and historical experience regarding collectibility from specific reinsurers. An impairment is considered to have occurred if it is probable that the Group will not be able to collect the amounts expected from reinsurers. If there is objective evidence that a reinsurance asset is impaired, the carrying amount of the asset is reduced to its recoverable amount, through the use of an allowance account, and the amount of the impairment loss is recognized in income. If a decrease in the impairment loss can be related objectively to an event occurring after the impairment loss was initially recognized, the impairment loss is reversed through income.

Premiums paid under retroactive contracts are included in reinsurance recoverables in the balance sheet. If the amount of gross liabilities reinsured is higher than the premium paid, reinsurance recoverables are increased by the difference and the resulting gain is deferred and amortized over the expected settlement period. If the amount of gross liabilities reinsured is lower than the premium paid, reinsurance recoverables are reduced by the difference and the resulting loss is recognized in income immediately.

d) Liabilities for 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).

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

Unit-linked investment contracts

These represent portfolios maintained to meet the specific investment objectives of policyholders who bear the credit, market and liquidity risks related to the investments. The liabilities are carried at fair value, with fair value being determined by reference to the underlying financial assets. The related assets for unit-linked investment contracts are classified as designated at fair value through profit or loss in order to reduce measurement inconsistencies. 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.

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.

Investment contracts at 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.

As of each reporting date, the Group re-estimates the expected future cash flows and re-calculates 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, such as 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.

e) Non-derivative investments

Investments includes non-derivative financial assets, cash and cash equivalents and real estate held for investment.

Categories and measurement of non-derivative investments

Non-derivative financial assets are classified as available for sale, financial assets at fair value through profit or loss, held-to-maturity investments or loans and receivables. Management determines the classification of these investments at initial recognition, depending on the purpose for which the investments were acquired.

All financial assets are initially recognized at fair value plus, in the case of financial assets not carried at fair value through profit or loss, incremental transaction costs that are directly attributable to their acquisition.

The Group recognizes regular 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.

Available-for-sale financial assets

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.

Available-for-sale financial assets are carried at fair value, with changes in fair value recognized directly in OCI, until the securities are either sold or impaired.

The cumulative unrealized gains or losses recorded in OCI are net of cumulative deferred income taxes, certain related 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 are recycled from OCI and recognized in income.

Financial assets at fair value through profit or loss

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 irrevocably designated at inception at fair value through profit or loss are mainly financial assets backing unit-linked insurance contracts, unit-linked investment contracts and certain life insurance contracts with participation features. 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.

Financial assets at fair value through profit or loss are carried 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.

Held-to-maturity investments

Held-to-maturity investments 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 has the positive intention and ability to hold to maturity.

Consolidated financial statements *continued*

Held-to-maturity investments are carried at amortized cost using the effective interest rate method, less any charges for impairment.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not classified in any of the other categories. Loans and receivables include loans where money is provided directly to the borrower, such as mortgage loans, policyholder loans and other loans.

Loans and receivables are carried at amortized cost using the effective interest rate method, less any charges for impairment.

Other items
Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid investments that are readily convertible into cash and are subject to an insignificant risk of change in fair value, for example, short-term investments with maturities of three months or less from the date of acquisition. 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. The gain or loss on disposal of real estate held for investment is the difference between the net proceeds received and the carrying amount of the investment and is recognized in the income statement when the disposal is completed.

Impairment of non-derivative financial assets

General
A financial asset or group of financial assets is impaired if there is objective evidence of impairment 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. The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or group of financial assets is impaired. Such evidence 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 relating to the assets in that group.

Available-for-sale financial assets
When there is objective evidence that an available-for-sale debt security is impaired, the cumulative loss that had been recognized directly in OCI is recognized in income as an impairment loss. The impairment loss is the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that security previously recognized in income. If the fair value of a debt security 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, up to the amount of the previously recognized impairment loss, as adjusted for any amortization already recognized in income. Any further gains are recognized directly in OCI. Any subsequent losses, to the extent that they do not represent impairment losses, are also recognized in OCI.

Objective evidence of impairment exists for an available-for-sale equity security when its fair value 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 equity security to be impaired when its fair value has been below the weighted-average cost for a prolonged period of 24 consecutive months or longer.

When there is objective evidence that an available-for-sale equity security is impaired, the cumulative loss that had been recognized directly in OCI, including any portion attributable to foreign currency changes, is recognized in income as an impairment loss. The impairment loss is the difference between the weighted-average acquisition cost and current fair value, less any impairment loss on that security previously recognized in income. Impairment losses on equity securities are not reversed through income, instead, when the fair value of a previously impaired equity security increases, the resulting unrealized gains will be recognized through OCI. Any further decrease in fair value recorded subsequent to recognition of an impairment loss is also reclassified from OCI to income as impairment losses, together with any portion attributable to foreign currency changes, until the equity security is derecognized.

Held-to-maturity investments and loans and receivables
Generally, significant held-to-maturity financial assets are individually assessed to determine whether or not objective evidence of impairment exists. If no objective evidence of impairment exists the asset is included in a group of financial assets with similar credit risk characteristics that are collectively assessed for impairment.

Objective evidence of impairment exists 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 investments, 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 allowance of financial assets carried at amortized cost is measured as the difference between the amortized cost of the assets and the present value of estimated future cash flows, calculated using the original effective interest rate, for fixed rate financial assets, or current effective interest rate, for variable rate financial assets. The impairment allowance 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. The amount of reversal is limited so that it does not result in a carrying amount exceeding what the amortized cost would have been at the date of reversal had the impairment not been previously recognized.

f) Derivative financial instruments and hedge accounting

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 measured and presented 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.

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Derivative financial instruments that qualify for hedge accounting
Derivatives are used by the Group to economically hedge risks. In limited circumstances derivatives are designated as hedging instruments for accounting purposes:

- 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. At inception of a hedge and on an ongoing basis, the hedge relationship is formally assessed in order to determine whether the hedging instruments are highly effective in offsetting changes in fair values or cash flows of hedged items attributable to the hedged risk. 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
The effective portion of the gain or loss on the re-measurement of the cash flow hedging instrument is recognized directly in OCI. The ineffective portion is recognized immediately in income. The accumulated gains and losses on the hedged instrument in OCI are reclassified to income in the same period in which gains or losses on the item hedged are recognized in income.

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.

g) 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 borrowing using the effective interest rate method.

Preference shares, which are mandatorily redeemable or can be put back for redemption at the option of the holder on a specific or determinable date are classified as liabilities. Dividends on these preference shares are recognized in income as interest expense.

When fair value hedge accounting is applied to borrowings, the carrying values of the borrowings are adjusted for changes in fair values related to the hedged exposure.

h) 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.

i) 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, cancelled or has expired.

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 the 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.

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 accounted for as collateralized financing transactions.

The securities delivered under a 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.

Under 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 and reported within "Other Receivables". Interest income is recognized in income using the effective interest rate method over the life of the agreement.

In cases such as 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 would be recognized on the balance sheet at fair value and the original receivable as collateral derecognized. Any shortfall is recorded as a loss in income.

j) 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 cash generating unit (CGU) level if the recoverable amount cannot be separately determined.

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k) Intangible assets

Intangible assets include goodwill, present value of future profits from acquired insurance contracts (PVFP), attorney-in-fact relationships (AIF), distribution agreements and other intangible assets, such as customer relationships and contracts, affinity partnerships, 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.

The useful lives of customer relationships and contracts, affinity partnerships extend up to 30 years and are estimated based on the period of time over which they are expected to provide economic benefits after 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.

Other intangible assets with definite 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 at least annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Other intangible assets with indefinite 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.

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 the acquisition of subsidiaries is included in the balance sheet as a separate line. Goodwill on acquisition of associates is included in the value of equity method accounted investments 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 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. The 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.

Present value of future profits from acquired insurance contracts (PVFP)

An intangible asset representing the PVFP arises from the acquisition of life insurance businesses. Such asset have a definite life and are amortized over the expected life of the acquired contracts, following the same rules outlined for deferred acquisition costs. The carrying value of the PVFP asset is tested periodically for impairment as part of the liability adequacy test for insurance contracts.

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, which are managed but not owned by Farmers Group Inc. (FGI), a wholly owned subsidiary of the Group. 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.

Distribution agreements

Distribution agreements are either entered into separately for a consideration or are acquired in a business combination. The useful lives may extend up to 30 years and are estimated based on the period of time over which they are expected to provide economic benefits, after taking into account all economic and legal factors such as stability of the industry, competitive position and the period of control over the assets. They are amortized using the straight-line method over their useful lives and reviewed for impairments at least annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Software

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 resources 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 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.

l) Provisions, contingent liabilities, commitments and financial guarantees

Provisions, contingent liabilities, commitments and financial guarantees 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.

m) Treasury shares

Zurich Financial Services Ltd shares and preferred securities classified as equity instruments held by the Group are classified as treasury shares and are deducted from shareholders' equity, net of transaction costs and tax. The nominal value of treasury shares is deducted from share capital. The difference between the nominal value and the amount paid to acquire the treasury shares, is allocated between additional paid-in capital and retained earnings. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of treasury shares.

n) Other revenue recognition

Farmers management fees

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

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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.

Other fees and commission income

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 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.

o) Net investment income

Net investment income includes investment income earned and investment expenses incurred.

Investment income

Investment income primarily consists of interest income on debt securities, loans and receivables, dividend income on equity securities, rental income from real estate held for investment and income earned on equity method accounted investments.

Dividend income is recognized when the right to receive payment is established, which is usually the ex-dividend date.

For Group investments, interest income is recognized using the effective interest method. Interest income on impaired financial assets is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Rental income from real estate held for investment is recognized on an accrual basis.

Investment expenses

Investment expenses consist of operating expenses for real estate held for investment and other investment expenses. These expenses are recognized on an accrual basis.

p) Employee benefits

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 OCI. However, no subsequent adjustment to total OCI 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.

Retirement benefits

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 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 consolidated 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 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.

q) Leases

The Group enters into lease contracts, predominantly of property and equipment, as a lessor and a lessee. The terms and conditions of these contracts are assessed and the leases are classified as operating leases or finance leases according to their economic substance. 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 of the underlying asset 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.

Finance leases, where the Group is the lessee, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in income. Contingent rents are recognized as expenses in the period in which they are incurred.

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r) 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 the Group's 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 the Group's 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.

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, employee benefits 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. There are two categories of loss reserve: reserves for reported losses and reserves for IBNR ('incurred but not yet reported') 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. These reserves are generally established on an undiscounted basis to recognize the estimated costs of bringing pending claims to final settlement. The reserve calculation takes 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 such claims 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. These reserves are revised 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

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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.

See notes 8 and 11 for further information on reserves for losses and loss adjustment expenses and to the Insurance risk section of the "Risk Review" for sensitivities on Insurance risk.

b) Future life policyholders' benefits and policyholders' contract deposits

The reserves for future life policyholders' benefits and policyholders' contract deposits and other funds 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.

See 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, available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss and derivative financial instruments are carried at fair value, as of the reporting date. All other financial instruments are carried at amortized cost, with their fair values disclosed in note 27.

The determination of fair value for financial assets and liabilities is generally based on quoted market prices or broker/dealer price quotations. If prices are not readily available, then fair values are based on valuation models (for example, discounted cash flow models) that estimate the amounts for which the respective financial instruments could be transferred 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 information from external pricing providers or internal pricing models (for example, discounted cash flow models or other recognized valuation techniques).

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 values of liabilities related to unit-linked investment contracts are determined by reference to the fair value of the financial assets backing these liabilities. Fair values of liabilities related to other investment contracts are determined using discounted cash flow models, that incorporate a variety of factors, including credit risk, embedded derivatives (such as unit-linking features), volatility factors (including contract holder behavior), servicing costs and surrenders.

For certain financial instruments, the carrying amounts approximate their fair value because of their short term nature. Such instruments include short-term investments, receivables, obligations to repurchase securities and other short-term financial assets and liabilities.

In determining fair values of investments, the Group makes extensive use of third party pricing providers and only in rare cases places reliance on prices that are derived from internal models. One of the objectives of the Group's control environment and the process of selection of pricing providers is to ensure that fair values of investments 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 reported in the Consolidated 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 party pricing providers 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 pricing provider, the Group's policy is to engage with that provider to confirm that the control environment conforms to the high standards that the Group expects. In addition, the Group's policy is to ensure 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 one or more occurred loss events that have an impact on the estimated future cash flows of the financial asset. The decision to record an impairment is based on a review of such evidence, for example, the issuer's current financial position and its future prospects and the national or economic conditions that correlate with defaults on the assets reviewed for impairment.

Consolidated financial statements *continued*

For held-to-maturity investments 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 impairment allowance 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 inherent in such impairment reviews, actual outcomes could vary significantly from the forecast 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 at a CGU level 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-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 free interest rate adjusted for the relevant risk factors to the extent, they have not already been considered in the underlying cash flows.

The recoverable amount for intangibles reflecting distribution agreements is determined on the basis of value-in-use calculations. These calculations use cash flow projections in line with the terms and conditions of the underlying distribution agreements. For the Life business distribution agreements, a fair value less costs to sell is determined, whereby the projected cash flows and discount rates are consistent with the data used for actuarial valuations and embedded value calculations.

The recoverable amount of the intangible assets with an infinite life 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 development of surplus in the Farmers Exchanges. Business plans are approved by management and typically cover a three-year period. Cash flows beyond that three-year period are extrapolated for 20 years assuming zero growth.

The discount rates used in those calculations for the General Insurance and Farmers segments consider the base rates, starting with the U.S. Dollar, euro and British pound swap rates for the respective mature markets, adjusted for inflation differential expectations in emerging markets. These rates are further adjusted for equity risk premium and appropriate beta.

Perpetual nominal growth rates beyond the three-year planning period vary and are dependent on country specific growth rate and inflation expectations.

Table 4.1

Overview of discount and perpetual growth rates

	Range of discount rates in % 2010	Range of discount rates in % 2009	**Perpetual normal growth rate in % 2010**	Perpetual nominal growth rate in % 2009
Western Europe	1.3–8.0	1.5–8.3	0.0–5.0	0.0–5.0
Turkey	8.4–15.1	11.3–22.4	6.0	6.0
Russia	9.1–12.7	12.0–17.9	7.3	8.5
Brazil	7.3–10.5	9.3–14.0	3.5	3.5

See notes 3, 6, 15, 17 and 18 for further information on impairment 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 are 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 bancassurance 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.

See 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 experience and future expectations as regards assumptions, such as expenses, lapse rates or investment income.

See 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 is recognized.

See 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.

See 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 changes in dividend rate and the contracted option life. These assumptions may differ from actual results due to changes in economic conditions.

See note 25 for further information on share-based compensation and cash incentives plans.

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5. Acquisitions and divestments

Transactions in 2010

Acquisitions

On September 6, 2010 the Group, as a part of its preparations for local regulatory changes, signed an agreement to acquire 75.0 percent including a commitment to increase its investment up to 100.0 percent of 2Plan Group Limited, an independent financial advice firm based in the UK. Subject to the approval of the relevant regulatory authorities, the transaction is expected to close in the second quarter of 2011.

On November 1, 2010 the Group completed the acquisition of 80.0 percent of PT Zurich Topas Life (formerly PT Mayapada Life), a life insurer based in Indonesia focused on the distribution of group and individual life and health plans. Mayapada Group will continue to hold 20.0 percent of PT Zurich Topas Life. Through this transaction, the Group established its presence in the Indonesian life insurance market. As of December 31, 2010, 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.

On December 1, 2010 the Group completed the acquisition of 99.99 percent of Compagnie Libanaise d'Assurances SAL, a composite insurer based in Lebanon with branch operations in the United Arab Emirates, Kuwait and Oman. With this transaction the Group accelerated the expansion of its operations in the Middle East. The total purchase price amounted to USD 60 million of which USD 12 million will be paid during 2011 subject to purchase price and other adjustments. As of December 31, 2010, the Group was still in the process of preparing the initial accounting and, therefore, the total purchase price was recorded as an unconsolidated investment in other assets.

Divestments and loss of control

On February 15, 2010, 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, increased its share holding in Zurich Insurance Company South Africa Limited (ZICSA), of which the Group owned 73.61 percent, by 15.1 percent from 10.0 percent to 25.1 percent against USD 32 million in cash with option rights to increase up to 51.0 percent or sell the entire stake back to the Group. To appropriately reflect the nature of the put and the call options on the shares, the Group has reclassified the 25.1 percent non-controlling interest of RBF as a liability measured at fair value in the consolidated financial statements. Following this transaction and the acquisition of 0.44 percent of ZICSA shares, the Group owned 58.95 percent of ZICSA shares as of December 31, 2010.

The Group has lost control from an accounting perspective in CaixaSabadell Vida, S.A. de Seguros y Reaseguros and CaixaSabadell Compagnia d'Assegurances Generals, S.A. at September 30, 2010, following the merger of the bank distribution partner Caixa d'Estalvis de Sabadell (Caixa Sabadell) together with two other Spanish savings banks to form Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa (Unnim) on July 1, 2010. Subsequently, on November 16, 2010 the Group entered into a definitive agreement to sell back to Unnim its 50 percent stakes in the life and general insurance bancassurance companies CaixaSabadell Vida, S.A. de Seguros y Reaseguros and CaixaSabadell Companyia d'Assegurances Generals, S.A., respectively, jointly owned with Unnim (the Unnim Jointly Owned Companies). Unnim will pay a cash consideration of USD 382 million (EUR 285 million) to the Group in exchange for the Group's Unnim Jointly Owned Companies stakes, which the Group acquired in 2008 from Caixa Sabadell. The Group has derecognized the assets and liabilities at their carrying amount and has recognized its retained investment in the Unnim Jointly Owned Companies as an equity security classified as available-for-sale as of September 30, 2010. USD 52 million has been recorded within net gain on divestments of businesses. Subject to the approval of the relevant regulatory authorities, the transaction is expected to close in the first quarter of 2011.

As of December 31, 2010 the Group no longer has control in Futuro de Bolivia S.A. Administradora de Fondos de Pensiones following changes in the regulatory environment. The Group has derecognized the assets and liabilities at their carrying amount and recorded a net loss of USD 16 million within net gain on divestments of businesses.

During 2010 the Group divested all of its shares in Trent Insurance Company Limited, a company based in the UK and Maryland Insurance Company, a company based in the U.S., for a pre-tax gain on disposal in aggregate of USD 2 million with immaterial cash and net assets sold.

Transactions in 2009

Acquisitions

Business combinations – prior 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	11	9	20
Identifiable intangible assets, net of deferred tax	91	19	110
Goodwill	438	114	552
Total acquisition costs	539	143	682
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 comprises the purchase price adjustment completed during 2010.

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 are managed but not owned by Farmers Group Inc, a wholly owned subsidiary of the Group, 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. This transaction reduced the overall volatility of the Group's portfolio of businesses. 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. Upon completion of the final initial accounting, net tangible assets of USD 11 million (initially USD 8 million) and capitalized software of USD 91 million were acquired. The residual goodwill of USD 438 million (initially 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.

"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, which extended the Group's presence in Brazil, 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 earnout 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 though the impact of this transaction on net income was immaterial.

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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.

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	
	2010	2009	**2010**	2009	**2010**	2009
Cash and cash equivalents	158	175	(43)	94	115	269
Equity securities	1,674	1,601	8,467	10,536	10,142	12,138
Debt securities	5,550	5,864	1,500	(301)	7,050	5,563
Real estate held for investment	791	804	216	(352)	1,007	452
Mortgage loans	505	575	(353)	(235)	153	339
Other loans	715	724	49	22	763	746
Equity method accounted investments	17	4	(37)	(4)	(20)	–
Other investments[1]	–	64	(369)	(498)	(369)	(435)
Investment result, gross	9,410	9,812	9,430	9,261	18,841	19,073
Investment expenses	(757)	(669)	–	–	(757)	(669)
Investment result, net	**8,653**	**9,143**	**9,430**	**9,261**	**18,083**	**18,404**

[1] Net capital gains/(losses) arise entirely from derivative financial instruments, of which net capital gains/(losses) on derivatives attributable to cash flow hedge ineffectiveness amounted to USD 10 million and USD 33 million for the years ended December 31, 2010 and 2009, respectively.

Rental operating expenses for real estate held for investment included in investment expenses for total investments amounted to USD 201 million and USD 211 million for the years ended December 31, 2010 and 2009, 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	
	2010	2009	**2010**	2009	**2010**	2009
Cash and cash equivalents	52	103	(1)	6	51	109
Equity securities	340	346	285	(264)	625	82
Debt securities	5,268	5,531	1,230	(689)	6,498	4,842
Real estate held for investment	466	464	28	131	494	594
Mortgage loans	505	575	(353)	(235)	153	339
Other loans	669	718	54	22	723	740
Equity method accounted investments	17	4	(37)	(4)	(20)	–
Other investments[1]	–	8	(308)	(543)	(308)	(535)
Investment result, gross for Group investments	7,317	7,748	898	(1,576)	8,215	6,171
Investment expenses for Group investments	(225)	(243)	–	–	(225)	(243)
Investment result, net for Group investments	**7,092**	**7,505**	**898**	**(1,576)**	**7,990**	**5,929**

[1] Net capital gains/(losses) arise entirely from derivative financial instruments, of which net capital gains/(losses) on derivatives attributable to cash flow hedge ineffectiveness amounted to USD 10 million and USD 33 million for the years ended December 31, 2010 and 2009, respectively.

For the years ended December 31, 2010 and 2009, respectively, impairment charges on Group investments included in net capital losses amounted to USD 1,001 million and USD 1,394 million, of which impairment charges on mortgage loans, other loans and equity method accounted investments comprised USD 407 million and USD 231 million, respectively. Impairment charges on mortgage loans in both years are primarily attributable to the Group's banking activities.

Table 6.1c

Investment result for unit-linked contracts

in USD millions, for the years ended December 31	Net investment income		Net capital gains/(losses) on investments		Investment result	
	2010	2009	**2010**	2009	**2010**	2009
Cash and cash equivalents	106	72	(42)	88	64	160
Equity securities	1,335	1,256	8,182	10,800	9,516	12,055
Debt securities	282	334	270	387	552	721
Real estate held for investment	325	341	188	(483)	513	(142)
Other loans	46	7	(6)	–	40	7
Other investments[1]	–	56	(60)	45	(60)	101
Investment result, gross for unit-linked contracts	2,093	2,064	8,533	10,837	10,626	12,901
Investment expenses for unit-linked contracts	(532)	(426)	–	–	(532)	(426)
Investment result, net unit-linked contracts	**1,561**	**1,638**	**8,533**	**10,837**	**10,093**	**12,475**

[1] The net capital gains/(losses) arise entirely from derivative financial instruments.

Table 6.2

Net capital gains, losses and impairments on equity and debt securities on total investments

in USD millions, for the years ended December 31	Equity securities		Debt securities		Total	
	2010	2009	**2010**	2009	**2010**	2009
Securities at fair value through profit or loss:	8,476	11,273	643	239	9,120	11,512
Net capital gains/(losses) on Group investments	294	474	373	(149)	667	325
of which:						
Trading securities	*36*	*69*	*4*	*(2)*	*40*	*66*
Securities designated at fair value through profit or loss	*258*	*405*	*369*	*(146)*	*628*	*258*
Net capital gains/(losses) for unit-linked contracts	8,182	10,800	270	387	8,452	11,187
Available-for-sale securities:	(9)	(737)	817	(476)	808	(1,213)
Realized capital gains on Group investments	610	323	1,468	988	2,078	1,312
Realized capital losses on Group investments	(122)	(471)	(514)	(955)	(636)	(1,425)
Impairments on Group investments	(497)	(590)	(137)	(510)	(634)	(1,100)
Held-to-maturity securities[1]	–	–	40	(64)	40	(64)
Total net capital gains/(losses) and impairments	**8,467**	**10,536**	**1,500**	**(301)**	**9,967**	**10,235**

[1] 2010 gain arises entirely from the reversal of impairments. 2009 loss included impairments of USD 63 million.

Consolidated financial statements *continued*

Details of total investments by category

Table 6.3a

as of December 31	Total investments			
	2010		2009	
	USD millions	**% of total**	USD millions	% of total
Cash and cash equivalents	15,721	5.2	16,882	5.7
Equity securities:				
Fair value through profit or loss	89,695	29.5	83,329	28.3
of which:				
Trading securities	*473*	*0.2*	*879*	*0.3*
Securities designated at fair value through profit or loss	*89,223*	*29.4*	*82,449*	*28.0*
Available-for-sale[1]	9,798	3.2	7,563	2.6
Total equity securities	99,494	32.7	90,892	30.8
Debt securities:				
Fair value through profit or loss	16,245	5.3	17,878	6.1
of which:				
Trading securities	*43*	*0.0*	*82*	*0.0*
Securities designated at fair value through profit or loss	*16,202*	*5.3*	*17,797*	*6.0*
Available-for-sale	128,257	42.2	123,896	42.0
Held-to-maturity	5,129	1.7	5,143	1.7
Total debt securities	149,630	49.2	146,918	49.8
Real estate held for investment	12,355	4.1	11,686	4.0
Mortgage loans	11,851	3.9	12,736	4.3
Other loans	14,606	4.8	15,480	5.3
Equity method accounted investments	188	0.1	232	0.1
Total investments	**303,845**	**100.0**	**294,825**	**100.0**

[1] Includes a 20 percent investment in New China Life Insurance Company Ltd., in which the Group has no significant influence.

Details of Group investments by category

Table 6.3b

as of December 31	Group investments			
	2010		2009	
	USD millions	**% of total**	USD millions	% of total
Cash and cash equivalents	8,558	4.4	11,041	5.6
Equity securities:				
Fair value through profit or loss	3,931	2.0	5,018	2.6
of which:				
Trading securities	*473*	*0.2*	*879*	*0.4*
Securities designated at fair value through profit or loss	*3,458*	*1.8*	4,138	2.1
Available-for-sale[1]	9,798	5.0	7,563	3.9
Total equity securities	13,729	7.0	12,581	6.4
Debt securities:				
Fair value through profit or loss	6,869	3.5	7,684	3.9
of which:				
Trading securities	*43*	*0.0*	*82*	*0.0*
Securities designated at fair value through profit or loss	*6,826*	*3.5*	*7,602*	*3.9*
Available-for-sale	128,257	65.5	123,896	63.3
Held-to-maturity	5,129	2.6	5,143	2.6
Total debt securities	140,254	71.6	136,723	69.9
Real estate held for investment	8,274	4.2	7,789	4.0
Mortgage loans	11,851	6.0	12,736	6.5
Other loans	13,043	6.7	14,556	7.4
Equity method accounted investments	188	0.1	232	0.1
Total Group investments	**195,898**	**100.0**	**195,658**	**100.0**

[1] Includes a 20 percent investment in New China Life Insurance Company Ltd., in which the Group has no significant influence.

Cash and investments with a carrying value of USD 5,176 million and USD 4,908 million were deposited on behalf of regulatory authorities as of December 31, 2010 and 2009, respectively.

Securities under security lending and short-term sale and repurchase agreements
As of December 31, 2010 and 2009, investments included USD 5,873 million and USD 5,073 million, respectively, of loaned securities. These loaned securities were mainly debt securities. Cash and cash equivalents included USD 493 million of cash received as collateral for loaned securities as of December 31 2009. Liabilities for cash collateral received for securities lending comprised USD 485 million and USD 508 million as of December 31, 2010 and 2009, respectively. Non-cash collateral received for loaned securities comprised mainly equity and debt securities and amounted to USD 5,663 million and USD 5,046 million as of December 31, 2010 and 2009, respectively. The Group can sell or repledge the collateral only in the event of a default by a counterparty.

As of December 31, 2010 and 2009, respectively, debt securities with a carrying value of USD 3,383 million and USD 3,938 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 3,330 million and USD 3,976 million as of December 31, 2010 and 2009, 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.

Details of investments held for unit-linked contracts

Table 6.3c

as of December 31	Investments for unit-linked contracts			
	2010		2009	
	USD millions	% of total	USD millions	% of total
Cash and cash equivalents	7,163	6.6	5,840	5.9
Equity securities	85,765	79.5	78,311	79.0
Debt securities	9,376	8.7	10,194	10.3
Real estate	4,081	3.8	3,897	3.9
Other loans	1,563	1.4	924	0.9
Total investments for unit-linked contracts	**107,947**	**100.0**	**99,167**	**100.0**

Investments held under unit-linked investments contracts are classified as designated at fair value through profit or loss.

Debt securities maturity schedule (total investments)

Table 6.4

in USD millions, as of December 31	Held-to-maturity		Available-for-sale		Fair value through profit or loss	
	2010	2009	2010	2009	2010	2009
Debt securities:						
< 1 year	131	357	9,147	10,351	1,859	1,403
1 to 5 years	1,915	1,517	41,406	42,912	4,910	5,098
5 to 10 years	1,097	1,189	27,697	26,196	3,180	4,205
> 10 years	1,986	2,081	25,923	22,147	5,014	5,643
Subtotal	5,129	5,143	104,173	101,606	14,963	16,349
Mortgage and asset-backed securities:						
< 1 year	–	–	575	1,288	17	69
1 to 5 years	–	–	7,933	5,323	295	370
5 to 10 years	–	–	4,843	5,114	325	351
> 10 years	–	–	10,733	10,565	645	741
Subtotal	–	–	24,084	22,290	1,282	1,530
Total	**5,129**	**5,143**	**128,257**	**123,896**	**16,245**	**17,878**

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.

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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	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
Equity securities								
Common stock	4,047	3,809	2,202	826	(324)	(289)	5,925	4,346
Unit trusts	3,730	3,489	341	166	(339)	(586)	3,731	3,070
Non-redeemable preferred stock	141	153	7	10	(7)	(15)	141	148
Total equity securities	**7,919**	**7,451**	**2,551**	**1,002**	**(671)**	**(890)**	**9,798**	**7,563**
Debt securities								
Swiss federal and cantonal governments	3,082	2,788	262	199	(9)	(2)	3,335	2,986
United Kingdom government	8,168	7,965	197	176	(22)	(30)	8,344	8,111
United States government	7,092	7,468	231	129	(104)	(169)	7,220	7,427
Other governments and supra-nationals	33,226	29,745	923	1,062	(855)	(233)	33,294	30,574
Corporate securities	50,786	51,537	2,933	2,406	(1,763)	(1,454)	51,957	52,489
Mortgage and asset-backed securities	23,617	22,787	865	556	(398)	(1,053)	24,084	22,290
Redeemable preferred stocks	23	18	–	1	–	–	24	19
Total debt securities	**125,995**	**122,308**	**5,412**	**4,530**	**(3,150)**	**(2,941)**	**128,257**	**123,896**

[1] Net of impairments (see table 6.2).

The significant increase in unrealized gains on equity securities by USD 1,548 million is primarily due to the revaluation of the Group's investment in New China Life Company Ltd. and also as a consequence of the global equity market improvements in 2010.

Fair value through profit or loss securities

Table 6.6

as of December 31	Group investments				Investments for unit-linked products		Total investments	
		2010		2009	**2010**	2009	**2010**	2009
	USD millions	**% of total**	USD millions	% of total	**USD millions**	USD millions	**USD millions**	USD millions
Equity securities:								
Common stock	2,905	26.9	4,177	32.9	45,188	42,773	48,093	46,950
of which: common stock portfolios backing participating with profit policyholder contracts	*516*	*4.8*	*674*	*5.3*	–	–	*516*	*674*
Unit trusts	1,024	9.5	840	6.6	40,486	35,521	41,510	36,361
Non-redeemable preferred stock	2	0.0	–	0.0	91	17	93	17
Total equity securities	**3,931**	**36.4**	**5,018**	**39.5**	**85,765**	**78,311**	**89,695**	**83,329**
Debt securities:								
Debt securities	5,851	54.2	6,462	50.9	9,111	9,887	14,963	16,349
Mortgage and asset-backed securities	1,017	9.4	1,222	9.6	265	308	1,282	1,530
Total debt securities	**6,869**	**63.6**	**7,684**	**60.5**	**9,376**	**10,194**	**16,245**	**17,878**
Total	**10,799**	**100.0**	**12,702**	**100.0**	**95,141**	**88,505**	**105,940**	**101,207**

Held-to-maturity debt securities

Table 6.7

as of December 31	2010 USD millions	2010 % of total	2009 USD millions	2009 % of total
Swiss federal and cantonal governments	1,813	35.3	1,635	31.8
United States government	1,576	30.7	1,310	25.5
Other governments and supra-nationals	803	15.7	849	16.5
Corporate securities	937	18.3	1,350	26.2
Total held-to-maturity debt securities	**5,129**	**100.0**	**5,143**	**100.0**

Real estate held for investment (total investments)

Table 6.8

in USD millions	Total 2010	Total 2009
As of January 1	11,686	11,601
Additions and improvements	340	431
Disposals	(190)	(616)
Market value revaluation	261	(308)
Transfer from/(to) assets held for own use	77	(47)
Transfer (to) assets held for sale	(12)	–
Foreign currency translation effects	193	625
As of December 31	**12,355**	**11,686**

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 2010	Carrying value 2009	Share in profit 2010	Share in profit 2009	Ownership interest 2010	Ownership interest 2009
Associates:						
DKN Financial Group Limited	33	60	2	(3)	30.51%	30.99%
Seven Investment Management Limited	17	17	1	–	49.00%	49.00%
Other	12	12	6	(1)	–	–
Joint ventures:						
MCIS Zurich Insurance Berhad	36	37	3	1	40.00%	40.00%
Other	11	11	1	1	–	–
SPEs:[1]						
Euclid Office, L.P.	28	28	2	1	99.00%	99.00%
Dallas Tower, L.P.	12	11	1	1	99.00%	99.00%
Other	38	56	1	3	–	–
Total	**188**	**232**	**17**	**4**	**–**	**–**

[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.

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Net unrealized gains/(losses) on Group investments included in other comprehensive income

Table 6.10

in USD millions, as of December 31	Total	
	2010	2009
Equity securities: available-for-sale	1,880	112
Debt securities: available-for-sale	2,262	1,588
Other	76	7
Less: amount of net unrealized gains/(losses) on investments attributable to:		
Life policyholder dividends and other policyholder liabilities	(662)	(904)
Life deferred acquisition costs	(154)	(97)
Deferred income taxes	(869)	(312)
Non-controlling interests	(9)	(15)
Total[1]	**2,524**	**379**

[1] Net unrealized gains/(losses) include net gains/(losses) arising on cash flow hedges of USD 56 million and USD (9) million as of December 31, 2010 and 2009, 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, 2010 and 2009, 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 other assets and other liabilities.

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Maturity profile of notional amounts and fair values of derivative financial instruments

Table 7.1

in USD millions, as of December 31	2010						2009		
	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	30	878	2,146	3,054	187	(84)	1,064	102	(11)
Swaptions	876	2,113	3,628	6,618	214	(30)	3,126	126	(14)
Caps	50	156	–	206	–	–	259	–	–
Exchange traded									
Futures	1,203	–	–	1,203	–	–	1,969	–	–
Total interest rate contracts	**2,159**	**3,147**	**5,774**	**11,080**	**401**	**(114)**	**6,419**	**228**	**(24)**
Equity contracts:									
OTC									
Swaps	281	–	–	281	–	(1)	–	–	–
Puts	1,529	1,337	1,677	4,543	189	(225)	5,342	186	(203)
Calls	1,812	2,043	64	3,919	69	(110)	3,874	58	(243)
Exchange traded									
Puts	74	–	–	74	3	–	–	–	–
Calls	58	–	–	58	1	–	–	–	–
Futures	290	–	–	290	–	(4)	–	–	–
Total equity contracts	**4,044**	**3,380**	**1,741**	**9,165**	**263**	**(340)**	**9,216**	**244**	**(446)**
Foreign exchange contracts:									
OTC									
Cross Currency Swaps	–	425	–	425	–	(26)	737	21	–
Forwards	14,413	–	–	14,413	343	(445)	12,586	111	(106)
Total foreign exchange contracts	**14,413**	**425**	**–**	**14,838**	**343**	**(471)**	**13,323**	**133**	**(106)**
Credit contracts:									
OTC									
Credit Default Swaps	268	164	–	432	2	–	649	3	(8)
Total credit contracts	**268**	**164**	**–**	**432**	**2**	**–**	**649**	**3**	**(8)**
Other contracts:									
OTC									
Puts	3	–	831	833	–	(27)	1,046	–	(40)
Swaps	–	–	66	66	–	(5)	71	–	(1)
Total other contracts	**3**	**–**	**896**	**899**	**–**	**(33)**	**1,116**	**–**	**(41)**
Total Group derivative financial instruments	20,886	7,117	8,411	36,414	1,009	(958)	30,722	608	(625)
Total unit-linked derivative financial instruments	717	1,560	77	2,353	104	(3)	2,458	98	–
Total	**21,603**	**8,676**	**8,488**	**38,767**	**1,113**	**(961)**	**33,180**	**706**	**(625)**

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 enters into exchange traded contracts, which are standardized and regulated. Furthermore, because of the structure of the Exchanges, exchange traded contracts 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 change compared with December 31, 2009 related to long receiver swaptions entered into during 2010 to protect one of the Group's large life insurance books against falling 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 decrease in the notional amounts of put options between December 31, 2010 and December 31, 2009 was mainly driven by matured positions. Total return swaps and exchange traded options, have been entered into as part of a dynamic hedging strategy to manage its economic exposure and reduce the volatility associated with its closed book of variable annuities products within its U.S. life business.

All positions are for hedging purposes. With respect to the short positions, call options are used in collar structures to mitigate the hedging costs and the written put positions are mostly backed by long put positions or 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 balance sheet mismatches.

The notional amounts of foreign exchange forwards increased by USD 1,827 million between December 31, 2009 and December 31, 2010, as a result of new entered positions and currency effects.

Credit contracts

The change in credit default swaps, purchased by the Group to protect reinsurance assets, related to matured positions.

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. The Group monitors the risk of surrender on an ongoing basis and considers the likelihood of surrender as an input factor to the model to determine the fair value of the SVOs. During 2010, there were five full surrenders compared with one surrender in 2009. No SVP was paid on four of the surrenders, on the fifth, USD 1 million was paid. In 2009 the net loss on surrender amounted to USD 5 million after applicable reductions. The fair value of the derivative liability recognized in respect of the SVOs, included in written put options, was USD 25 million and USD 37 million as of December 31, 2010 and 2009, respectively. The difference between the notional SVO derived value and market value of the underlying investments for BOLI/COLI policies was USD 831 million and USD 1,043 million as of December 31, 2010 and 2009, 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.

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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	Maturity by notional amount < 1 year	Maturity by notional amount 1 to 5 years	Maturity by notional amount > 5 years	2010 Notional principal amounts	2010 Positive fair values	2010 Negative fair values	2009 Notional principal amounts	2009 Positive fair values	2009 Negative fair values
Fair value hedges:									
Cross currency interest rate swaps	–	1,540	–	1,540	258	–	858	204	–
Currency swaps	–	1	69	69	–	(37)	71	–	(29)
Total fair value hedges	**–**	**1,541**	**69**	**1,609**	**258**	**(37)**	**929**	**204**	**(29)**
Cash flow hedges:				–					
Options on interest rate swaps	712	–	3,143	3,855	331	–	3,474	171	–
Currency swaps	–	1,768	–	1,768	68	(7)	1,768	255	–
Interest rate swaps	76	101	124	302	6	–	566	2	(6)
Total cash flow hedges	**789**	**1,870**	**3,266**	**5,925**	**406**	**(7)**	**5,808**	**428**	**(6)**

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 June 2025 issued by Zurich Finance (USA), Inc. (see note 22), 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 22), was entered into on January 1, 2007 and will end at maturity of the underlying debt instrument in 2014.

A fair value hedge relationship on the USD 750 million 3.25 percent senior bond due for repayment in September 2013 issued by Zurich Finance (Luxembourg), S.A. (see note 22), was entered into on April 8, 2010 and will end at maturity of the underlying debt instrument in 2013.

The Group also has fair value hedge relationships consisting of currency swaps to protect 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	2010	2009
Gains/(losses)		
on hedging instruments[1]	*(52)*	*62*
on hedged item attributable to the hedged risk	*44*	*(57)*

[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, 2010 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 the exposure to interest rates on Floating Rate Notes held by the Group.

The net gains deferred in other comprehensive income on derivatives designated as cash flow hedges were USD 74 million and USD 23 million before tax for the years ended December 31, 2010 and 2009, respectively.

The portion recognized in income was a loss of USD 134 million and a gain of USD 96 million before tax for the years ended December 31, 2010 and 2009, respectively, as an offset to the foreign currency revaluation on the underlying hedged debt.

A net gain of USD 10 million and USD 32 million for the years ended December 31, 2010 and 2009, respectively, was recognized in net capital gains/(losses) and impairments due to a hedge ineffectiveness and changes in the time value of the option.

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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	Gross		Ceded		Net	
	12/31/10	12/31/09	**12/31/10**	12/31/09	**12/31/10**	12/31/09
Reserves for losses and loss adjustment expenses	68,069	68,086	(12,093)	(12,182)	55,976	55,903
Reserves for unearned premiums	16,046	17,676	(2,179)	(2,000)	13,868	15,676
Future life policyholders' benefits	79,315	79,271	(2,423)	(2,199)	76,891	77,072
Policyholders' contract deposits and other funds	17,430	18,857	(2,246)	(2,457)	15,184	16,400
Reserves for unit-linked contracts	61,786	58,204	–	–	61,786	58,204
Total reserves for insurance contracts[1]	**242,646**	**242,094**	**(18,942)**	**(18,839)**	**223,704**	**223,255**

[1] The total reserves for insurance contracts ceded are gross of allowance for uncollectible amounts of USD 132 million and USD 88 million as of December 31, 2010 and December 31, 2009, respectively.

Development of reserves for losses and loss adjustment expenses

Table 8.2

in USD millions	Gross		Ceded		Net	
	2010	2009	**2010**	2009	**2010**	2009
As of January 1	68,086	65,218	(12,182)	(12,232)	55,903	52,986
Losses and loss adjustment expenses incurred:						
Current year	28,917	28,308	(3,930)	(2,610)	24,987	25,698
Prior years	(1,819)	(933)	452	(126)	(1,367)	(1,059)
Total incurred	27,098	27,375	(3,478)	(2,736)	23,620	24,639
Losses and loss adjustment expenses paid:						
Current year	(11,573)	(11,178)	1,049	536	(10,524)	(10,642)
Prior years	(15,167)	(15,547)	2,451	2,500	(12,716)	(13,047)
Total paid	(26,740)	(26,725)	3,500	3,036	(23,240)	(23,689)
Acquisitions/(divestments) and transfers[1]	(18)	103	6	1	(12)	104
Foreign currency translation effects	(356)	2,114	61	(251)	(296)	1,863
As of December 31	**68,069**	**68,086**	**(12,093)**	**(12,182)**	**55,976**	**55,903**

[1] The 2010 net movement includes USD (2) million related to loss of control (see note 5).

The Group establishes loss reserves, which are estimates of future payments of reported and unreported claims for losses and related expenses, with respect to insured events that have occurred. Reserving is a complex process dealing with uncertainty, requiring the use of informed estimates and judgments. Any changes in estimates 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 total net reserves during the year included USD 1,367 million favorable development emerging from reserves established in prior years. Gross of reinsurance, the favorable development was USD 1,819 million. The reinsurers' share was USD 452 million, reflecting reduced cessions based on a re-estimation of ultimate gross losses. This favorable development was primarily attributable to the General Insurance business and breaks down into many individual movements by Business Division, country, line of business, and accident year, with the majority coming from liability lines.

In the Global Corporate division, favorable development of USD 443 million was approximately equally shared between North America and the rest of the world. In North America, favorable development arose from general liability, property, and auto liability, offset by adverse development in workers compensation. Outside North America, favorable development arose from employers liability and property in the UK, as well as many small releases in other lines of business and countries.

North America Commercial favorable development of USD 434 million arose mostly from specialties, program, middle market commercial and surety business. These favorable developments were partially offset by unfavorable development in workers compensation.

Europe General Insurance favorable development of USD 371 million resulted primarily from favorable experience in Switzerland, UK, Spain, and Portugal which was partially offset by adverse development of USD 155 million in Germany, in medical and professional liability. The remaining favorable development emerged from Group Reinsurance, International Markets, and the assumed business in the Farmers segment, 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	**2010**
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	68,069
Reinsurance recoverable	(13,605)	(14,940)	(14,055)	(14,279)	(14,231)	(13,722)	(13,179)	(12,232)	(12,182)	(12,093)
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	55,976
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)*	(12,716)	
Two years later	*(12,855)*	*(14,472)*	*(15,550)*	*(16,273)*	*(18,044)*	*(18,362)*	*(19,660)*	*(19,909)*		
Three years later	*(16,698)*	*(18,001)*	*(20,407)*	*(21,234)*	*(23,077)*	*(23,421)*	*(24,428)*			
Four years later	*(19,255)*	*(21,390)*	*(23,941)*	*(24,945)*	*(26,850)*	*(26,839)*				
Five years later	*(21,634)*	*(23,814)*	*(26,616)*	*(27,798)*	*(29,425)*					
Six years later	*(23,471)*	*(25,799)*	*(28,668)*	*(29,810)*						
Seven years later	*(24,849)*	*(27,442)*	*(30,245)*							
Eight years later	*(26,166)*	*(28,672)*								
Nine years later	*(27,105)*									
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*	54,537	
Two years later	*28,471*	*34,471*	*40,413*	*45,006*	*45,827*	*48,642*	*52,559*	*50,645*		
Three years later	*30,636*	*36,118*	*42,004*	*45,325*	*45,297*	*48,127*	*51,872*			
Four years later	*31,784*	*37,691*	*42,254*	*45,294*	*45,249*	*47,814*				
Five years later	*33,326*	*37,880*	*42,470*	*45,604*	*45,153*					
Six years later	*33,799*	*38,282*	*43,017*	*45,682*						
Seven years later	*34,004*	*38,951*	*43,108*							
Eight years later	*34,716*	*39,086*								
Nine years later	*34,844*									
Cumulative (deficiency)/ redundancy of net reserves	(10,755)	(8,720)	(6,095)	(2,196)	1,041	3,000	2,839	2,341	1,367	
Cumulative (deficiency)/ redundancy as a percentage of initial net reserves	(44.6%)	(28.7%)	(16.5%)	(5.1%)	2.3%	5.9%	5.2%	4.4%	2.4%	
Gross reserves re-estimated as of December 31, 2010	52,505	56,944	59,540	61,090	60,022	61,127	64,324	62,404	66,267	
Cumulative (deficiency)/ redundancy of gross reserves	(14,811)	(11,638)	(8,472)	(3,325)	403	3,408	3,566	2,814	1,819	
Cumulative (deficiency)/ redundancy as a percentage of initial gross reserves	(39.3%)	(25.7%)	(16.6%)	(5.8%)	0.7%	5.3%	5.3%	4.3%	2.7%	

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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, 2010. 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 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 cannot 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		**2010**		2009
	Gross	**Net**	Gross	Net
Asbestos				
As of January 1	3,604	2,998	3,001	2,523
Losses and loss adjustment expenses incurred	35	34	652	539
Losses and loss adjustment expenses paid	(138)	(90)	(299)	(281)
Foreign currency translation effects	(94)	(79)	251	217
As of December 31	**3,408**	**2,863**	**3,604**	**2,998**
Environmental				
As of January 1	280	242	332	277
Losses and loss adjustment expenses incurred	61	20	7	4
Losses and loss adjustment expenses paid	(51)	(38)	(61)	(40)
Foreign currency translation effects	1	–	1	1
As of December 31	**290**	**223**	**280**	**242**

The Group 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 claims decreased by USD 196 million gross and USD 135 million net during 2010. This decrease was driven by the re-estimation of the ultimate liability for asbestos as well as the normal payout of claims. As a significant portion of the Group's reserves is held in British pounds, the strengthening of the U.S. dollar also impacted the decrease significantly.

Reserves for environmental claims increased by USD 10 million gross but decreased by USD 19 million net during 2010. The difference in gross and net movements is explained by the increase in ceded reserves, largely the result of the re-estimation of reserves in North America.

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	
	2010	2009	**2010**	2009	**2010**	2009
As of January 1	79,271	78,118	(2,199)	(2,056)	77,072	76,061
Premiums	9,447	10,252	(534)	(541)	8,913	9,711
Claims	(10,138)	(10,857)	378	391	(9,760)	(10,466)
Fee income and other expenses	(1,689)	(2,938)	118	240	(1,571)	(2,698)
Interest and bonuses credited to policyholders	2,650	2,752	(70)	(68)	2,580	2,683
Change in assumptions	234	(102)	(64)	(13)	170	(115)
Transfers[1]	1,291	(497)	(96)	–	1,194	(497)
(Decreases)/increases recorded in other comprehensive income	(8)	85	–	–	(8)	85
Foreign currency translation effects	(1,744)	2,459	45	(151)	(1,700)	2,308
As of December 31	**79,315**	**79,271**	**(2,423)**	**(2,199)**	**76,891**	**77,072**

[1] The 2010 net movement includes USD 2,730 million related to the transfer to other reserves categories (see note 1) and USD (1,508) million related to loss of control in Caixa Sabadell (see note 5).

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 170 million and USD (115) million for the years ended December 31, 2010 and 2009, respectively. The net changes include the following significant movements:

- interest rate assumptions increased the benefits by USD 216 million in 2010 and reduced them by USD 11 million in 2009;
- expense assumptions increased the benefits by USD 4 million in 2010 and reduced them by USD 2 million in 2009;
- longevity assumptions increased the benefits by USD 1 million in 2010 and by USD 12 million in 2009;
- morbidity assumptions reduced the benefits by USD 7 million in 2010 and by USD 23 million in 2009;
- investment return assumptions reduced the benefits by USD 27 million in 2010 and increased by USD 133 million in 2009;
- modeling assumptions reduced the benefits by USD 10 million in 2010 and increased them by USD 118 million in 2009;
- change in accounting policy (see note 1) reduced the benefits by USD 316 million in 2009.

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Policyholders' contract deposits and other funds gross

Table 8.6

in USD millions, as of December 31	2010	2009
Annuities	1,293	2,760
Universal life and other contracts	11,164	10,801
Policyholder dividends	4,973	5,297
Total	**17,430**	**18,857**

Development of policyholders' contract deposits and other funds

Table 8.7

in USD millions	Gross		Ceded		Net	
	2010	2009	**2010**	2009	**2010**	2009
As of January 1	18,857	17,047	(2,457)	(2,690)	16,400	14,357
Premiums	2,028	1,667	(90)	(22)	1,938	1,645
Claims	(1,861)	(2,056)	261	350	(1,601)	(1,706)
Fee income and other expenses	(360)	(291)	14	4	(347)	(288)
Interest and bonuses credited to policyholders	993	879	(82)	(90)	912	789
Changes in assumptions	(3)	–	–	–	(3)	–
Transfers[1]	(1,847)	1	100	–	(1,746)	1
(Decrease)/increase recorded in other comprehensive inome	(185)	1,045	–	–	(185)	1,045
Foreign currency translation effects	(191)	566	7	(9)	(184)	557
As of December 31	**17,430**	**18,857**	**(2,246)**	**(2,457)**	**15,184**	**16,400**

[1] The 2010 net movement includes USD (1,733) million related to the transfer from other reserves categories (see note 1) and USD (7) million related to loss of control in Caixa Sabadell (see note 5).

Development of reserves for unit-linked contracts

Table 8.8

in USD millions	Gross		Ceded		Net	
	2010	2009	**2010**	2009	**2010**	2009
As of January 1	58,204	47,297	–	–	58,204	47,297
Premiums	8,377	8,192	(3)	(4)	8,374	8,188
Claims	(6,629)	(6,407)	4	2	(6,625)	(6,405)
Fee income and other expenses	(1,496)	(1,171)	(1)	1	(1,497)	(1,170)
Interest and bonuses credited/(charged) to policyholders	5,395	6,616	–	–	5,395	6,616
Transfers[1]	(143)	587	–	–	(143)	587
Foreign currency translation effects	(1,922)	3,091	–	–	(1,922)	3,091
As of December 31	**61,786**	**58,204**	**–**	**–**	**61,786**	**58,204**

[1] The 2010 net movement includes USD (12) million related to the transfer from other reserves categories (see note 1) and USD (160) million related to loss of control in Caixa Sabadell (see note 5).

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	2010	2009
Liabilities related to unit-linked investment contracts	44,941	40,143
Liabilities related to investment contracts (amortized cost)	592	254
Liabilities related to investment contracts with DPF	5,134	5,728
Total	**50,667**	**46,124**

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	2010	2009
As of January 1	46,124	35,979
Premiums	7,963	6,198
Claims	(5,478)	(4,898)
Fee income and other expenses	(692)	(513)
Interest and bonuses charged/(credited) to policyholders	5,267	5,864
Transfers[1]	(892)	–
Increase/(decrease) recorded in other comprehensive income	(35)	28
Foreign currency translation effects	(1,590)	3,465
As of December 31	**50,667**	**46,124**

[1] The 2010 movement includes USD (884) million related to the transfer to and from reserves for insurance contracts (see note 1).

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 other comprehensive income. 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	2010	2009
As of January 1	1,837	1,221
Net unrealized (losses)/gains on investments	(39)	381
Current period profit	194	192
Foreign currency translation effects	176	44
As of December 31	**2,168**	**1,837**

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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	
	2010	2009	**2010**	2009	**2010**	2009
Losses and loss adjustment expenses	27,098	27,375	(3,478)	(2,736)	23,620	24,639
Life insurance death and other benefits	11,004	11,816	(456)	(460)	10,548	11,356
Change in future life policyholders' benefits	488	(887)	(172)	(5)	316	(892)
Total insurance benefits and losses	**38,591**	**38,304**	**(4,106)**	**(3,201)**	**34,484**	**35,103**

Policyholder dividends and participation in profits

Table 11.2

in USD millions, for the years ended December 31	Gross		Ceded		Net	
	2010	2009	**2010**	2009	**2010**	2009
Change in policyholders' contract deposits and other funds	809	483	(4)	–	805	484
Change in reserves for unit-linked products	5,287	6,911	–	–	5,287	6,911
Change in liabilities for investment contracts – unit-linked	4,830	5,623	–	–	4,830	5,623
Change in liabilities for investment contracts – other	215	206	–	–	215	206
Change in unit-linked liabilities related to UK capital gains tax	(337)	(364)	–	–	(337)	(364)
Total policyholder dividends and participation in profits	**10,805**	**12,859**	**(4)**	**–**	**10,801**	**12,859**

Underwriting and policy acquisition costs

Table 11.3

in USD millions, for the years ended December 31	Gross		Ceded		Net	
	2010	2009	**2010**	2009	**2010**	2009
Amortization of deferred acquisition costs	5,365	5,153	(449)	(394)	4,916	4,759
Amortization of deferred origination costs	119	110	–	–	119	110
Commissions and other underwriting and acquisition expenses[1]	3,859	3,863	(258)	(328)	3,601	3,534
Total underwriting and policy acquisition costs	**9,343**	**9,125**	**(707)**	**(723)**	**8,636**	**8,403**

[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	
	2010	2009	**2010**	2009	**2010**	2009
Change in reserves for unearned premiums	**(1,018)**	**826**	**(208)**	**(80)**	**(1,227)**	**746**

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	
	2010	2009	2010	2009	2010	2009	2010	2009
As of January 1	3,374	3,247	12,276	10,768	531	308	16,181	14,323
Acquisition costs deferred	2,939	3,012	1,780	1,793	815	1,403	5,533	6,208
Amortization	(2,866)	(2,965)	(873)	(614)	(1,176)	(1,180)	(4,916)	(4,759)
Amortization charged/ (credited) to other comprehensive income	–	–	(74)	(291)	–	1	(74)	(290)
Transfers[2]	(1)	–	–	(28)	–	–	(1)	(28)
Foreign currency translation effects	26	80	(424)	648	(1)	(1)	(398)	726
As of December 31	**3,472**	**3,374**	**12,686**	**12,276**	**169**	**531**	**16,326**	**16,181**

[1] Net of eliminations from inter-segment transactions.
[2] The 2010 movement represents the impact of loss of control in Caixa Sabadell (see note 5).

Development of deferred origination costs

Table 12.2

in USD millions	2010	2009
As of January 1	856	770
Origination costs deferred	142	96
Amortization	(119)	(110)
Transfers	–	28
Foreign currency translation effects	(13)	71
As of December 31	**866**	**856**

13. Administrative and other operating expenses

Administrative and other operating expenses

Table 13

in USD millions, for the years ended December 31	2010	2009
Wages and salaries	2,918	2,908
Other employee benefits	522	566
Amortization and impairments of intangible assets	882	647
Depreciation and impairments of property and equipment	205	231
Rent, leasing and maintenance	457	398
Marketing costs	213	315
Life renewal commission	348	318
Asset and other non-income taxes	44	34
IT costs	701	734
Litigation and settlement costs	646	60
Restructuring costs	111	97
Foreign currency translation	(159)	49
Other	1,089	739
Total	**7,976**	**7,098**

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.

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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	2010	2009
Farmers management fees and other related revenues	**2,778**	**2,690**

Farmers Group, Inc. (FGI) through its attorney-in-fact (AIF) relationship with the Farmers Exchanges, which are managed but not owned by Farmers Group, Inc. (FGI), a wholly owned subsidiary of the Group, is contractually permitted to receive a management fee of 20 percent (25 percent in the case of the Fire Insurance Exchange) of the gross premiums earned by the Farmers Exchanges.

FGI has historically charged a lower management fee than the amount allowed by contract. The range of fees has varied by line of business over time and from year to year. The gross earned premiums of the Farmers Exchanges were USD 18,311 million and USD 17,885 million for the years ended December 31, 2010 and 2009, respectively.

15. Receivables

Receivables

Table 15.1

in USD millions, as of December 31	2010	2009
Financial instruments		
Receivables from policyholders	3,042	3,415
Receivables from insurance companies, agents, brokers and intermediaries	5,343	5,803
Receivables arising from ceded reinsurance	1,195	1,092
Other receivables	3,937	3,270
Allowance for impairments[1]	(323)	(436)
Non-financial instruments		
Current tax receivables	740	638
Total	**13,935**	**13,782**

[1] Allowance for impairments includes USD 61 million and USD 181 million as of December 31, 2010, and 2009, 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 the year ended December 31, 2009.

The table below shows the maturity schedule of collateralized loans as of December 31, 2010 and 2009, respectively.

Maturity schedule - collateralized loans

Table 16

in USD millions, as of December 31	2010		2009	
	Carrying value[1]	**Undiscounted cash flow**[2]	Carrying value[1]	Undiscounted cash flow[2]
< 1 year	391	389	134	138
1 to 2 years	145	145	546	560
2 to 3 years	9	9	178	182
3 to 4 years	52	51	92	94
4 to 5 years	12	12	78	80
> 5 years	133	133	74	76
Total	**743**	**739**	**1,102**	**1,131**

[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.

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17. Property and equipment

Property and equipment – current period

Table 17.1

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, 2010	364	1,249	475	871	794	3,754
Less: accumulated depreciation/impairments	–	(422)	(364)	(604)	(422)	(1,811)
Net carrying value as of January 1, 2010	364	828	111	267	371	1,942
Additions and improvements	–	33	21	40	88	182
Disposals	(5)	(15)	(1)	(167)	(22)	(210)
Transfers	(19)	(48)	–	16	(2)	(53)
Depreciation and impairments	(1)	(35)	(25)	(63)	(81)	(205)
Foreign currency translation effects	12	13	2	2	4	33
Net carrying value as of December 31, 2010	**352**	**777**	**107**	**96**	**357**	**1,689**
Plus: accumulated depreciation/impairments	1	424	364	486	471	1,745
Gross carrying value as of December 31, 2010	**352**	**1,201**	**471**	**582**	**828**	**3,435**

Property and equipment – prior period

Table 17.2

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 and improvements	–	38	48	156	161	403
Disposals	(2)	(8)	(3)	(7)	(29)	(49)
Transfers	(6)	(50)	1	3	(71)	(123)
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**

The fire insurance value of the Group's own-use property and equipment totaled USD 3,344 million and USD 3,473 million as of December 31, 2010 and 2009, respectively.

18. Goodwill and other intangible assets

Table 18.1

Intangible assets – current period

in USD millions	Goodwill	PVFP	Distribution agreements	Attorney-in-fact relationships	Software	Other intangible assets	Total
Gross carrying value as of January 1, 2010	2,331	2,749	3,426	1,025	3,430	224	13,186
Less: accumulated amortization/impairments	(34)	(1,612)	(251)	–	(1,861)	(85)	(3,844)
Net carrying value as of January 1, 2010	2,297	1,137	3,174	1,025	1,569	139	9,342
Additions and transfers	(2)	–	–	–	561	5	565
Divestments and transfers[1]	(49)	(87)	(560)	–	(19)	–	(714)
Amortization	–	(107)	(136)	–	(384)	(15)	(643)
Amortization charged to other comprehensive income	–	22	–	–	–	–	22
Impairments	(104)	(3)	–	–	(126)	(5)	(239)
Foreign currency translation effects	(38)	(55)	(198)	–	22	(4)	(274)
Net carrying value as of December 31, 2010	**2,104**	**906**	**2,281**	**1,025**	**1,623**	**119**	**8,059**
Plus: accumulated amortization/impairments	136	1,622	326	–	2,344	76	4,505
Gross carrying value as of December 31, 2010	**2,241**	**2,528**	**2,607**	**1,025**	**3,967**	**195**	**12,563**

[1] The reduction in Goodwill is the result of a revised earn-out calculation within one of the Group's Spanish General Insurance operations and the impact of loss of control in Futuro de Bolivia S.A. Administradora de Fondos de Pensiones (see note 5). The decreases in PVFP and distribution agreements represent the impact of loss of control in Caixa Sabadell (see note 5).

As of December 31, 2010, the intangible assets related to non-controlling interests were USD 145 million from present value of future profits (PVFP) of acquired insurance contracts, USD 1,055 million from distribution agreements and USD 6 million from software.

As part of its annual impairment testing the Group has compared the carrying amount of its intangible assets with the recoverable amount, generally based on a value-in-use calculation. Based on management's best estimate and after taking into consideration sensitivity analysis of the current conditions, an impairment of USD 104 million has been recorded for the goodwill of the Russian General Insurance operations.

The decision to decentralize its Direct insurance efforts in the Group's European General Insurance operations resulted in an impairment of USD 114 million for software which will no longer be used.

Table 18.2

Intangible assets by segment – current period

in USD millions, as of December 31, 2010	Goodwill	PVFP	Distribution agreements	Attorney-in-fact relationships	Software	Other intangible assets	Total
General Insurance	869	–	538	–	576	94	2,077
Global Life	411	906	1,742	–	348	25	3,433
Farmers	819	–	–	1,025	428	–	2,273
Other Operating Businesses	5	–	–	–	268	–	273
Non-Core Businesses	–	–	–	–	2	–	2
Net carrying value as of December 31, 2010	**2,104**	**906**	**2,281**	**1,025**	**1,623**	**119**	**8,059**

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Table 18.3

Intangible assets – prior period

in USD millions	Goodwill	PVFP	Distribution agreements	Attorney-in-fact relationships	Software	Other intangible assets	Total
Gross carrying value as of January 1, 2009	1,696	2,617	3,075	1,025	2,791	247	11,451
Less: accumulated amortization/impairments	(19)	(1,364)	(42)	–	(1,635)	(80)	(3,141)
Net carrying value as of January 1, 2009	1,677	1,252	3,032	1,025	1,156	166	8,310
Additions and transfers	548	(8)	262	–	692	(21)	1,473
Divestments and transfers	–	–	–	–	(1)	–	(1)
Amortization	–	(51)	(177)	–	(311)	(14)	(553)
Amortization charged to other comprehensive income	–	(65)	–	–	–	–	(65)
Impairments	(12)	(30)	(29)	–	(15)	(8)	(94)
Foreign currency translation effects	85	39	86	–	47	15	272
Net carrying value as of December 31, 2009	**2,297**	**1,137**	**3,174**	**1,025**	**1,569**	**139**	**9,342**
Plus: accumulated amortization/impairments	34	1,612	251	–	1,861	85	3,844
Gross carrying value as of December 31, 2009	**2,331**	**2,749**	**3,426**	**1,025**	**3,430**	**224**	**13,186**

As of December 31, 2009, the intangible assets related to non-controlling interests were USD 224 million from present value of future profits (PVFP) of acquired insurance contracts, USD 1,484 million from distribution agreements and USD 8 million from software.

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 goodwill of USD 12 million mainly related to the Spanish General Insurance operations, USD 30 million of PVFP in the Spanish Life operations and USD 29 million for distribution agreements related to Italian Life operations as well as USD 15 million of software mainly related to Banking operations.

Table 18.4

Intangible assets by segment – prior period

in USD millions, as of December 31, 2009	Goodwill	PVFP	Distribution agreements	Attorney-in-fact relationships	Software	Other intangible assets	Total
General Insurance	1,029	–	705	–	607	108	2,448
Global Life	442	1,137	2,470	–	363	31	4,443
Farmers	821	–	–	1,025	372	–	2,218
Other Operating Businesses	5	–	–	–	218	–	223
Non-Core Businesses	–	–	–	–	9	–	9
Net carrying value as of December 31, 2009	**2,297**	**1,137**	**3,174**	**1,025**	**1,569**	**139**	**9,342**

19. Other assets

Other assets

Table 19.1 in USD millions, as of December 31	2010	2009
Other financial assets:		
Derivative assets	1,777	1,338
Other assets	137	199
Other non-financial assets:		
Accrued premiums	748	785
Prepaid expenses	254	286
Prepaid insurance benefits	441	369
Other assets	385	350
Total other assets	**3,741**	**3,327**

The undiscounted amounts of the other financial assets as of December 31, 2010 and 2009 are not materially different from the carrying amounts.

20. Other liabilities

Other liabilities

Table 20.1 in USD millions, as of December 31	2010	2009
Other financial liabilities:		
Amounts due to reinsurers, agents and other insurance companies	2,041	1,996
Amounts due to investment brokers	1,059	853
Amounts due to life policyholders	668	561
Liabilities for cash collateral received for securities lending	485	508
Derivative liabilities	1,005	660
Deposits from banking activities	1,559	2,614
Liabilities for defined benefit plans	1,779	1,891
Other liabilities for employee benefit plans	112	101
Other liabilities	6,583	6,616
Other non-financial liabilities:		
Current tax payables	850	983
Restructuring provisions	155	119
Premium prepayments and other advances	957	828
Other liabilities	1,141	567
Total other liabilities	**18,396**	**18,299**

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Table 20.2 shows the maturity schedule of other financial liabilities as of December 31, 2010 and 2009, respectively.

Table 20.2

Maturity schedule – other financial liabilities[1]

in USD millions, as of December 31	2010		2009	
	Carrying value[2]	**Undiscounted cash flow[3]**	Carrying value[2]	Undiscounted cash flow[3]
< 1 year	10,842	10,853	12,023	12,031
1 to 2 years	748	775	208	213
2 to 3 years	301	313	552	559
3 to 4 years	283	292	278	286
4 to 5 years	172	180	81	93
> 5 years	1,167	2,220	768	1,732
Total	**13,513**	**14,634**	**13,910**	**14,913**

[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	2010	2009
As of January 1	119	88
Provisions made during the period	111	101
Provisions used during the period	(77)	(86)
Provisions reversed during the period	–	(3)
Foreign currency translation effects	2	4
Net changes due to acquisitions/divestments	–	17
Other changes	–	(1)
As of December 31	**155**	**119**

During the year ended December 31, 2010, the Group entered into several restructuring programs, recording a total charge to income of USD 62 million. A further USD 49 million was recorded in respect of restructuring programs initiated in prior years. The largest restructuring program was initiated as part of the new strategy of the Group's General Insurance segment. The UK Direct operations are now integrated into the UK business to create operational synergies and the focus of the Direct insurance efforts are on Germany, Italy and Switzerland. The related restructuring costs amount to USD 20 million. In addition, the Group recorded USD 114 million of software impairments as outlined in note 18.

During the year ended December 31, 2009, the Group entered into several restructuring programs, recording a total charge to income of USD 86 million. A further USD 15 million was recorded in respect to restructuring programs initiated in prior years. The largest restructuring program in 2009 related to the integration of the management services business of 21st Century into the Group's Farmers business division. A restructuring plan was announced involving office closures and a reduction in workforce will occur. The impact was 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.

21. Income taxes

Income tax expense – current/deferred split

Table 21.1

in USD millions, for the years ended December 31	**2010**	2009
Current	1,128	968
Deferred	227	585
Total income tax expense/(benefit)	**1,355**	**1,553**

Income tax expense – policyholder/shareholder attribution

Table 21.2

in USD millions, for the years ended December 31	**2010**	2009
Total income tax expense/(benefit) attributable to policyholders	462	387
Total income tax expense/(benefit) attributable to shareholders	893	1,167
Total income tax expense/(benefit)	**1,355**	**1,553**

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**	**2010**	Rate	2009
Net income before income taxes		4,868		5,537
Less: income tax (expense)/benefit attributable to policyholders		(462)		(387)
Net income before income taxes attributable to shareholders		4,406		5,150
Expected income tax expense attributable to shareholders computed at the Swiss statutory tax rate	22.0%	969	22.0%	1,133
Increase/(reduction) in taxes resulting from:				
Tax rate differential in foreign jurisdictions		*55*		*220*
Tax exempt and lower taxed income		*(119)*		*(53)*
Non-deductible expenses		*63*		*79*
Tax losses previously unrecognized or no longer recognized		*33*		*40*
Prior year adjustments and other		*(108)*		*(252)*
Actual income tax expense attributable to shareholders	20.3%	893	22.7%	1,167
Plus: income tax expense/(benefit) attributable to policyholders		462		387
Actual income tax expense/(benefit)	**27.8%**	**1,355**	**28.1%**	**1,553**

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.

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Current tax receivables and payables

Table 21.4

in USD millions, as of December 31	2010	2009
Current tax receivables	740	638
Current tax payables	(850)	(983)
Net current tax payables	**(110)**	**(345)**

Deferred tax assets and liabilities

Table 21.5

in USD millions, as of December 31	2010	2009
Deferred tax assets	2,067	2,421
Deferred tax liabilities	(4,585)	(4,445)
Net deferred tax liabilities	**(2,518)**	**(2,023)**

Development of net deferred tax liabilities

Table 21.6

in USD millions	2010	2009
As of January 1	(2,023)	(108)
Net change recognized in the income statement	(227)	(585)
Net change recognized in equity	(488)	(1,223)
Net changes due to acquisitions/(divestments)	198	11
Foreign currency translation effects	22	(118)
As of December 31	**(2,518)**	**(2,023)**

The cumulative amount of deferred tax credited to shareholders' equity, net of foreign currency translation effects, amounted to USD 28 million and USD 516 million for the years ended December 31, 2010 and 2009, respectively.

USD 831 million increase in deferred tax liabilities resulted primarily from the acquisitions in 2008 and the divestments in 2010, of which USD 387 million relates to non-controlling interests.

Deferred taxes – policyholder/shareholder attribution

Table 21.7

in USD millions, as of December 31	2010	2009
Net deferred tax assets/(liabilities) attributable to policyholders	(473)	(74)
Net deferred tax assets/(liabilities) attributable to shareholders	(2,045)	(1,950)
Net deferred tax liabilities	**(2,518)**	**(2,023)**

Deferred tax assets/(liabilities) analysis by source

Table 21.8

in USD millions, as of December 31	2010 Assets	2010 Liabilities	2009 Assets	2009 Liabilities
Gross deferred tax				
Deferred acquisition and origination costs	26	(618)	31	(516)
Depreciable and amortizable assets	33	(38)	22	(31)
Life policyholders' benefits and deposits[1]	34	(13)	17	(7)
Unrealized (gains)/losses on available-for-sale investments and cash flow hedges	321	(358)	316	(365)
Accruals & deferred income	207	(4)	197	–
Reserves for losses and loss adjustment expenses	511	(2)	489	–
Reserves for unearned premiums	720	–	704	–
Pensions and other employee benefits	381	–	376	–
Other assets/liabilities	637	(207)	769	(54)
Tax loss carryforwards	505	–	475	–
Gross deferred tax assets/(liabilities) before valuation allowance	3,374	(1,241)	3,397	(973)
Valuation allowance	(66)	–	(2)	–
Gross deferred tax assets/(liabilities) after valuation allowance	3,308	(1,241)	3,395	(973)
Deferred tax assets	**2,067**		**2,421**	
Deferred acquisition and origination costs	90	(2,784)	56	(2,762)
Depreciable and amortizable assets	147	(2,023)	101	(2,116)
Life policyholders' benefits and deposits[1]	808	(722)	529	(741)
Unrealized (gains)/losses on available-for-sale investments and cash flow hedges	249	(1,019)	344	(580)
Accruals & deferred income	120	(169)	105	(123)
Reserves for losses and loss adjustment expenses	78	(335)	339	(478)
Reserves for unearned premiums	34	(96)	59	(64)
Deferred front-end fees	717	–	747	–
Pensions and other employee benefits	344	(43)	366	(32)
Other assets/liabilities	829	(972)	930	(1,345)
Tax loss carryforwards	173	–	244	–
Gross deferred tax assets/(liabilities) before valuation allowance	3,589	(8,162)	3,819	(8,241)
Valuation allowance	(11)	–	(23)	–
Gross deferred tax assets/(liabilities) after valuation allowance	3,578	(8,162)	3,796	(8,241)
Deferred tax liabilities		**(4,585)**		**(4,445)**
Net deferred tax liabilities		**(2,518)**		**(2,023)**

[1] Includes reserves for unit-linked contracts.

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The Group's deferred tax assets and liabilities are recorded in its 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, 2010 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 19 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	**2010**	2009
For which deferred tax assets have been recognized, expiring		
< 5 years	358	160
5 to 20 years	1,360	1,290
> 20 years or with no time limitation	203	1,095
Subtotal	1,920	2,545
For which deferred tax assets have not been recognized, expiring		
5 to 20 years	180	178
> 20 years or with no time limitation	436	219
Subtotal	616	397
Total	**2,536**	**2,942**

The tax rates applicable to tax losses for which a deferred tax asset has not been recognized are 22.4 percent and 24.0 percent for the years 2010 and 2009, 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 the deferred tax asset against 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, 2010, are recoverable.

22. Debt

Debt

Table 22.1

in USD millions, as of		12/31/10	12/31/09
Debt related to capital markets			
Zurich Capital Markets	Various debt instruments payable within 1 year	400	25
Debt related to capital markets		**400**	**25**
Senior debt			
Zurich Finance (USA), Inc.	3.50% CHF 300 bond, due November 2011[1, 6]	322	291
	4.50% EUR 1,000 bond, due September 2014[2, 6]	1,353	1,443
	4.875% EUR 800 bond, due April 2012[6]	1,069	1,143
	6.50% EUR 600 bond, due October 2015[3, 6]	801	857
Zurich Finance (Luxembourg) S.A.	3.25% USD 750 bond, due September 2013[5, 6]	765	747
Zurich Insurance Company Ltd	3.875% CHF 1,000 bond, due July 2011	1,071	965
	3.75% CHF 500 bond, due September 2013[6]	531	478
	Various debt instruments payable within 1 year	–	200
Other	Various debt instruments payable within 1 year	–	5
	Various debt instruments payable in more than 1 year	141	149
Senior debt		6,053	6,277
Subordinated debt			
Zurich Insurance Company Ltd	12.0% EUR 143 capital notes, undated[6]	190	203
	7.5% EUR 425 bond, due July 2039[6]	564	603
	4.25% CHF 700 bond, undated[6]	736	
Zurich Finance (UK) plc	6.625% GBP 450 bond, undated notes[4, 6]	692	717
Zurich Finance (USA), Inc.	5.75% EUR 500 bond, due October 2023[6]	661	707
	4.5% EUR 500 bond, due June 2025[5, 6]	696	730
ZFS Finance (USA) Trust I	Series I 6.15% USD 600 ECAPS, due December 2065	–	567
ZFS Finance (USA) Trust II	Series II 6.45% USD 700 ECAPS, due December 2065	673	672
ZFS Finance (USA) Trust III	Series III Floating Rate USD 400 ECAPS, due December 2065	–	200
ZFS Finance (USA) Trust IV	Series IV 5.875% USD 500 Trust Preferred Securities, due May 2062	250	249
ZFS Finance (USA) Trust V	Series V 6.5% USD 1,000 Trust Preferred Securities, due May 2067	497	496
Other	Various debt instruments payable in more than 1 year	44	22
Subordinated debt		5,004	5,167
Total senior and subordinated debt		**11,057**	**11,444**
Total debt		**11,457**	**11,469**

[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] These bonds are part of qualifying fair value hedges.
[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, 2010 and 2009.

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Debt related to capital markets

Debt related to capital markets increased by USD 375 million from USD 25 million as of December 31, 2009 to USD 400 illion as of December 31, 2010 due to an increase in commercial paper issuance.

Deposits previously presented under debt related to banking activities (USD 814 million as of December 31, 2009) are now presented under "other liabilities" (see note 1).

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 decreased from USD 6.3 billion to USD 6.1 billion primarily due to the USD 200 million repayment of debt drawn under a credit facility for the sole purpose of financing surplus notes issued by the Leschi Life Assurance Company (Leschi), which expired in June 2010.

ii) 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.

Subordinated debt decreased from USD 5.2 billion as of December 31, 2009 to USD 5.0 billion as of December 31, 2010, mainly as a result of the strengthening of the U.S. dollar against the euro and British pound, as the redemption of Enhanced Capital Advantaged Preferred Securities ("ECAPS") was almost offset by the issuance of subordinated notes under the EMTN Programme.

On November 26, 2010, Zurich Insurance Company Ltd issued CHF 700 million of subordinated notes under the EMTN Programme. These subordinated bonds carry a fixed annual coupon of 4.25%, are first callable in 2016 and are undated.

On December 15, 2010, ZFS Finance (USA) Trust I and ZFS Finance (USA) Trust III have exercised their option to early redeem at par together with accrued interest USD 600 million of Series I Fixed/Adjustable Rate ECAPS and USD 400 million of Series III Floating Rate ECAPS, which were issued in December 2005. As a result of previous buy back activities USD 32 million of Series I Fixed/Adjustable Rate ECAPS and USD 200 million of Series III Floating Rate ECAPS issued in December 2005 were already held by the Group, resulting in a net repayment of USD 768 million.

Description and features of significant subordinated debt

Table 22.2

in 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.
4.25% CHF 700 bond, undated notes	4.25% payable annually up to May 26, 2016 and then reset quarterly to 3-month CHF-Libor plus 3.046%.	Quarterly on or after May 26, 2016	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 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 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.

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Table 22.3

Maturity schedule of outstanding debt

in USD millions, as of	12/31/10 Carrying value	12/31/10 Undiscounted cash flow	12/31/09 Carrying value	12/31/09 Undiscounted cash flow
< 1 year	1,793	2,355	230	830
1 to 2 years	1,080	1,603	1,272	1,872
2 to 3 years	1,297	1,749	1,142	1,720
3 to 4 years	1,388	1,797	1,235	1,731
4 to 5 years	919	1,273	1,448	1,890
5 to 10 years	–	1,278	975	2,456
> 10 years	4,981	6,805	5,167	7,265
Total	**11,457**	**16,861**	**11,469**	**17,765**

Debt maturities 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, 2010 and December 31, 2009, respectively. All debt is assumed to mature within 20 years of the balance sheet date the latest without refinancing. Floating interest rates are assumed to remain constant as of December 31, 2010 and December 31, 2009, respectively. The aggregated cash flows are translated into USD at end-of-period rates.

Table 22.4

Interest expense on debt

in USD millions, for the years ended December 31	2010	2009
Debt related to capital markets	6	35
Senior debt	248	215
Subordinated debt	302	305
Total	**556**	**555**

Interest expense on debt

In aggregate, interest expense on debt remained stable in 2010 compared with 2009. The change in interest expense on debt related to capital markets and on senior debt is related to 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 September 2012. Zurich Insurance Company Ltd and Farmers Group, Inc. are guarantors of the facility and can draw up to USD 2.75 billion and USD 250 million, respectively. No borrowings were outstanding under this facility as of December 31, 2010 or December 31, 2009.

In addition, Zurich Insurance Company Ltd has access to revolving credit facilities totaling USD 441 million, which will expire in June and July 2013. As of December 31, 2010 no borrowings have been drawn under these facilities.

Dunbar Bank and Zurich Bank have access to various committed credit facilities totaling GBP 105 million and GBP 165 million, respectively. As of December 31, 2010 no borrowings were outstanding under these facilities (GBP 50 million had been drawn as of December 31, 2009).

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, 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
Share capital reduction as approved by the Annual General Meeting in 2010	(183,640)	(1,836,404)	0.10
New shares issued from contingent capital in 2010	95,023	950,232	0.10
As of December 31, 2010	14,658,690	146,586,896	0.10
Authorized, contingent and issued share capital			
As of December 31, 2009	16,531,690	165,316,899	0.10
As of December 31, 2010	17,129,526	171,295,259	0.10

a) Issued share capital

At the Annual General Meeting on March 30, 2010, the shareholders approved a share capital reduction of CHF 183,640.40 from CHF 14,747,306.80 to CHF 14,563,666.40 by canceling 1,836,404 registered shares. The effective date of the capital reduction was June 15, 2010. In addition, the shareholders approved an increase in the authorized share capital to a new maximum of CHF 1,000,000, allowing for enhanced financial flexibility of the company for future capital management and an increase in the contingent share capital to a new maximum of CHF 500,000 which can be issued to employees of Zurich Financial Services Ltd and its subsidiaries in connection with employee participation plans. During the year 2010, a total of 950,232 shares were issued to employees from contingent capital.

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 from contingent capital.

b) Authorized share capital

Until March 30, 2012, the Board of Zurich Financial Services Ltd is authorized to increase the share capital by an amount not exceeding CHF 1,000,000 by issuing up to 10,000,000 fully paid registered shares with a nominal value of CHF 0.10 each. An increase in partial amounts is permitted. The Board would determine the date of issue of any 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 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

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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 the then current convertible bond or warrant issue conditions. The conversion rights are exercisable during a maximum period of ten years and option rights for a maximum period 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 January 1, 2009, the contingent share capital, to be issued to employees of Zurich Financial Services Ltd and Group companies, amounted to CHF 319,428 or 3,194,279 fully paid registered shares with a nominal value of CHF 0.10 each. On January 1, 2010, the contingent share capital, to be issued to employees of Zurich Financial Services Ltd and Group companies, amounted to CHF 264,383 or 2,643,831 fully paid registered shares with a nominal value of CHF 0.10 each. At the Annual General Meeting on March 30, 2010, the shareholders approved the proposed increase of the contingent share capital for the issuance of new shares for employees of the Group to a new maximum of CHF 500,000. This increase was approved and registered with the Commercial Register on April 1, 2010.

During 2010 and 2009, 950,232 and 550,448 shares, respectively, were issued to employees from contingent share capital under the program described above. Of the total 950,232 registered shares issued to employees during the year 2010, 658,595 shares were issued in the period from January 1, 2010 to March 31, 2010 and 291,637 registered shares were issued as from April 1, 2010 to December 31, 2010. As a result, on December 31, 2010 and 2009, respectively, the remaining contingent share capital, which can be issued to employees of Zurich Financial Services Ltd and its subsidiaries, amounted to CHF 470,836 and CHF 264,383 or 4,708,363 and 2,643,831 fully paid registered shares, respectively, with a nominal value of CHF 0.10 each. 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, 2008[1]	575,000,000	575,000	1,000
As of December 31, 2009[1]	575,000,000	575,000	1,000
Preferred securities bought back by group companies[2]	(99,390,000)	(99,390)	1,000
As of December 31, 2010[1]	475,610,000	475,610	1,000

[1] The amount is gross of issuance costs of USD 14 million as of December 31, 2010, 2009 and 2008.
[2] The amount shows the nominal amount of preferred securities bought back by group companies. The respective movement in the balance sheet deviates from this amount by USD 14 million, representing the gain on this transaction which has been recognized within the same line item.

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 totaled USD 550 million in aggregate. Of the remaining series totaling 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. In the course of 2010, the Group repurchased but not retired securities of the Series V in the total amount of USD 46.5 million and of the Series VI in the total amount of USD 52.89 million. 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	2010	2009
Treasury shares	1,399,080	3,269,338

Treasury shares comprise shares acquired in the market, primarily held to cover employee and share option plans. At the end of 2009 treasury shares also included the remaining shares repurchased under the share buy-back program 2008. The number of treasury shares amounted to 1,399,080 and 3,269,338 as of December 31, 2010 and 2009, respectively.

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 re-dedication was 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 transaction completed on July 1, 2009.

At the Annual General Meeting of March 30, 2010, the shareholders approved the destruction of the remaining 1,836,404 shares from the 2008 share buy-back program. Since their re-dedication 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. The destruction of the remaining 1,836,404 shares was effective June 15, 2010.

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)[1]	Weighted average number of shares	Per share (USD)	Per share (CHF)[2]
2010				
Basic earnings per share	**3,422**	**144,844,915**	**23.63**	**24.57**
Effect of potentially dilutive shares related to share-based compensation plans		1,142,920	(0.18)	(0.19)
Diluted earnings per share	**3,422**	**145,987,835**	**23.44**	**24.38**
2009				
Basic earnings per share	**3,943**	**141,943,376**	**27.78**	**30.09**
Effect of potentially dilutive shares related to share-based compensation plans		1,023,350	(0.20)	(0.22)
Diluted earnings per share	**3,943**	**142,966,726**	**27.58**	**29.88**

[1] Excludes the net income attributable to preferred shareholders of USD 11 million and USD 19 million for the year ended December 31, 2010 and 2009, respectively.
[2] 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, 2010 and 2009, respectively.

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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 54,934 and 56,668 employees (full-time equivalents) as of December 31, 2010 and 2009, respectively. Personnel and other related costs incurred for the year ended December 31, 2010 and 2009, were USD 5,257 million and USD 5,399 million, including wages and salaries of USD 4,346 million and USD 4,423 million, respectively.

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, United States, Germany and Switzerland. Certain companies provide defined benefit plans, some of which provide benefits related to employees' service periods and 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 496 million for 2011 compared with USD 456 million estimated in the previous year for 2010. The actual amounts 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 for 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				
	2010	2009	2008	2007	2006	**2010**	2009	2008	2007	2006
Present value of funded obligations	(14,978)	(13,966)	(12,680)	(13,653)	(12,190)	–	(70)	(93)	(66)	(70)
Fair value of plan assets	13,791	12,622	10,879	13,285	11,071	–	–	–	5	10
Funded status	(1,186)	(1,344)	(1,801)	(368)	(1,119)	–	(70)	(92)	(61)	(60)
Unrecognized past service cost	(1)	–	(1)	–	2	–	–	–	–	–
Cumulative impact of asset ceiling	(3)	(15)	(7)	(62)	–	–	–	–	–	–
Liability – funded obligations	**(1,190)**	**(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, and are included in OCI.

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				
	2010	2009	2008	2007	2006	**2010**	2009	2008	2007	2006
Present value of unfunded obligations	(260)	(230)	(210)	(207)	(985)	(295)	(205)	(183)	(208)	(196)
Unrecognized past service cost	(10)	–	–	–	–	(23)	(28)	(1)	(2)	(1)
Liability – unfunded obligations	**(270)**	**(229)**	**(209)**	**(207)**	**(985)**	**(318)**	**(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				
	2010	2009	2008	2007	2006	**2010**	2009	2008	2007	2006
Liability	**(1,460)**	**(1,588)**	**(2,017)**	**(637)**	**(2,101)**	**(319)**	**(303)**	**(277)**	**(271)**	**(256)**

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Expense recognized in income

Table 24.4

in USD millions, as of December 31	Defined benefit pension plans		Other defined post-employment benefits	
	2010	2009	**2010**	2009
Current service cost	(269)	(298)	(9)	(7)
Interest cost	(694)	(685)	(15)	(16)
Expected return on plan assets	722	619	–	–
Past service cost	(12)	(7)	5	9
Gains on curtailment or settlement	49	2	–	–
Net pension expense	**(205)**	**(369)**	**(19)**	**(14)**

Pension expense is recognized in other employee benefits, which are included in administrative and other operating expense.

Fair value of assets held in funded defined benefit plans

Table 24.5

in USD millions, as of December 31	Defined benefit pension plans	
	2010	2009
Mortgage loans	441	396
Cash and cash equivalents	236	181
Equity securities	3,903	3,598
Debt securities	8,410	7,740
Real estate	795	701
Other assets[1]	6	6
Total	**13,791**	**12,622**

[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.

Movement in funded and unfunded defined benefit plan obligation

Table 24.6

in USD millions	Defined benefit pension plans		Other defined post-employment benefits	
	2010	2009	**2010**	2009
Benefit obligation as of January 1	(14,196)	(12,890)	(275)	(275)
Current service cost	(269)	(298)	(9)	(7)
Past service cost including plan amendments	(1)	(9)	–	37
Interest cost	(694)	(685)	(15)	(16)
Actuarial gain/(loss) included in other comprehensive income	(598)	12	(4)	(7)
Employee contributions	(43)	(42)	(5)	(4)
Effect of curtailments or settlements	104	15	–	–
Benefits paid	539	526	20	17
Effects of business combinations and other transfers	–	(53)	–	(12)
Foreign currency translation effects	(81)	(771)	(7)	(7)
Benefit obligation as of December 31	**(15,238)**	**(14,196)**	**(296)**	**(275)**

Movement in fair value of plan assets – funded plans

Table 24.7

in USD millions	Defined benefit pension plans		Other defined post-employment benefits	
	2010	2009	**2010**	2009
Fair value of plan assets as of January 1	12,622	10,879	–	–
Expected return on plan assets	722	619	–	–
Actuarial gain/(loss) included in other comprehensive income	388	318	–	–
Employer contributions	532	528	15	13
Employee contributions	43	42	5	4
Benefits paid	(539)	(526)	(20)	(17)
Effect of curtailments or settlements	(56)	(13)	–	–
Effects of business combinations and other transfers	–	61	–	–
Foreign currency translation effects	79	713	–	–
Fair value of plan assets as of December 31	**13,791**	**12,622**	**–**	**–**

The actual returns on defined benefit pension plan assets for the years ended December 31, 2010 and 2009 were gains of USD 1,110 million and USD 937 million, respectively.

The summary of the balance sheet changes in relation to defined benefit plans and other defined post-employment benefits is given below.

Movement in liability for funded and unfunded plans

Table 24.8

in USD millions	Defined benefit pension plans		Other defined post-employment benefits	
	2010	2009	**2010**	2009
Liability as of January 1	(1,588)	(2,017)	(303)	(277)
Current year expense	(205)	(369)	(19)	(14)
Contributions paid	532	528	15	13
Change in liability due to asset ceiling	11	(7)	–	–
Actuarial gain/(loss) included in other comprehensive income	(210)	329	(4)	(7)
Effects of business combinations and other transfers	–	(1)	–	2
Foreign currency translation effects	(1)	(51)	(7)	(21)
Liability as of December 31	**(1,460)**	**(1,588)**	**(319)**	**(303)**

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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:

Actuarial gain/(loss)

Table 24.9

in USD millions	**2010**	2009	2008	2007	2006
Actuarial gain/(loss) as of January 1	(2,672)	(2,907)	(1,308)	(1,870)	(2,420)
Experience adjustments on plan liabilities	205	(37)	(147)	(118)	(375)
Experience adjustments on plan assets	388	318	(1,485)	188	447
Changes due to discount rate assumptions	(742)	(103)	223	975	–
Changes due to other actuarial assumptions	(65)	144	(392)	(345)	528
Asset ceiling recognition	11	(7)	51	(64)	–
Foreign currency translation effects	(39)	(80)	152	(75)	(50)
Total actuarial gain/(loss) as of December 31	**(2,914)**	**(2,672)**	**(2,907)**	**(1,308)**	**(1,870)**
Total actuarial gain/(loss) net of policyholder participation and taxes as of December 31	**(1,924)**	**(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:

Assumptions used in determining the actuarial liabilities for major defined benefit pension plans

Table 24.10

as of December 31				**2010**				2009
	Switzerland	**United Kingdom**	**United States**	**Germany**	Switzerland	United Kingdom	United States	Germany
Discount rate	2.9%	5.5%	5.3%	5.3%	3.1%	5.9%	5.8%	5.4%
Inflation rate	1.9%	3.4%	2.3%	1.7%	1.5%	3.1%	2.4%	1.7%
Expected long-term rate of return on assets	3.4%	6.2%	6.4%	4.5%	4.1%	6.6%	7.0%	5.1%
Expected future salary increases	2.5%	3.9%	4.2%	3.0%	2.1%	4.3%	3.9%	2.7%
Expected future pension increases	1.4%	3.4%	0.0%	1.7%	1.0%	3.1%	0.3%	1.7%
Current average life expectancy for a 65 year old male	19.9	22.7	19.4	18.3	19.8	22.3	19.4	18.1

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	2010	2009
	U.S.	U.S.
Discount rate	5.0%	5.5%
Expected increase in long-term health cost – initial rate	7.8%	8.4%
Expected increase in long-term health cost – ultimate rate	4.8%	4.8%

The actuarial assumptions for 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 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 108 million and USD 99 million in 2010 and 2009, respectively.

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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 expense recognized for these cash incentive plans amounted to USD 422 million and USD 401 million for the years ended December 31, 2010 and 2009, respectively.

b) Share-based compensation plans for employees and executives

The Group encourages employees to own shares in 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.

Expenses recognized in income

Table 25.1

in USD millions, as of December 31	2010	2009
Total option-based expenses	55	42
Total share-based expenses	128	119
Total expenses	**183**	**161**

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 274 and 374 participants in the plan as of December 31, 2010 and 2009, 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 a participant's base salary (before any flexible benefit adjustments) or a maximum of GBP 3,000. The total number of participating employees in the reward share element of the plans as of December 31, 2010 and 2009 was 4,775 and 5,569 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 2010, 5,448 employees participated in the Employee Incentive Plan compared with 6,053 in 2009. For the year ended December 31, 2010, 1,372 employees received shares under the 2009 employee performance share plan. For the year ended December 31, 2009, 1,579 employees received shares under the 2008 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 2010 and future grants the Group is 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 168 and 175 participants in this plan as of December 31, 2010 and 2009, 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 2010 and future grants the Group is 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 947 and 900 participants in this plan as of December 31, 2010 and 2009, 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)	
	2010	2009	**2010**	2009
As of January 1	3,053,757	2,760,367	278	284
Options granted	1,698,817	1,175,774	272	276
Options forfeited	(73,560)	(31,161)	265	303
Options exercised	(427,673)	(147,369)	204	147
Options expired during period	(557,783)	(703,854)	298	327
As of December 31	**3,693,558**	**3,053,757**	**281**	**278**
Exercisable options as of December 31	2,263,094	2,132,033	281	278

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 2010 and 2009 was CHF 241.41 and CHF 209.33 respectively

Table 25.3

Share options exercised during the period

	Amount		Average share price in CHF	
	2010	2009	**2010**	2009
Exercise date				
January to April	199,096	2,211	255	190
May to August	125,825	68,336	240	218
September to December	102,752	76,822	241	241
Total	**427,673**	**147,369**	**248**	**230**

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Range of exercise prices of options outstanding

Table 25.4

in CHF, as of December 31	Number of options		Weighted average contractual life in years		Weighted average remaining expected life in years	
	2010	2009	**2010**	2009	**2010**	2009
Exercise price						
100 to 200	536,850	527,527	7.0	7.0	5.3	6.1
201 to 300	1,404,170	785,161	7.0	7.0	4.8	2.0
301 to 400	1,752,538	1,741,069	7.1	7.1	3.3	4.3
Total	**3,693,558**	3,053,757	**7.0**	7.0	**4.2**	4.0

Options and shares granted during the period

Table 25.5

for the year ended December 31	Number		Weighted average fair value at grant date (in CHF)	
	2010	2009	**2010**	2009
Shares granted during the period	407,940	543,698	260	198
Options granted during the period[1]	1,698,817	1,175,774	29	62

[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. If 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

	2010	2009
Share price, in CHF[1]	260	198
Exercise price, in CHF	260	198
Assumed volatility	25.55%	42.95%
Risk-free interest rate	2.00%	2.21%
Expected dividend yield	6.10%	4.07%
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 2010 and 2009. 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 default principal and interest payments, make capital contributions or provide equity financing.

Table 26.1

Quantifiable commitments and contingencies

in USD millions, as of December 31	**2010**	2009
Commitments under investment agreements	4,100	4,165
Less funded commitments	(3,513)	(3,386)
Remaining commitments under investment agreements	587	779
Guarantees and letters of credit[1]	9,544	9,911
Future rent commitments	1,016	1,154
Undrawn loan commitments	149	405
Other commitments and contingent liabilities	88	84

[1] Guarantee features embedded in life insurance products are not included. For such guarantee features see 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 8,726 million of the USD 9,544 million for financial guarantees and letter of credit in 2010 relate to guarantees in the aggregate amount of GBP 5,595 million 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. These guarantees will expire in August 2015.

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 187 million and USD 200 million for the years ended December 31, 2010 and 2009, respectively.

Table 26.2

Future payments under non-cancelable operating leases with terms in excess of one year

in USD millions, as of December 31	**2010**	2009
< 1 year	206	227
1 to 2 years	171	201
2 to 3 years	138	156
3 to 4 years	121	127
4 to 5 years	112	133
> 5 years	267	309
Total	**1,016**	1,154

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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, 2010 the Group has recorded in this respect provisions of USD 44 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 9,611 million and USD 9,288 million as of December 31, 2010 and 2009, 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, 2010 is estimated to amount to approximately USD 168 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.

Legal proceedings and regulatory investigations

The Group and its subsidiaries are continuously involved in legal proceedings, claims and litigation regulatory investigations arising, for the most part, in the ordinary course of their business operations. The Group's business is subject to extensive supervision, and companies in the Group are in regular contact with various regulatory authorities. In addition, certain companies within the Group are engaged in the following legal proceedings and regulatory investigations.

In Switzerland, ten suits have been brought since 2000 in various Swiss courts by the Swiss Guaranty Fund for Occupational Retirement Schemes (the "Guaranty Fund") and the Vera Pension and Vera Investment Funds against Zurich Life Insurance Company ("Zurich Life") and Geneva Life Insurance Company ("Geneva Life"), wholly owned indirect subsidiaries of Zurich Insurance Company Ltd. Zurich Life and Geneva Life provided insurance to certain pension funds and granted loans on policy reserves. The proceeds were invested, together with additional bank loans, in various real estate projects by the investment funds. Successful throughout the 1970s and 1980s, the funds were facing increasing financial difficulties during the downturn of the real estate activity in the early 1990s, until they collapsed in 1996. Both Geneva Life and Zurich Life set off the loans against the policy reserves. The Guaranty Fund and the liquidators of the pension and investment funds alleged, inter alia, that the loans were illegal and the corporate defendants were de facto members of the management of the funds. They also alleged that the life insurance companies and other parties involved were jointly responsible for consolidated damages. Whereas two suits remain pending, the remaining suits have either been withdrawn or dismissed. The Group maintains that these suits are without merit and intends to continue to defend itself vigorously.

An action entitled Fuller-Austin Asbestos Settlement Trust, et al. v. Zurich American Insurance Company, et al., was filed in May 2004 in the Superior Court for San Francisco County, California. Three other similar actions were filed in 2004 and 2005 and have been coordinated with the Fuller-Austin action. In addition to Zurich American Insurance Company ("ZAIC") and three of its insurance company subsidiaries, Zurich Insurance Company Ltd ("ZIC") and Orange Stone Reinsurance Dublin ("Orange Stone") are named as defendants. Plaintiffs, who are historical policyholders of the Home Insurance Company ("Home"), plead claims for fraudulent transfer, alter ego liability and unfair business practices relating to the recapitalization of Home, which occurred in 1995 following regulatory review and approval. Plaintiffs allege that pursuant to the recapitalization and subsequent transactions, various Zurich entities took assets of Home without giving adequate consideration in return, and contend that this forced Home into liquidation. Plaintiffs further allege that the defendants should be held responsible for Home's alleged obligations under their Home policies. The trial judge designated plaintiffs' claims for constructive fraudulent transfer for adjudication before all other claims; he subsequently ordered an initial bench trial on certain threshold elements of those fraudulent transfer claims and on certain of defendants' affirmative defenses. The trial commenced on November 1, 2010, with 12 days of trial in 2010. The trial is currently scheduled to resume in April 2011.

A similar action entitled A.P.I., Inc. Asbestos Settlement Trust, et al. v. Zurich American Insurance Company, et al., was filed in March 2009 in the District Court for the Second Judicial District, County of Ramsey, Minnesota. ZAIC and two of its insurance company subsidiaries were named as defendants (the "Original Defendants"). The Original Defendants removed the case to the U.S. District Court for the District of Minnesota, where it is now pending. The plaintiffs subsequently amended their complaint to add ZIC, Orange Stone and two additional ZAIC subsidiaries as defendants (the "Newly-Added Defendants"). As in the Fuller-Austin cases, plaintiffs allege that A.P.I., Inc. is an insured under policies issued by Home, primarily in the 1970s. The complaint seeks to hold defendants liable for Home's policy obligations under various theories of vicarious liability tied to the recapitalization of Home, and it also alleges that defendants are liable for damages under theories of fraudulent transfer and tortious interference with contract.

Prior to the filing of the amended complaint, the Original Defendants moved to dismiss the case. After the amended complaint was filed, all defendants, including the Newly-Added Defendants, moved again to dismiss the amended complaint. On March 31, 2010, the court ruled on the original dismissal motion, and dismissed plaintiffs' claims against the Original Defendants under theories of fraudulent transfer and tortious interference with contractual relations, as well as a consumer fraud claim. On September 30, 2010, the court ruled on the motion to dismiss the amended complaint, and dismissed plaintiffs' claims against all defendants under theories of fraudulent transfer and tortious interference, as well as a consumer fraud claim. The motion - consistent with the court's March 31 2010 ruling - was denied as to the remaining claims, as the court found that plaintiffs' vicarious liability theories could not be disposed of on a motion to dismiss. Pretrial discovery is continuing. According to the court's scheduling order, summary judgment motions are scheduled to be filed on or about April 22, 2011, with additional briefing and argument to follow. The action is to be "trial ready" in May 2011. The Group maintains that the Fuller-Austin and API cases are without merit and intends to continue to defend itself vigorously.

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. The Group's defendants did not admit to any violation of U.S. or state laws as part of this settlement.

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 had 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 had 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 had 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, and the ruling became final in June 2009. The Dutch settlement papers were filed with the Dutch court on July 9, 2010.

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On November 12, 2010, the Amsterdam Court of Appeal provisionally ruled that it has jurisdiction to consider the petition for approval of the settlement. The Amsterdam Court of Appeal directed the parties to notify the class about the proposed settlement and will hold a hearing on October 3 and 4, 2011 to consider whether to declare the proposed settlement binding on the class.

Zurich Financial Services Ltd. is a defendant in a putative class action pending in California state court captioned Benjamin Fogel v. Farmers Group, Inc ("Fogel Case"). The case, originally filed in August 2003, is brought on behalf of a putative class of all policyholders of the Farmers Exchanges from 1999 to the present. The plaintiff alleges that Farmers Group, Inc. and certain of its affiliates ("Farmers"), which acted as the attorneys-in-fact for policyholders of the Farmers Exchanges, collected excessive and unreasonable management fees. The complaint seeks, amongst other things, disgorgement, as well as damages and injunctive relief. In February 2005, the trial court granted Farmers' motion for summary judgment, and plaintiff appealed. In 2008, a California appellate court reversed the trial court's ruling and reinstated the litigation. On September 9, 2009, plaintiff filed a motion seeking to certify a nationwide class of all policyholders of the Farmers Exchanges since August 1, 1999. On October 7, 2010, the Group announced that it had agreed in principle to a proposed nationwide settlement of the Fogel Case. Under the terms of the settlement, a sum of USD 455 million will be made available to approximately 15-20 million policyholders who may qualify for a distribution under the settlement, with any residual amount going to the Farmers Exchanges. The Group will also pay attorneys' fees to class action counsel of up to USD 90 million, as well as the costs of administering the settlement. On December 12, 2010, the parties executed the settlement agreement and they filed a motion on January 12, 2011 seeking preliminary approval of the settlement. On February 3, 2011, the court granted a motion to intervene by a class member who objects to parts of the settlement, and scheduled the hearing on the motion for preliminary approval for March 2, 2011. All terms of the settlement are subject to the court's approval.

While 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 will have a material adverse effect on the Group's consolidated financial condition, proceedings are inherently unpredictable, and 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 financial assets and financial liabilities – Group investments and other Non-unit-linked

Table 27.1a

in USD millions, as of December 31	Total fair value		Total carrying value	
	2010	2009	**2010**	2009
Cash and cash equivalents	8,558	11,041	8,558	11,041
Available-for-sale securities				
Debt securities	128,257	123,896	128,257	123,896
Equity securities	9,798	7,563	9,798	7,563
Total available-for-sale securities	138,055	131,459	138,055	131,459
Securities at FV through profit or loss				
Trading				
Debt securities	43	82	43	82
Equity securities	473	879	473	879
Designated at FV				
Debt securities	6,826	7,602	6,826	7,602
Equity securities	3,458	4,138	3,458	4,138
Total securities at FV through profit or loss	10,799	12,702	10,799	12,702
Derivative assets	1,673	1,240	1,673	1,240
Held-to-maturity debt securities	5,280	5,408	5,129	5,143
Equity method accounted investments	186	217	188	232
Loans and receivables				
Mortgage loans	12,221	12,791	11,851	12,736
Other loans	13,963	15,097	13,043	14,556
Deposits made under assumed reinsurance contracts	2,812	3,854	2,832	3,861
Mortgage loans given as collateral	739	1,130	743	1,102
Receivables	13,160	13,076	13,195	13,144
Other financial assets	4	8	4	8
Total loans and receivables	42,901	45,956	41,670	45,408
Total financial assets	**207,452**	**208,024**	**206,072**	**207,225**
Financial liabilities at FV through profit or loss				
Trading:				
Obligation to repurchase securities	(3,330)	(3,976)	(3,330)	(3,976)
Derivative liabilities	(1,002)	(660)	(1,002)	(660)
Financial liabilities held at amortized cost				
Liabilities related to investment contracts	(592)	(254)	(592)	(254)
Liabilities related to investment contracts with DPF	(4,875)	(5,306)	(5,134)	(5,728)
Debt	(11,839)	(11,479)	(11,457)	(11,469)
Deposits received under ceded reinsurance contracts	(1,231)	(1,446)	(1,362)	(1,558)
Collateralized loans	(739)	(1,131)	(743)	(1,102)
Other financial liabilities	(3,694)	(4,823)	(3,698)	(4,829)
Total financial liabilities	**(27,302)**	**(29,076)**	**(27,318)**	**(29,575)**

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Fair value (FV) and carrying value of financial assets and financial liabilities – unit-linked

Table 27.1b

in USD millions, as of December 31	Total fair value		Total carrying value	
	2010	2009	**2010**	2009
Cash and cash equivalents	7,163	5,840	7,163	5,840
Investments at FV through profit or loss				
Designated at FV				
Debt securities	9,376	10,194	9,376	10,194
Equity securities	85,765	78,311	85,765	78,311
Other loans	1,563	924	1,563	924
Total investments at FV through profit or loss	96,703	89,429	96,703	89,429
Derivative assets	104	98	104	98
Loans and receivables				
Total	**103,970**	**95,368**	**103,970**	**95,368**
Financial liabilities at FV through profit or loss				
Designated at FV				
Liabilities related to unit-linked investment contracts	(44,941)	(40,143)	(44,941)	(40,143)
Derivative liabilities	(3)	–	(3)	–
Total	**(44,944)**	**(40,143)**	**(44,944)**	**(40,143)**

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 – current period

Table 27.2a

in USD millions, as of December 31, 2010	Level 1	Level 2	Level 3	Total
Available-for-sale securities				
Debt securities	38,827	86,036	3,394	128,257
Equity securities	3,414	3,548	2,836	9,798
Total available-for-sale securities	42,241	89,584	6,230	138,055
Securities at FV through profit or loss				
Trading				
Debt securities	41	2	–	43
Equity securities	–	40	433	473
Designated at FV				
Debt securities	2,847	3,789	191	6,826
Equity securities	516	1,397	1,545	3,458
Total securities at FV through profit or loss	3,404	5,227	2,169	10,799
Derivative assets	4	1,623	46	1,673
Total	**45,649**	**96,433**	**8,445**	**150,527**
Financial liabilities at FV through profit or loss				
Trading				
Obligation to repurchase securities	–	(3,330)	–	(3,330)
Derivative liabilities	(5)	(973)	(25)	(1,002)
Total	**(5)**	**(4,302)**	**(25)**	**(4,332)**

Fair Value Hierarchy – prior period

Table 27.2b

in USD millions, as of December 31, 2009	Level 1	Level 2	Level 3	Total
Available-for-sale securities				
Debt securities	45,538	75,381	2,977	123,896
Equity securities	3,939	2,659	965	7,563
Total available-for-sale securities	49,477	78,040	3,942	131,459
Securities at FV through profit or loss				
Trading				
Debt securities	73	8	–	82
Equity securities	–	35	844	879
Designated at FV				
Debt securities	2,652	4,730	220	7,602
Equity securities	901	933	2,305	4,138
Total securities at FV through profit or loss	3,627	5,706	3,369	12,702
Derivative assets	–	1,200	40	1,240
Total	**53,103**	**84,946**	**7,351**	**145,400**
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)**

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Table 27.3a

Roll forward analysis for financial instruments classified under Level 3 – current period

in USD millions	Available-for-sale securities		Securities at FV through profit or loss				
			Trading	Designated at FV			
	Debt securities	Equity securities	Equity securities	Debt securities	Equity securities	Derivative assets	Derivative liabilities
As of January 1, 2010	2,977	965	844	220	2,305	40	(37)
Realized gains/(losses) recognized in income[1]	22	12	2	11	47	–	–
Unrealized gains/(losses) recognized in income[1]	(81)	(72)	(3)	32	106	5	12
Unrealized gains/(losses) recognized in other comprehensive income	545	727	–	–	–	–	–
Purchases	506	1,082	63	1	92	–	–
Sales/Redemptions/Settlements	(964)	(56)	(484)	(79)	(1,003)	–	–
Net transfers into Level 3	394	2	–	12	–	–	–
Foreign currency translation effects	(6)	176	11	(5)	(2)	2	–
As of December 31, 2010	**3,394**	**2,836**	**433**	**191**	**1,545**	**46**	**(25)**

[1] Presented under "Net capital gains/(losses) and impairments on Group investments" in the Consolidated income statements.

Table 27.3b

Roll forward analysis for financial instruments classified under Level 3 – prior period

in USD millions	Available-for-sale securities		Securities at FV through profit or loss				
			Trading	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 other comprehensive income	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

As of December 31, 2010 and 2009, the Group classified under Level 3 asset-backed securities (ABSs) amounting to USD 3.6 billion and USD 3.2 billion, respectively. These ABSs include non-agency backed securities for which the limited market activity observed at year end required the Group's 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 27.4 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 27.4a

Sensitivity analysis of Level 3 ABSs to changes in key assumptions – current period

as of December 31, 2010	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%	(105)	–20%	110
Prepayment rates	–20%	(35)	+20%	33
Recovery rates	–20%	(32)	+20%	31
Default rates	+20%	(6)	–20%	3

Table 27.4b

Sensitivity analysis of Level 3 ABSs to changes in key assumptions – prior period

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

As of December 31, 2010 and 2009, the Group also classified under Level 3 investments in hedge funds and private equity funds amounting to USD 2.2 billion and USD 3.3 billion, respectively. These investments are valued based on regular reports from the issuing funds and fair values 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.

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Unit-linked financial instruments

Table 27.5a

Fair Value Hierarchy – current period

in USD millions, as of December 31, 2010	Level 1	Level 2	Level 3	Total
Investments at FV through profit or loss				
Designated at FV				
Debt securities	4,421	4,812	143	9,376
Equity securities	47,644	33,471	4,650	85,765
Other loans	–	1,563	–	1,563
Total investments at FV through profit or loss	52,065	39,845	4,793	96,703
Derivative assets	–	102	2	104
Total	**52,065**	**39,948**	**4,795**	**96,808**
Financial liabilities at FV through profit or loss				
Designated at FV				
Liabilities related to unit-linked investment contracts	–	(44,941)	–	(44,941)
Derivative liabilities	–	(2)	(2)	(3)
Total	**–**	**(44,942)**	**(2)**	**(44,944)**

Table 27.5b

Fair Value Hierarchy – prior period

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)
Total	**–**	**(40,143)**	**–**	**(40,143)**

Table 27.6a

Roll forward analysis for financial assets classified under Level 3 - current period

in USD millions	Securities at FV through profit or loss	
	Designated at FV	
	Debt securities	Equity securities
As of January 1, 2010	130	4,579
Realized gains/(losses) recognized in income[1]	4	27
Unrealized gains/(losses) recognized in income[1]	23	124
Purchases	19	113
Sales/Redemptions	(29)	(167)
Net transfers into/out of Level 3	1	(19)
Foreign currency translation effects	(4)	(7)
As of December 31, 2010	**143**	**4,650**

[1] Presented under "Net investment result on unit-linked investments" in the Consolidated income statements.

Table 27.6b

Roll forward analysis for financial assets classified under Level 3 – prior period

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.

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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 the Group's 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	2010	2009
Consolidated income statements for the years ended December 31		
Net earned premiums and policy fees	12	10
Net investment income	(104)	(105)
Net investment expense	(1)	(1)
Other income/(expense)	(37)	–
Losses and loss adjustment expenses	(6)	(11)
Administrative and other operating expenses	(4)	(6)
Consolidated balance sheets as of December 31		
Cash and cash equivalents	475	158
Other loans	537	1,095
Total unit-linked investments	3,196	2,349
Receivables	1	1
Policyholders' collateral and other loans	9	12
Reserves for losses and loss adjustment expenses	(11)	(12)

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 Members of the Group Executive Committee.

Related party transactions – key personnel

Table 28.2

in USD millions, for the years ended December 31	**2010**	2009
Remuneration of key personnel of the Group		
Cash compensation, current benefits and fees	30	29
Post-employment benefits	3	4
Share-based compensation	20	31
Termination benefits	2	–
Total remuneration of key personnel	**55**	64

As of December 31, 2010 there were no loans, advances or credits outstanding from Members of the Group Executive Committee, while loans and guarantees granted to Members of the Group Executive Committee amounted to USD 1 million for the year ended December 31, 2009. Outstanding loans and guarantees granted to Members of the Board of Directors amounted to USD 2 million for the years ended December 31, 2010 and 2009. The terms "Members of the Board of 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 both the years ended December 31, 2010 and 2009.

No provision for non-repayment has been required in 2010 and 2009 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.

Consolidated financial statements *continued*

29. Farmers Exchanges

Farmers Group, Inc. (FGI) and its subsidiaries provide certain non-claims related management services to the Farmers Exchanges, which are managed but not owned by Farmers Group, Inc. a wholly owned subsidiary of the Group. 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, 2010 and 2009, 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	2010	2009
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
4.65% certificates of contribution, due December 2013[1]	150	300
Various other certificates of contribution	23	23
Total	**1,080**	**1,230**

[1] On August 1, 2010, USD 150 million of the USD 300 million surplus note with the Farmers Exchanges was redeemed. In addition, the interest rate on the remaining USD 150 million surplus note was reset to 4.65 percent from 10.30 percent.

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 ceded risk through quota share reinsurance treaties to Farmers Reinsurance Company (Farmers Re Co), a wholly owned subsidiary of FGI, and to Zurich Insurance Company Ltd (ZIC).

Auto Physical Damage Quota Share reinsurance agreement

The Auto Physical Damage (APD) Quota Share reinsurance agreement (APD agreement) with the Farmers Exchanges provides for annual ceded premiums of USD 1 billion of gross written premiums with 20.0 percent assumed by Farmers Re Co (USD 200 million) and 80.0 percent assumed by ZIC (USD 800 million), a 25.8 percent ceding commission for acquisition expenses, and an 8.2 percent ceding commission for unallocated loss adjustment expense. In addition, Farmers Re Co 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 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 Co 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, 2010 and 2009. Ceded incurred losses and loss adjustment expenses totaled USD 648 million and USD 667 million for the years ended December 31, 2010 and 2009, respectively. Farmers Exchanges' share of the total experience commission income was USD 315 million and USD 299 million for the years ended December 31, 2010 and 2009, 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 Co 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.

Effective June 30, 2009, the All Lines agreement was cancelled subsequent to which Farmers Re Co 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 Exchanges, prospectively. Under the All Lines agreement, Farmers Re Co 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 Exchanges after the APD agreement has been applied. In addition, under the All Lines agreement, the Farmers Exchanges catastrophe losses are subject to a maximum of USD 1 billion. As a result, Farmers Re Co 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 Exchanges 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 Exchanges to Farmers Re Co 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 Exchanges for acquisition expenses due to the increased participation in the All Lines agreement.

Effective December 31, 2009, the All Lines agreement was modified and the participation ratio was decreased by 2.5 percent to 35 percent. In addition to this change, 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. Unearned premiums totaling USD 159 million were transferred from Farmers Re Co and ZIC to the Farmers Exchanges as a result of their decreased participation in the All Lines agreement effective December 31, 2009. In addition, the Farmers Exchanges remitted USD 41 million of reinsurance commissions to Farmers Re Co and ZIC for acquisition expenses due to the decreased participation in the All Lines agreement.

Effective June 30, 2010, the All Lines agreement was cancelled subsequent to which Farmers Re Co and ZIC entered into a new 25.0 percent All Lines agreement under which each assumes a percentage of all lines of business written by the Farmers Exchanges, prospectively. Under this new All Lines agreement, Farmers Re Co and ZIC assume a 5.0 percent and 20.0 percent respective 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. In addition, under the All Lines agreement, the Farmers Exchanges catastrophe losses are subject to a maximum of USD 1 billion. As a result, Farmers Re Co and ZIC are subject to a maximum annual catastrophe loss of USD 50 million and USD 200 million, respectively. The All Lines agreement, which can be terminated after 90 days notice by any of the parties, also provides for the Farmers Exchanges to receive a provisional ceding commission of 25.7 percent of premiums for acquisition expenses, 9.0 percent of premiums for unallocated loss adjustment expense and 5.3 percent of premiums for other expenses. Unearned premiums totaling USD 614 million were transferred from Farmers Re Co and ZIC to the Farmers Exchanges as a result of their decreased participation in the All Lines agreement through June 30, 2010. In addition, the Farmers Exchanges remitted USD 158 million of reinsurance commissions to Farmers Re Co and ZIC for acquisition expenses due to the decreased participation in the All Lines agreement.

Effective December 31, 2010, the All Lines agreement was modified and the participation ratio was decreased by 13.0 percent to 12.0 percent. In addition to this change, the provisional ceding commission for acquisition expenses was increased by 1.0 percent from 25.7 percent to 26.7 percent, while the Farmers Exchanges' catastrophe losses were changed from USD 1.0 billion to a maximum of USD 1.2 billion. Unearned premiums totaling USD 693 million were transferred from Farmers Re Co and ZIC to the Farmers Exchanges as a result of their decreased participation in the All Lines agreement effective December 31, 2010. In addition, the Farmers Exchanges remitted USD 185 million of reinsurance commissions to Farmers Re Co and ZIC for acquisition expenses due to the decreased participation in the All Lines agreement.

Based on the results for 2010 and 2009, Farmers Exchanges' share of recoveries were USD 3,059 million and USD 3,239 million, respectively. For the years ended December 31, 2010 and 2009, Farmers Exchanges' share of ceded premiums earned were USD 4,574 million and USD 4,722 million, respectively. Farmers Exchanges' share of ceding commissions was USD 1,418 million and USD 1,461 million for the years ended December 31, 2010 and 2009, respectively.

Consolidated financial statements *continued*

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 are managed but not owned by Farmers Group, Inc. a wholly owned subsidiary of the Group. This segment also 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.

The Group's new management structure effective July 1, 2010, reconfirmed the three 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 also include the Group's banking activities.

The Group also manages its business on a geographic structure. The Group's identified regions are as follows:

Americas

Europe & Africa

Asia-Pacific & Middle East

Central Region

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 and losses on investments and impairments (except for the capital markets and banking operations included in Non-Core Businesses and investments in hedge funds and certain securities held for specific economic hedging purposes), policyholders' share of investment results for the life businesses, nonoperational foreign exchange movements, and signifi cant items arising from special circumstances, including restructuring charges, charges for litigation outside the ordinary course of business and gains and losses on divestments of businesses.

Consolidated financial statements *continued*

Business operating profit by business segment

Table 30.1

in USD millions, for the years ended December 31	General Insurance		Global Life	
	2010	2009	**2010**	2009
Revenues				
Direct written premiums and policy fees[1]	30,906	32,516	12,172	12,343
Assumed written premiums	2,161	1,641	120	97
Gross written premiums and policy fees	33,066	34,157	12,292	12,440
Less premiums ceded to reinsurers	(5,100)	(5,222)	(754)	(769)
Net written premiums and policy fees	27,966	28,935	11,539	11,672
Net change in reserves for unearned premiums	(129)	136	(26)	6
Net earned premiums and policy fees	27,837	29,071	11,513	11,677
Farmers management fees and other related revenues	–	–	–	–
Net investment result on Group investments	2,913	3,181	4,390	4,032
Net investment income on Group investments	2,867	3,070	3,892	4,081
Net capital gains/(losses) and impairments on Group investments	46	110	498	(49)
Net investment result on unit-linked investments	–	–	9,639	11,697
Other income	709	852	918	854
Total BOP revenues	31,459	33,103	26,460	28,261
of which: inter-segment revenues	*(414)*	*(385)*	*(296)*	*(294)*
Benefits, losses and expenses				
Insurance benefits and losses, net	19,795	20,622	10,140	10,594
Losses and loss adjustment expenses, net	19,773	20,590	76	53
Life insurance death and other benefits, net	22	40	9,773	10,577
(Decrease)/increase in future life policyholders' benefits, net[1]	1	(8)	291	(36)
Policyholder dividends and participation in profits, net	3	15	10,302	12,018
Income tax expense/(benefit) attributable to policyholders	–	–	462	387
Underwriting and policy acquisition costs, net	5,396	5,493	1,503	1,145
Administrative and other operating expense (excl. depreciation/amortization)	3,134	3,184	1,883	1,827
Interest credited to policyholders and other interest	39	32	428	444
Restructuring provisions and other items not included in BOP	(306)	(170)	(179)	(119)
Total BOP benefits, losses and expenses (before interest, depreciation and amortization)	28,061	29,177	24,539	26,296
Business operating profit (before interest, depreciation and amortization)	**3,398**	**3,927**	**1,922**	**1,965**
Depreciation and impairments of property and equipment	83	80	32	34
Amortization and impairments of intangible assets	398	177	303	346
Interest expense on debt	222	209	71	93
Business operating profit before non-controlling interests	2,695	3,460	1,516	1,492
Non-controlling interests	22	(3)	42	15
Business operating profit	**2,673**	**3,463**	**1,474**	**1,477**
Supplementary information				
Additions and capital improvements to property, equipment and intangible assets	299	474	96	405

[1] The Global Life segment includes approximately USD 1,514 million and USD 2,698 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, 2010 and 2009, respectively (see note 3).
[2] As outlined in note 1, business operating profit (BOP) has not been restated for the change in the current value of certain insurance liabilities and assets amounting to USD 1,006 million in order to ensure a fair reflection of sustainable operating profit and comparability.

	Farmers		Other Operating Businesses		Non-Core Businesses		Eliminations		Total
2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
–	–	–	–	389	566	–	(11)	43,467	45,414
4,194	6,615	137	142	142	134	(256)	(226)	6,498	8,403
4,194	6,615	137	142	531	700	(256)	(237)	49,965	53,817
–	–	(54)	(52)	(32)	(39)	256	237	(5,683)	(5,844)
4,194	6,615	84	90	499	661	–	–	44,282	47,973
1,380	(893)	–	–	2	5	(1)	–	1,227	(746)
5,574	5,722	84	90	502	666	(1)	–	45,509	47,227
2,778	2,690	–	–	–	–	–	–	2,778	2,690
156	174	525	461	377	333	(857)	(880)	7,506	7,301
156	174	525	461	509	598	(857)	(880)	7,092	7,505
–	–	–	–	(131)	(265)	–	–	413	(204)
–	–	–	–	454	778	–	–	10,093	12,475
91	85	784	1,101	164	186	(1,225)	(1,277)	1,442	1,802
8,600	8,672	1,394	1,653	1,498	1,963	(2,083)	(2,157)	67,327	71,496
(70)	*(90)*	*(1,191)*	*(1,312)*	*(113)*	*(77)*	*2,083*	*2,157*	*–*	*–*
3,708	3,904	72	86	769	(103)	–	–	34,484	35,103
3,708	3,904	2	5	62	49	–	38	23,620	24,639
–	–	69	82	683	656	–	1	10,548	11,356
–	–	–	–	24	(808)	–	(39)	316	(892)
–	–	–	–	496	826	(1)	–	10,801	12,859
–	–	–	–	–	–	–	–	462	387
1,733	1,760	6	12	8	10	(10)	(18)	8,636	8,403
1,900	1,311	980	962	188	136	(1,195)	(1,215)	6,890	6,206
1	–	3	1	62	90	(3)	(4)	529	563
(602)	(34)	12	81	21	1,165	–	–	(1,055)	922
6,739	6,941	1,072	1,143	1,544	2,123	(1,209)	(1,237)	60,746	64,444
1,860	**1,731**	**322**	**510**	**(46)**	**(160)**	**(874)**	**(921)**	**6,581**	**7,052**
65	86	20	35	4	11	–	–	205	245
109	82	64	38	8	3	–	–	882	647
–	8	1,039	1,049	98	116	(874)	(921)	556	555
1,686	1,554	(802)	(611)	(157)	(290)	–	–	4,939	5,605
–	–	(1)	–	1	1	–	–	64	12
1,686	**1,554**	**(801)**	**(611)**	**(157)**	**(290)**[2]	**–**	**–**	**4,875**	**5,593**
236	917	91	81	24	(1)	–	–	747	1,875

Consolidated financial statements *continued*

Table 30.2

Reconciliation of BOP to net income after income taxes

in USD millions, for the years ended December 31	General Insurance		Global Life	
	2010	2009	**2010**	2009
Business operating profit	**2,673**	**3,463**	**1,474**	**1,477**
Revenues/(expenses) not included in BOP:				
Net capital gains/(losses) on investments and impairments, net of policyholder allocation	281	(674)	14	(441)
Net gain/(loss) on divestments of businesses	5	(2)	33	–
Restructuring provisions	(71)	(52)	(21)	(17)
Other adjustments	(235)	(118)	(158)	(103)
Add back:				
Business operating profit attributable to non-controlling interests	22	(3)	42	15
Net income before shareholders' taxes	**2,674**	**2,614**	**1,384**	**931**
Income tax expense/(benefit) attributable to policyholders	–	–	462	387
Net income before income taxes	**2,674**	**2,614**	**1,845**	**1,318**
Income tax expense (attributable to policyholders and shareholders)				
Net income after taxes				

[1] Business operating profit (BOP) has not been restated for the change in the current value of certain insurance liabilities and assets amounting to USD 1,006 million in order to ensure a fair reflection of sustainable operating profit and comparability (see note 1).
[2] Includes USD 570 million settlement costs related to the FOGEL case (see note 26).

	Farmers		Other Operating Businesses		Non-Core Businesses		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	1,686	**1,554**	**(801)**	**(611)**	**(157)**	**(290)**	**4,875**	**5,593**
	(9)	(50)	168	(62)	31	(145)	484	(1,372)
	–	–	–	–	1	(3)	38	(5)
	(17)	(27)	–	–	(1)	(2)	(111)	(97)
	(585)[2]	(7)	12	81	22	1,167 [1]	(944)	1,020
	–	–	(1)	–	1	1	64	12
	1,074	**1,470**	**(622)**	**(592)**	**(104)**	**727**	**4,406**	**5,150**
	–	–	–	–	–	–	462	387
	1,074	**1,470**	**(622)**	**(592)**	**(104)**	**727**	**4,868**	**5,537**
							(1,355)	(1,553)
							3,513	**3,983**

Consolidated financial statements *continued*

Assets and liabilities by business segment

Table 30.3

in USD millions, as of December 31	General Insurance		Global Life	
	2010	2009	**2010**	2009
Assets				
Total Group Investments	85,967	85,384	100,976	101,027
Cash and cash equivalents	9,024	9,371	2,941	3,418
Equity securities	5,561	4,743	5,201	5,460
Debt securities	64,136	63,885	64,471	62,883
Real estate held for investment	2,940	3,004	4,893	4,408
Mortgage loans	1,495	1,483	8,538	9,021
Other loans	2,806	2,871	14,836	15,712
Equity method accounted investments	6	25	97	125
Investments for unit-linked contracts	–	–	96,139	87,430
Total investments	85,967	85,384	197,116	188,457
Reinsurers' share of reserves for insurance contracts	13,314	12,957	1,997	2,160
Deposits made under assumed reinsurance contracts	116	66	11	3
Deferred policy acquisition costs	3,472	3,374	12,686	12,276
Deferred origination costs	–	–	866	856
Goodwill	869	1,029	411	442
Other intangible assets	1,208	1,419	3,022	4,000
Other assets[1]	14,747	15,369	7,367	7,300
Total assets (after cons. of investments in subsidiaries)	**119,693**	**119,597**	**223,476**	**215,494**
Liabilities				
Liabilities for investment contracts	–	–	50,912	46,374
Reserves for insurance contracts	80,170	79,900	138,536	136,256
Reserves for losses and loss adjustment expenses	63,826	63,476	58	35
Reserves for unearned premiums	15,050	15,191	201	302
Future life policyholders' benefits	103	98	74,901	74,760
Policyholders' contract deposits and other funds	1,192	1,135	13,397	14,691
Reserves for unit-linked contracts	–	–	49,978	46,468
Debt related to capital markets	–	–	–	–
Senior debt	5,152	3,462	457	265
Subordinated debt	1,700	2,054	793	1,019
Other liabilities	14,346	14,942	17,960	17,615
Total liabilities	**101,367**	**100,357**	**208,659**	**201,530**
Equity				
Common shareholders' equity				
Preferred securities				
Shareholders' equity				
Non-controlling interests				
Total equity				
Total liabilities and equity				

[1] The General Insurance segment, includes assets held for sale of USD 67 million as of December 31, 2009, related to land and buildings formerly classified as held for own use.

Farmers 2010	Farmers 2009	Other Operating Businesses 2010	Other Operating Businesses 2009	Non-Core Businesses 2010	Non-Core Businesses 2009	Eliminations 2010	Eliminations 2009	Total 2010	Total 2009
4,526	4,561	20,110	18,027	14,757	15,826	(30,438)	(29,167)	195,898	195,658
808	734	7,158	6,188	3,148	3,748	(14,521)	(12,417)	8,558	11,041
83	85	2,597	1,538	287	755	–	–	13,729	12,581
1,296	1,302	4,070	2,959	7,261	6,718	(980)	(1,024)	140,254	136,723
135	149	45	46	261	181	–	–	8,274	7,789
–	–	–	–	1,819	2,264	–	(33)	11,851	12,736
2,204	2,290	6,235	7,294	1,900	2,081	(14,937)	(15,693)	13,043	14,556
–	–	5	3	80	79	–	–	188	232
–	–	–	–	11,808	11,737	–	–	107,947	99,167
4,526	4,561	20,110	18,027	26,565	27,563	(30,438)	(29,167)	303,845	294,825
212	211	–	(95)	4,328	4,812	(1,041)	(1,293)	18,809	18,751
2,201	3,158	–	–	530	664	(26)	(29)	2,832	3,861
167	529	–	–	1	2	–	–	16,326	16,181
–	–	–	–	–	–	–	–	866	856
819	821	5	5	–	–	–	–	2,104	2,297
1,453	1,397	269	219	2	9	–	–	5,954	7,044
1,202	1,547	2,714	1,737	1,149	1,470	(2,255)	(2,037)	24,923	25,385
10,581	**12,224**	**23,097**	**19,893**	**32,575**	**34,521**	**(33,759)**	**(32,527)**	**375,661**	**369,202**
–	–	–	–	–	–	(246)	(250)	50,667	46,124
2,711	3,946	57	365	22,194	22,903	(1,021)	(1,276)	242,646	242,094
1,938	1,793	46	49	2,953	3,531	(752)	(799)	68,069	68,086
773	2,153	5	5	25	33	(7)	(7)	16,046	17,676
–	–	6	311	4,569	4,572	(265)	(470)	79,315	79,271
–	–	–	–	2,839	3,030	2	1	17,430	18,857
–	–	–	–	11,807	11,736	–	–	61,786	58,204
–	–	623	553	1,624	1,769	(1,847)	(2,298)	400	25
–	–	23,441	23,224	838	1,082	(23,835)	(21,756)	6,053	6,277
–	–	5,000	5,206	170	155	(2,659)	(3,268)	5,004	5,167
2,024	1,801	2,366	1,709	5,026	6,022	(4,152)	(3,679)	37,570	38,410
4,735	**5,747**	**31,487**	**31,058**	**29,852**	**31,932**	**(33,759)**	**(32,527)**	**342,340**	**338,098**
								31,509	28,743
								475	561
								31,984	29,304
								1,337	1,800
								33,321	31,104
								375,661	**369,202**

Consolidated financial statements *continued*

General Insurance – Customer segment overview

Table 30.4

in USD millions, for the years ended December 31	Global Corporate		North America Commercial	
	2010	2009	**2010**	2009
Gross written premiums and policy fees	7,624	7,602	9,728	9,864
Net earned premiums and policy fees	4,902	4,738	7,580	8,331
Insurance benefits and losses, net	3,662	3,540	5,102	5,711
Policyholder dividends and participation in profits, net	(2)	3	8	8
Total net technical expenses	1,036	964	2,254	2,355
Net underwriting result	205	231	217	257
Net investment income	567	601	1,097	1,150
Net capital gains/(losses) and impairments on investments	11	35	35	52
Net non-technical result (excl. items not included in BOP)	(41)	(79)	(230)	(216)
Business operating profit before non-controlling interests	742	787	1,118	1,243
Non-controlling interests	1	–	–	–
Business operating profit	741	787	1,118	1,243
Ratios, as % of net earned premiums and policy fees				
Loss ratio	74.7%	74.7%	67.3%	68.5%
Expense ratio	21.1%	20.4%	29.8%	28.4%
Combined ratio	95.8%	95.1%	97.1%	96.9%

	Europe General Insurance		International Markets		GI Global Functions including Group Reinsurance		Eliminations		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	13,273	14,556	3,011	2,695	557	486	(1,127)	(1,046)	33,066	34,157
	13,089	13,894	2,198	2,057	68	51	–	–	27,837	29,071
	9,410	10,230	1,502	1,265	120	(124)	–	–	19,795	20,622
	(3)	4	–	–	–	–	–	–	3	15
	3,355	3,439	798	727	22	19	(5)	1	7,461	7,504
	327	222	(102)	64	(74)	157	5	(1)	577	930
	971	1,102	165	162	66	62	2	(6)	2,867	3,070
	1	23	–	–	–	–	–	–	46	110
	(481)	(236)	3	(51)	(41)	(75)	(6)	7	(796)	(650)
	818	1,111	66	175	(49)	144	–	–	2,695	3,460
	2	(9)	19	5	–	–	–	–	22	(3)
	816	1,120	48	169	(49)	144	–	–	2,673	3,463
	71.9%	73.6%	68.3%	61.5%	nm	nm	n/a	n/a	71.1%	70.9%
	25.6%	24.8%	36.3%	35.3%	nm	nm	n/a	n/a	26.8%	25.9%
	97.5%	98.4%	104.6%	96.9%	nm	nm	n/a	n/a	97.9%	96.8%

Consolidated financial statements *continued*

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	
	2010	2009
Global Corporate		
North America	2,670	2,685
Europe	4,089	4,298
Rest of Global Corporate	540	370
Subtotal	7,299	7,353
Europe & Africa		
United Kingdom	2,785	3,170
Germany	2,627	2,944
Switzerland	2,351	2,259
Italy	2,002	2,213
Spain	1,214	1,338
Southern Africa	634	650
Rest of Europe & Africa	1,663	1,899
Subtotal	13,276	14,473
Americas		
United States	8,976	9,189
Rest of North America	554	469
Latin America	1,374	1,353
Subtotal	10,905	11,012
Asia-Pacific & Middle East		
Asia-Pacific Mature Markets	1,292	1,070
China & South East Asia	254	229
Subtotal	1,546	1,299
Central Region		
Europe	3	2
Subtotal	3	2
Total	**33,029**	**34,138**

General Insurance – Assets by region

Table 30.6

in USD millions, as of December 31	Property/equipment and intangible assets	
	2010	2009
Europe & Africa		
United Kingdom	212	222
Germany	225	253
Switzerland	134	127
Italy	65	75
Spain	541	747
Southern Africa	25	22
Rest of Europe & Africa	1,245	1,437
Subtotal	2,447	2,883
Americas		
United States	232	216
Rest of North America	8	6
Latin America	183	164
Subtotal	424	386
Asia-Pacific & Middle East		
Asia-Pacific Mature Markets	114	93
China & South East Asia	27	24
Subtotal	141	117
Total	**3,012**	**3,385**

Consolidated financial statements *continued*

Global Life – Overview

Table 30.7

in USD millions, for the years ended December 31	Americas		United Kingdom		Germany	
	2010	2009	**2010**	2009	**2010**	2009
Revenues						
Life insurance deposits	375	619	4,726	3,612	2,541	2,118
Gross written premiums[1]	1,133	993	401	351	3,355	3,096
Policy fees	309	264	1,124	745	394	335
Gross written premiums and policy fees	1,442	1,257	1,525	1,096	3,749	3,431
Net earned premiums and policy fees	1,155	982	1,345	923	3,651	3,323
Net investment income on Group investments	462	437	291	342	1,628	1,733
Net capital gains/(losses) and impairments on Group investments	4	10	224	3	221	(125)
Net investment result on Group investments	466	446	515	346	1,849	1,608
Net investment income on unit-linked investments	(22)	(15)	1,371	1,500	106	107
Net capital gains/(losses) and impairments on unit-linked investments	109	161	5,180	5,118	787	1,582
Net investment result on unit-linked investments	86	146	6,551	6,618	893	1,689
Other income	119	117	174	187	250	181
Total BOP revenues	1,826	1,691	8,584	8,074	6,642	6,801
Benefits, losses and expenses						
Insurance benefits and losses, net[1]	760	646	596	365	3,956	3,604
Policyholder dividends and participation in profits, net	91	150	6,393	6,472	1,471	1,948
Income tax expense/(benefit) attributable to policyholders	–	–	404	311	37	50
Underwriting and policy acquisition costs, net	208	63	444	249	318	317
Administrative and other operating expense (excl. depreciation/amortization)	243	205	437	412	292	335
Interest credited to policyholders and other interest	173	169	11	11	152	160
Restructuring provisions and other items not included in BOP	(1)	1	(114)	(56)	(3)	–
Total BOP benefits, losses and expenses	1,473	1,233	8,172	7,764	6,224	6,414
Business operating profit (before interest, depreciation and amortization)	**353**	**458**	**413**	**311**	**418**	**387**
Depreciation and impairments of property and equipment	2	2	10	10	11	12
Amortization and impairments of intangible assets	27	(8)	47	30	67	41
Interest expense on debt	2	3	5	11	1	–
Business operating profit before non-controlling interests	322	462	351	261	339	334
Non-controlling interests	5	5	–	–	8	10
Business operating profit	**317**	**458**	**351**	**261**	**331**	**324**
Supplementary information						
Gross written premiums and policy fees from external customers	1,442	1,257	1,519	1,089	3,695	3,379
Property, equipment and intangible assets	270	297	410	446	911	1,020

[1] The Global Life segment includes approximately USD 1,514 million and USD 2,698 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, 2010 and 2009, respectively (see note 3).

Switzerland 2010	Switzerland 2009	Ireland 2010	Ireland 2009	Spain 2010	Spain 2009	Emerging Markets in Asia 2010	Emerging Markets in Asia 2009	Rest of the world 2010	Rest of the world 2009	Eliminations 2010	Eliminations 2009	Total 2010	Total 2009
57	81	2,534	1,912	2,157	2,266	1,325	1,215	1,667	1,765	–	–	15,382	13,589
1,547	1,617	390	250	2,239	3,468	243	208	857	777	(53)	(36)	10,113	10,722
(4)	(10)	123	135	25	55	102	47	107	147	–	–	2,179	1,718
1,543	1,607	513	385	2,264	3,523	345	255	963	924	(53)	(36)	12,292	12,440
1,537	1,600	418	287	2,221	3,495	307	215	880	852	–	–	11,513	11,677
624	606	89	87	385	476	43	34	371	366	–	–	3,892	4,081
17	43	12	(39)	(1)	8	28	45	(6)	4	–	–	498	(49)
641	649	101	49	384	484	71	79	365	370	–	–	4,390	4,032
8	2	193	171	109	75	8	8	89	71	–	–	1,862	1,920
(8)	52	592	967	(50)	249	1,003	1,034	166	615	–	–	7,777	9,777
(1)	54	784	1,138	60	324	1,011	1,042	255	686	–	–	9,639	11,697
55	45	–	2	46	44	53	79	228	201	(8)	(3)	918	854
2,232	2,348	1,304	1,476	2,710	4,347	1,442	1,416	1,727	2,110	(8)	(3)	26,460	28,261
1,521	1,539	225	61	2,302	3,613	102	109	678	657	–	–	10,140	10,594
100	198	828	1,128	64	340	1,004	1,011	353	771	–	–	10,302	12,018
–	–	19	20	–	–	–	–	1	6	–	–	462	387
160	152	75	106	29	53	143	76	128	129	(1)	–	1,503	1,145
199	222	68	80	106	99	84	109	460	370	(7)	(3)	1,883	1,827
15	16	42	43	3	2	29	28	1	17	–	–	428	444
(12)	(21)	(4)	–	(37)	(45)	–	10	(9)	(9)	–	–	(179)	(119)
1,983	2,105	1,253	1,438	2,467	4,062	1,362	1,343	1,613	1,941	(8)	(3)	24,539	26,296
250	**243**	**51**	**39**	**244**	**286**	**80**	**72**	**115**	**169**	**–**	**–**	**1,922**	**1,965**
3	4	1	1	–	–	4	4	1	1	–	–	32	34
–	–	1	1	134	203	3	4	24	75	–	–	303	346
3	2	–	–	54	69	–	–	6	9	–	–	71	93
244	237	49	37	56	13	73	64	83	84	–	–	1,516	1,492
–	–	–	–	29	1	–	–	–	–	–	–	42	15
244	**237**	**49**	**37**	**27**	**13**	**73**	**64**	**83**	**84**	**–**	**–**	**1,474**	**1,477**
1,542	1,606	513	385	2,264	3,523	289	221	948	909	–	–	12,212	12,369
157	198	5	5	1,991	2,859	7	11	160	163	–	–	3,912	4,998

Consolidated financial statements *continued*

Farmers – Overview

Table 30.8

in USD millions, for the years ended December 31	Total	
	2010	2009
Farmers Management Services		
Management fees and other related revenues	2,778	2,690
Management and other related expenses	1,440	1,399
Gross management result	1,338	1,291
Other net income (excl. items not included in BOP)	27	35
Business operating profit before non-controlling interest	1,365	1,326
Business operating profit	1,365	1,326
Farmers Re		
Gross written premiums and policy fees	4,194	6,615
Net earned premiums and policy fees	5,574	5,722
Insurance benefits and losses, net	(3,708)	(3,904)
Total net technical expenses	(1,733)	(1,760)
Net underwriting result	134	58
Net non-technical result (excl. items not relevant for BOP)	84	71
Net investment result income	104	100
Business operating profit before non-controlling interests	321	228
Business operating profit	321	228
Farmers business operating profit	**1,686**	**1,554**
Ratios, as % of net earned premiums and policy fees		
Farmers Re Combined ratio	97.6%	99.0%
Supplementary information		
Property, equipment and intangible assets[1]	2,468	2,541

[1] As of December 31, 2010 and 2009, respectively.

Consolidated financial statements *continued*

Other Operating Businesses – Overview

Table 30.9

in USD millions, for the years ended December 31	Alternative Investments	
	2010	2009
Gross written premiums and policy fees	–	–
Net earned premiums and policy fees	–	–
Net investment income	8	8
Other income	12	11
Total BOP revenues	20	19
Insurance benefits and losses, incl. PH dividends, net	–	–
Underwriting and policy acquisition costs, net	–	–
Administrative and other operating expense (excl. depreciation/amortization)	71	27
Other expenses (excl. items not included in BOP)	(50)	–
Depreciation, amortization and impairments of property, equipment and intangible assets	–	–
Interest expense on debt	23	24
Business operating profit before non-controlling interests	(25)	(32)
Non-controlling interests	(1)	–
Business operating profit	**(25)**	**(32)**

	Holding & Financing		Headquarters		Eliminations		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	129	134	8	8	–	–	137	142
	76	83	8	8	–	–	84	90
	492	456	30	5	(5)	(8)	525	461
	68	103	835	1,070	(131)	(82)	784	1,101
	636	642	873	1,082	(136)	(89)	1,394	1,653
	69	81	3	5	–	–	72	86
	5	12	–	–	–	–	6	12
	112	(129)	927	1,145	(130)	(82)	980	962
	67	82	(3)	–	–	–	14	82
	–	–	84	72	–	–	84	73
	1,020	1,032	1	1	(5)	(8)	1,039	1,049
	(638)	(438)	(138)	(141)	–	–	(802)	(611)
	–	–	–	–	–	–	(1)	–
	(638)	**(438)**	**(138)**	**(141)**	**–**	**–**	**(801)**	**(611)**

Consolidated financial statements *continued*

Non-Core Businesses – Overview

Table 30.10

in USD millions, for the years ended December 31	Total	
	2010	2009
Gross written premiums and policy fees	531	700
Net earned premiums and policy fees	502	666
Insurance benefits and losses, net	769	(103)
Policyholder dividends and participation in profits, net	496	826
Total net technical expenses	57	(12)
Net underwriting result	(821)	(44)
Net investment income	208	316
Net capital gains/(losses) and impairments on investments	624	795
Net non-technical result (excl. items not included in BOP)	(168)	(1,356)
Business operating profit before non-controlling interests	**(157)**	**(290)**
Non-controlling interests	1	1
Business operating profit	**(157)**	**(290)**[1]

[1] Business operating profit (BOP) has not been restated for the change in the current value of certain insurance liabilities and assets amounting to USD 1,006 million in order to ensure a fair reflection of sustainable operating profit and comparability (see note 1).

31. Events after the balance sheet date

On January 25, 2011 the general assemblies of Türk Ekonomi Bankası A.Ş. (TEB) and Fortis Bank A.Ş. (Fortis), two banks based in Turkey, approved the merger of Fortis into TEB by dissolution without liquidation. In addition to the Group's existing bancassurance partnership with TEB since 2008 and in anticipation of this merger the Group entered into a distribution agreement with Fortis on December 21, 2010. The consideration for this agreement comprises an initial payment of USD 26 million plus an earn-out component.

The Group is still assessing the impact of both Australian flooding events which occurred in January 2011. The first event in the Brisbane area in the second week of January 2011 and the second event in the Victoria area in the latter half of the month. Total incurred losses are not yet known, but are likely to be more severe than the December 2010 Australian floods, for which the Group estimated a pre-tax loss of USD 100 million.

Report of the statutory auditor

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 96 to 129 and 135 to 253), for the year ended December 31, 2010.

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, 2010 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

Ray Kunz Audit expert Auditor in charge	Patrick Shouvlin Global relationship partner

Zurich, February 9, 2011

Significant subsidiaries

Significant subsidiaries

as of December 31, 2010	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
Zurich Financial Services Australia Limited	Sydney	General Insurance	100	100	AUD	22.8
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						
Zurich Minas Brasil Seguros S.A.	Belo Horizonte	General Insurance	100	100	BRL	359.7
Chile						
Chilena Consolidada Seguros Generales S.A.	Santiago	General Insurance	89.87	89.87	CLP	10,267.0
Chilena Consolidada Seguros de Vida S.A.	Santiago	Global Life	98.98	98.98	CLP	24,484.0
Cyprus						
Zurich Insurance Holding (Cyprus) Ltd[2]	Nicosia	General Insurance	100	100	RUB	2.7
Germany						
Deutscher Herold Aktiengesellschaft[3]	Bonn	Global Life	79.83	79.83	EUR	18.4
Zürich Beteiligungs-Aktiengesellschaft (Deutschland)	Frankfurt/Main	General Insurance	100	100	EUR	152.9
Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft	Bonn	Global Life	86.37	86.37	EUR	68.5
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	8.2
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

[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 15.17 percent of the shares of Deutscher Herold Aktiengesellschaft to the Group.

Significant subsidiaries (continued)

as of December 31, 2010	Domicile	Segment	Voting rights %	Ownership interest %	Nominal value of common stock (in local currency millions)	
Luxembourg						
Zurich Eurolife S.A.	Howald	Global Life	100	100	EUR	12.0
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	5.03
South Africa						
Zurich Insurance Company South Africa Limited[4]	Johannesburg	General Insurance	58.95	58.95	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
Zurich Vida, Compañía de Seguros y Reaseguros, S.A. – Sociedad Unipersonal	Madrid	Global Life	100	100	EUR	50.4
Switzerland						
Genevoise Real Estate Company Ltd	Geneva	Global Life	100	100	CHF	17.0
Zurich Insurance Company Ltd[5]	Zurich	Other Operating Businesses	100	100	CHF	825.0
Zurich Life Insurance Company Ltd[6]	Zurich	Other Operating Businesses	100	100	CHF	60.0
"Zurich" Investment Management AG	Zurich	Other Operating Businesses	100	100	CHF	10.0
Taiwan						
Zurich Insurance (Taiwan) Ltd.	Taipei	General Insurance	99.73	99.73	TWD	2,000.0
Turkey						
Zurich Sigorta A.S.	Fındıklı, Istanbul	General Insurance	100	100	TRY	83.5
United Kingdom						
Allied Zurich Holdings Limited	Jersey, Channel Islands	Other Operating Businesses	100	100	GBP	90.7
Eagle Star Insurance Company Limited	Fareham, England	Non-Core Businesses	100	100	GBP	40.0
Sterling ISA Managers Limited	Swindon, England	Global Life	100	100	GBP	92.9
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 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

[4] Listed on the Johannesburg Stock Exchange. On December 31, 2010, the company had a market capitalization of ZAR 2.2 billion (ISIN Number 000094496).
[5] The result of the operative activities is included in the General Insurance segment, whereas the headquarter's activities are part of Other Operating Businesses.
[6] The result of the operative activities is included in the Global Life segment, whereas the headquarter's activities are part of Other Operating Businesses.

Significant subsidiaries *continued*

Significant subsidiaries (continued)

as of December 31, 2010	Domicile	Segment	Voting rights %	Ownership interest %	Nominal value of common stock (in local currency millions)	
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	–
Zurich American Corporation	Wilmington, DE	Non-Core Businesses	100	100	USD	0.00001
Zurich American Life Insurance Company	Schaumburg, IL	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	0.0

[7] This entity is a LLC that has no share capital.

Embedded value report

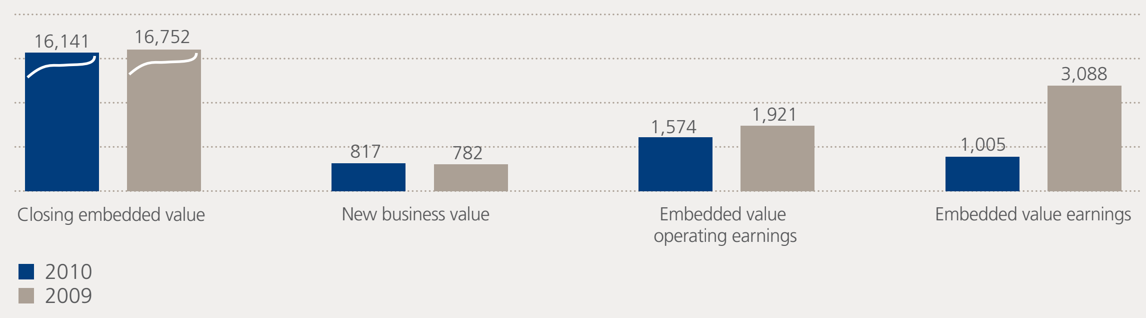
This report describes the development of the embedded value of the Zurich Financial Services Group (the Group) for the year ended December 31, 2010.

The majority of this report, Sections 1 to 7, relates to Global Life, but summary information relating to the non-core life business is given in Section 8 and to the total Group in Section 9.

Embedded value report

Embedded value report – Global Life

Key results
in USD millions, for the year ended December 31



Embedded value key results

in USD millions, for the year ended December 31	2010	2009	Change
Closing embedded value	16,141	16,752	(611)
Embedded value operating earnings	1,574	1,921	(347)
of which new business value	*817*	*782*	*35*
Embedded value earnings	1,005	3,088	(2,083)
Return on opening embedded value	6.2%	24.0%	

Global Life generated USD 1.6 billion of embedded value operating earnings during the year comprising USD 817 million of new business value, USD 622 million of expected contributions from the in-force, and USD 135 million in operating variances. Changes in economic conditions negatively impacted value by USD 846 million partially offset by non-operating variances of USD 277 million largely from the sale of Caixa Sabadell. The appreciation of the U.S. dollar reduced value by USD 182 million as a result of the effects of currency translation. In total the embedded value has decreased by USD 611 million after allowing for the impact of non-controlling interests and significant capital management initiatives.

New business value increased by USD 35 million or 4 percent to USD 817 million in U.S. dollar terms and by 7 percent on a local currency basis compared with 2009. The major improvements were the increase in domestic and cross-border IFA/Broker sales in Ireland, higher corporate pension's sales volumes in the UK and Latin America and growth in private banking sales in the UK. Overall, the new business margin was 22.1 percent, an increase of 0.8 percentage points compared with the prior year.

Embedded value operating earnings excluding the impact of new business were USD 757 million. Of this, USD 622 million was the expected emergence in value from the in-force business.

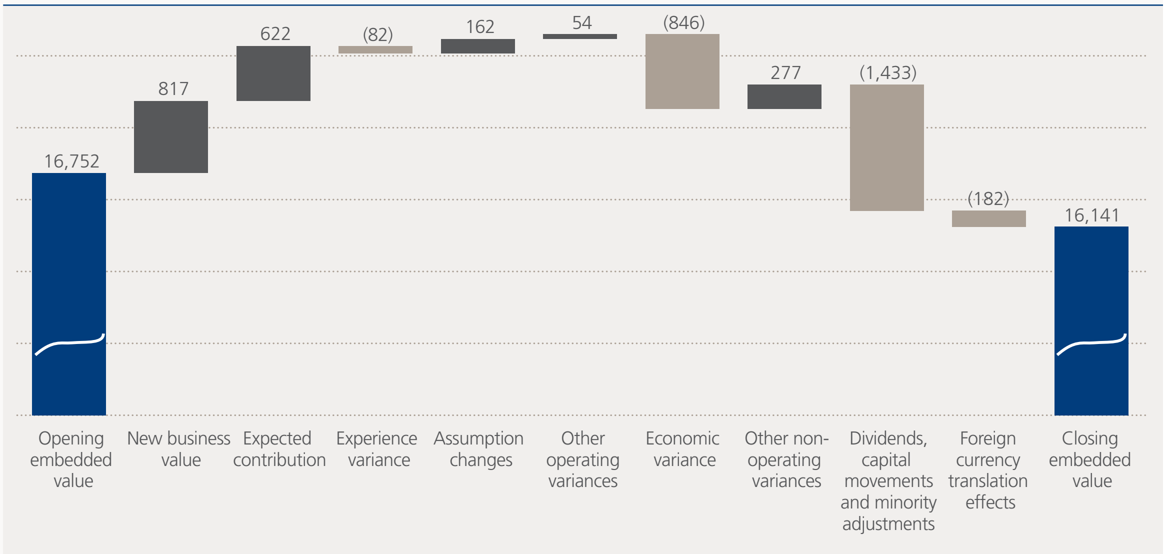
Economic variance was negative USD 846 million as a result of lower swap rates negatively impacting the value of spread business. This was exacerbated by the increase in credit spreads in certain European countries. This negative impact was partially offset by the increase in value of protection business that occurs when interest rates are lower.

Total embedded value earnings were USD 1.0 billion generating a return on embedded value of 6.2 percent which is less than in the prior year due to the absence of the significant positive economic variance of USD 1.3 billion arising from early stages of the economic recovery in 2009.

All the figures above and in this report reflect a zero liquidity premium. However it is the intention of the Group to alter its Embedded Value assumptions in 2011 to reflect a liquidity premium in the key major operating currencies. In addition, for greater consistency with other European Insurers, the cost of capital applied to residual non hedgeable risks will be increased from 2.5% to 4%. If these assumptions had been applied in 2010 the embedded value would have increased from USD 16.1 billion to USD 16.5 billion (USD 631 million from liquidity premium less USD 300 million from change in cost of capital) and the new business value would have increased from USD 817 million to USD 862 million (USD 76 million from liquidity premium less USD 32 million from change in cost of capital).

1. Analysis of embedded value earnings

Embedded value development 2010
in USD millions, for the year ended December 31



Analysis of embedded value earnings, 2010

in USD millions, for the year ended December 31, 2010	Required capital	Free surplus	Share-holders' net assets	Value of business in force	Total
Opening embedded value	**3,705**	**2,849**	**6,554**	**10,198**	**16,752**
Dividends & capital movements start of period	(18)	(284)	**(303)**	**(124)**	**(427)**
New business value Global Life[1]	**(86)**	**(743)**	**(829)**	**1,646**	**817**
New business net of non-controlling interests[1]	*(122)*	*(701)*	*(823)*	*1,586*	*763*
Expected contribution at reference rate	27	69	**96**	**120**	**216**
Expected contribution in excess of reference rate	17	25	**42**	**364**	**406**
Transfer to free surplus[1]	289	853	**1,142**	**(1,142)**	**–**
Experience variance	(9)	19	**10**	**(92)**	**(82)**
Assumption changes	11	3	**14**	**148**	**162**
Other operating variances	232	(81)	**152**	**(97)**	**54**
Operating earnings	**481**	**146**	**627**	**947**	**1,574**
Economic variances	183	37	**220**	**(1,067)**	**(846)**
Other non-operating variances	159	407	**566**	**(289)**	**277**
Embedded value earnings	**824**	**590**	**1,414**	**(409)**	**1,005**
Non-controlling interests	(36)	42	**6**	**(60)**	**(54)**
Dividends & capital movements end of period	14	(966)	**(952)**	**–**	**(952)**
Foreign currency translation effects	(23)	(103)	**(126)**	**(56)**	**(182)**
Closing embedded value	**4,466**	**2,126**	**6,592**	**9,549**	**16,141**

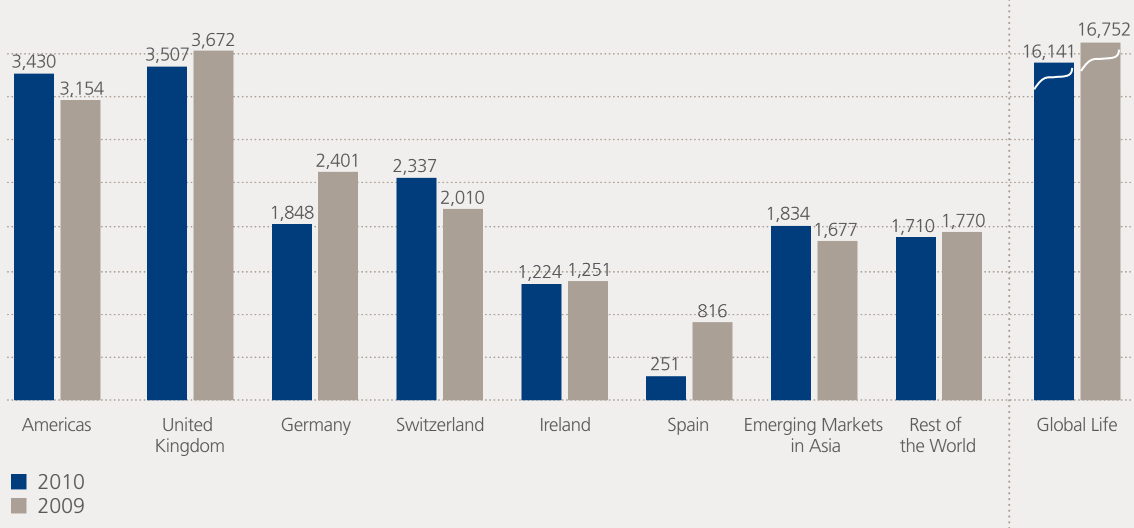
[1] As noted in section 10 c) the UK's required capital and free surplus allow for a Pillar 2 basis.

Embedded value report *continued*

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 variances	(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**
Non-controlling interests	(54)	59	**5**	**(57)**	**(51)**
Dividends & capital movements end of period	(42)	(121)	**(163)**	**173**	**10**
Foreign currency translation effects	265	107	**372**	**443**	**815**
Closing embedded value	**3,705**	**2,849**	**6,554**	**10,198**	**16,752**

Embedded value by territory
in USD millions, for the year ended December 31



The Group has applied the CFO Forum Market Consistent Embedded Value ('MCEV') Principles© for its embedded value calculations for the year ended December 31, 2010.

Embedded value by territory, 2010

in USD millions, as of December 31, 2010	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	628	460	217.0%	**1,088**	2,777	(98)	(193)	(144)	**2,342**	**3,430**
United States	*471*	*189*	*353.9%*	*660*	*2,509*	*(75)*	*(171)*	*(131)*	*2,132*	*2,792*
Latin America	*157*	*270*	*100.7%*	*428*	*268*	*(23)*	*(22)*	*(13)*	*210*	*638*
United Kingdom	973	433	133.0%	**1,406**	2,496	(44)	(279)	(71)	**2,101**	**3,507**
Germany	660	690	100.7%	**1,350**	1,287	(228)	(451)	(109)	**498**	**1,848**
Switzerland	526	20	100.0%	**546**	2,104	(37)	(221)	(54)	**1,791**	**2,337**
Ireland	328	131	150.0%	**459**	814	(15)	(9)	(25)	**765**	**1,224**
Spain	354	(183)	125.0%	**171**	159	(22)	(30)	(26)	**80**	**251**
Emerging Markets in Asia	208	287	131.8%	**496**	1,398	(6)	(18)	(35)	**1,338**	**1,834**
ZIS[6]	*154*	*314*	*137.0%*	*468*	*1,105*	*(6)*	–	*(26)*	*1,072*	*1,540*
Hong Kong	*54*	*18*	*118.8%*	*72*	*293*	–	*(18)*	*(9)*	*266*	*338*
Other	–	*(44)*	*NA*	*(44)*	–	–	–	–	–	*(44)*
Rest of the World	788	289	107.8%	**1,077**	894	(89)	(136)	(36)	**633**	**1,710**
Italy	*266*	*106*	*100.0%*	*371*	*308*	*(16)*	*(111)*	*(11)*	*169*	*540*
Other	*523*	*183*	*112.2%*	*706*	*586*	*(73)*	*(25)*	*(24)*	*464*	*1,170*
Global Life	**4,466**	**2,126**	**124.3%**	**6,592**	**11,927**	**(540)**	**(1,339)**	**(500)**	**9,549**	**16,141**

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.
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, 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)*	*NA*	*(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.
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 report *continued*

Movement in embedded value, after tax

in USD millions, for the year ended December 31, 2010	Opening embedded value	EV operating earnings	Economic and non operating variance	EV earnings	Dividends, capital movements and non-controlling interests	Foreign currency translation effects	Closing embedded value
Americas	**3,154**	**73**	264	**337**	(75)	13	**3,430**
United States	*2,655*	*(30)*	*286*	*256*	*(120)*	–	*2,792*
Latin America	*499*	*103*	*(22)*	*81*	*45*	*13*	*638*
United Kingdom	**3,672**	**340**	10	**350**	(386)	(129)	**3,507**
Germany	**2,401**	**737**	(871)	**(133)**	(258)	(161)	**1,848**
Switzerland	**2,010**	**33**	109	**142**	(47)	231	**2,337**
Ireland	**1,251**	**86**	(31)	**55**	–	(82)	**1,224**
Spain	**816**	**115**	51	**166**	(673)	(58)	**251**
Emerging Markets in Asia	**1,677**	**99**	82	**181**	12	(35)	**1,834**
ZIS[1]	*1,360*	*134*	*78*	*212*	*(2)*	*(29)*	*1,540*
Hong Kong	*339*	*(18)*	*4*	*(14)*	*14*	*(1)*	*338*
Other	*(22)*	*(17)*	–	*(17)*	–	*(5)*	*(44)*
Rest of the World	**1,770**	**91**	(184)	**(93)**	(6)	39	**1,710**
Italy	*762*	*(1)*	*(167)*	*(168)*	*(2)*	*(52)*	*540*
Other	*1,008*	*92*	*(17)*	*75*	*(4)*	*91*	*1,170*
Global Life	**16,752**	**1,574**	(570)	**1,005**	(1,433)	(182)	**16,141**

[1] ZIS is Zurich International Solutions, the international business based in the Isle of Man.

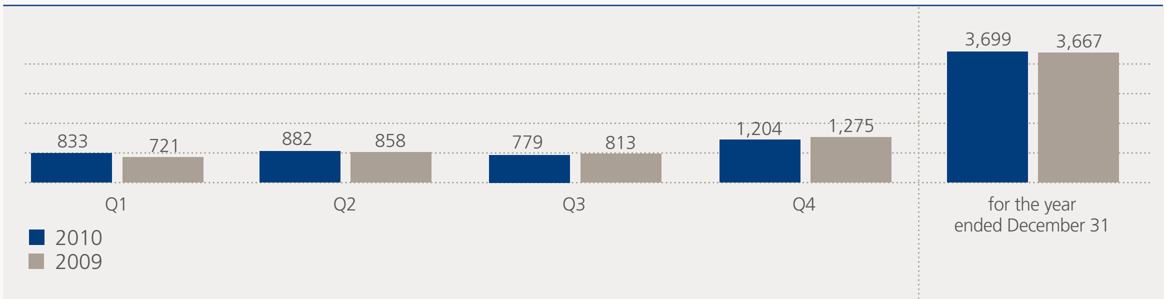
EV operating earnings

in USD millions, for the year ended December 31, 2010	Expected contribu-tion	New business value	Operating experience variances	Operating assumption changes	Other experience variances	EV operating earnings
Americas	143	120	(21)	(263)	94	**73**
United States	*115*	*68*	*(40)*	*(258)*	*86*	**(30)**
Latin America	*28*	*52*	*19*	*(5)*	*8*	**103**
United Kingdom	117	145	(1)	79	–	**340**
Germany	81	171	(3)	444	44	**737**
Switzerland	105	4	(10)	(55)	(10)	**33**
Ireland	22	80	11	21	(47)	**86**
Spain	29	107	(10)	3	(13)	**115**
Emerging Markets in Asia	60	117	(20)	(30)	(28)	**99**
ZIS[1]	*37*	*112*	*(17)*	*13*	*(11)*	**134**
Hong Kong	*23*	*4*	*(3)*	*(42)*	–	**(18)**
Other	–	–	–	–	*(17)*	**(17)**
Rest of the World	66	74	(27)	(36)	15	**91**
Italy	*18*	*27*	*(10)*	*(35)*	*(1)*	**(1)**
Other	*48*	*47*	*(17)*	*(1)*	*15*	**92**
Global Life	**622**	**817**	**(82)**	**162**	**54**	**1,574**

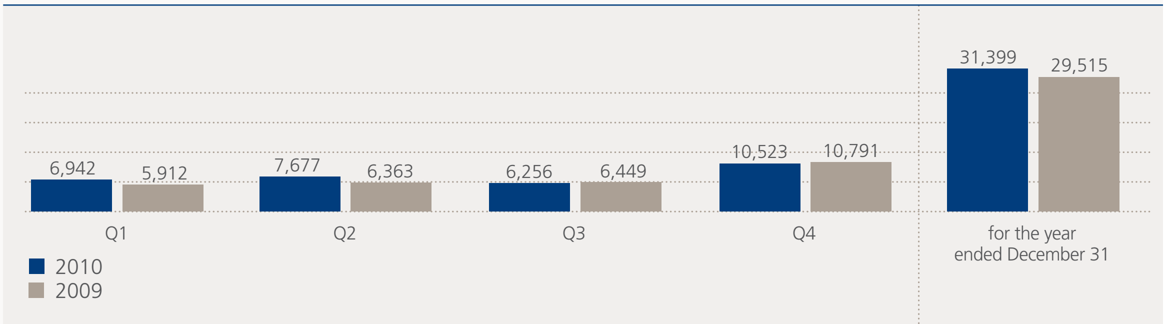
[1] ZIS is Zurich International Solutions, the international business based in the Isle of Man.

2. New business

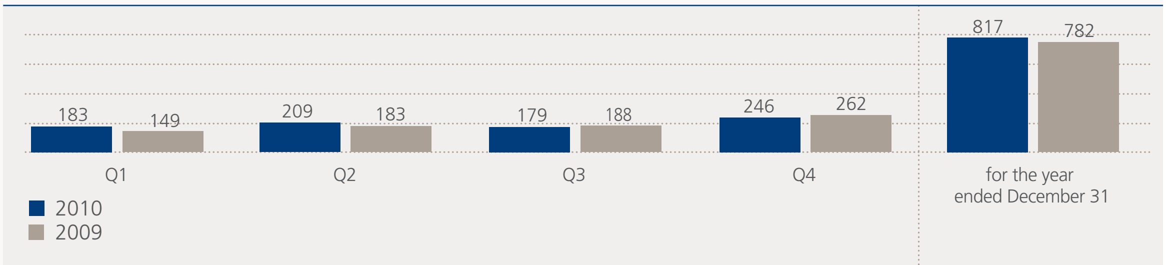
Annual Premium Equivalent (APE)
(in USD millions)



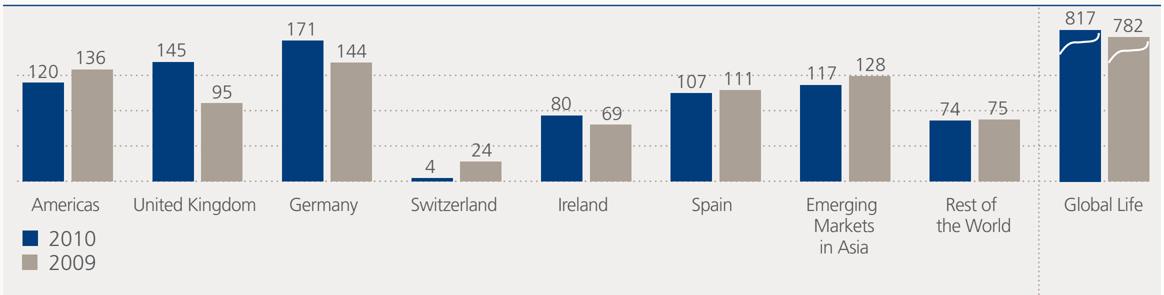
Present Value of New Business Premiums (PVNBP)
(in USD millions)



New Business Value
(in USD millions)

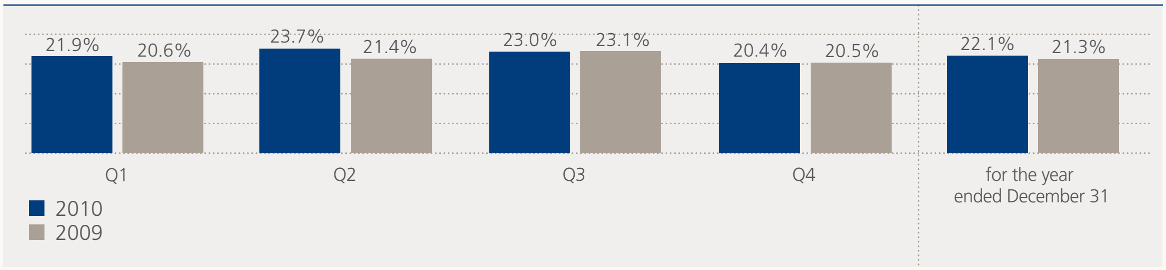


New Business Value by territory
(in USD millions)

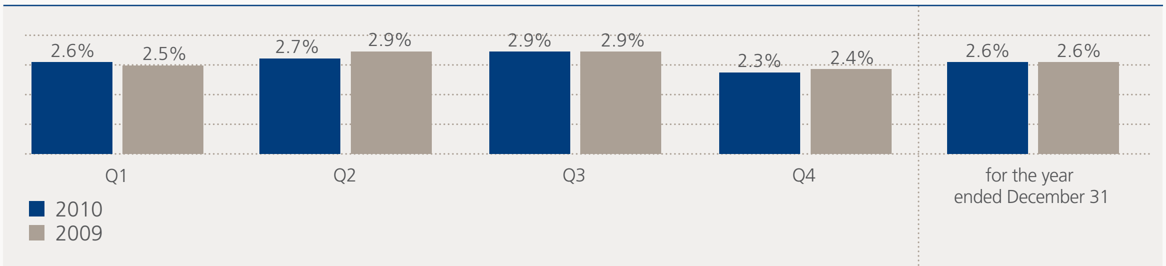


Embedded value report *continued*

New Business Margin (%APE)
(in percent)



New Business Margin (%PVNBP)
(in percent)



New business by discrete quarter

in USD millions	2010					2009				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Annual premium equivalent (APE)[1]	**833**	**882**	**779**	**1,204**	**3,699**	**721**	**858**	**813**	**1,275**	**3,667**
Annual premiums	419	460	442	651	1,973	420	485	459	629	1,993
Single premiums	4,139	4,221	3,371	5,529	17,261	3,014	3,727	3,539	6,464	16,743
Present value of new business premiums (PVNBP)[2]	6,942	7,677	6,256	10,523	31,399	5,912	6,363	6,449	10,791	29,515
Average annual premium multiplier	6.7	7.5	6.5	7.7	7.2	6.9	5.4	6.3	6.9	6.4
New business value	**183**	**209**	**179**	**246**	**817**	**149**	**183**	**188**	**262**	**782**
New business margin (as % APE)	**21.9%**	**23.7%**	**23.0%**	**20.4%**	**22.1%**	**20.6%**	**21.4%**	**23.1%**	**20.5%**	**21.3%**
New business margin (as % PVNBP)	**2.6%**	**2.7%**	**2.9%**	**2.3%**	**2.6%**	**2.5%**	**2.9%**	**2.9%**	**2.4%**	**2.6%**

[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 by territory

in USD millions, for the year ended December 31	APE		PVNBP		New business value		New business margin			
							as % APE		as % PVNBP	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Americas	300	259	1,936	1,794	120	136	40.2%	52.4%	6.2%	7.6%
United States	*98*	*97*	*941*	*1,013*	*68*	*100*	*69.8%*	*102.5%*	*7.2%*	*9.8%*
Latin America	*202*	*161*	*994*	*781*	*52*	*36*	*25.9%*	*22.1%*	*5.3%*	*4.6%*
United Kingdom	961	785	8,730	6,913	145	95	15.0%	12.1%	1.7%	1.4%
Germany	653	622	6,909	4,955	171	144	26.2%	23.1%	2.5%	2.9%
Switzerland	89	118	823	1,102	4	24	3.9%	20.1%	0.4%	2.2%
Ireland	370	310	3,121	2,374	80	69	21.6%	22.4%	2.6%	2.9%
Spain	509	709	4,502	6,510	107	111	21.0%	15.7%	2.4%	1.7%
Emerging Markets in Asia	486	528	2,177	2,554	117	128	24.0%	24.2%	5.4%	5.0%
ZIS[1]	*424*	*453*	*1,929*	*2,263*	*112*	*112*	*26.5%*	*24.7%*	*5.8%*	*4.9%*
Hong Kong	*62*	*75*	*248*	*290*	*4*	*16*	*7.1%*	*21.4%*	*1.8%*	*5.6%*
Rest of the World	330	336	3,200	3,313	74	75	22.3%	22.4%	2.3%	2.3%
Italy	*163*	*147*	*1,558*	*1,476*	*27*	*30*	*16.6%*	*20.1%*	*1.7%*	*2.0%*
Other	*167*	*190*	*1,642*	*1,837*	*47*	*46*	*27.9%*	*24.1%*	*2.8%*	*2.5%*
Global Life	**3,699**	**3,667**	**31,399**	**29,515**	**817**	**782**	**22.1%**	**21.3%**	**2.6%**	**2.6%**

[1] ZIS is Zurich International Solutions, the international business based in the Isle of Man.

New business value in the **Americas** declined, primarily as a result of the change in the interest rate environment in the U.S. and the change in persistency assumptions lowering new business value on protection business. Latin America recorded an increase in new business value with higher sales of profitable protection business.

The **UK** achieved a significant recovery in sales from the depressed levels emerging in particular in the early part of 2009. The main drivers being the Private Banking Client Solutions and Corporate Life & Pensions business. The overall increase in sales and a focus on managing overhead expenses has contributed to a solid improvement in the new business margin.

In **Germany**, APE increased during the year through the sale of lower margin single premium products. As a result of the revised profit sharing assumptions and changes to acquisition service fee arrangements the new business value improved leading to higher margins.

In **Switzerland**, sales were negatively impacted by the reduction in the technical interest rate that applied from 1 January 2010 which was anticipated in 2009 by customers and distributors resulting in lower sales opportunities in the early months of 2010. The current low interest rate environment has diminished the appeal of low return guaranteed products, and this coupled with the level of fixed expenses and falling risk-free returns has led to a significant decrease in new business value and margin.

In **Ireland**, the domestic business achieved a recovery in sales of long-term savings products leading to an increased market share. In addition and more importantly, sales of products manufactured in the European hub rose strongly emanating largely from Italy (Finanza e Futuro broker channel) and the UK through a bank partnership. The new business margin has however fallen slightly as it was negatively impacted by lower margins on annuity business.

Sales in **Spain** decreased significantly compared with the prior year due to the Group's unwillingness to compete with domestic savings products priced on uneconomic terms. Despite the lower single premium sales, new business value was down only marginally as a result of higher sales of protection business which generate higher new business margins.

For **ZIS**, sales were down over the year, although they improved in the final three months of the year. A focus on expense control and improved claims experience in corporate protection business has allowed the new business margin to increase throughout the period.

In **Hong Kong** sales of unit-linked policies have declined resulting in lower gross margins which, coupled with relatively fixed expenses, has resulted in a significant reduction in new business value and margin.

Embedded value report *continued*

3. Expected contribution and transfer to shareholder net assets

a) Expected contribution at reference rate

The expected contribution at reference rate is the projected change in the embedded value over the year using risk-free investment returns applicable at the start of the year. Expected contributions were lower in 2010 compared with 2009 due to the lower interest rate environment applying at the start of the year.

b) Expected contribution in excess of reference rate

The expected contribution in excess of reference rate is the additional value expected to be created if "real world" expected investment returns emerge.

c) Transfer to free surplus

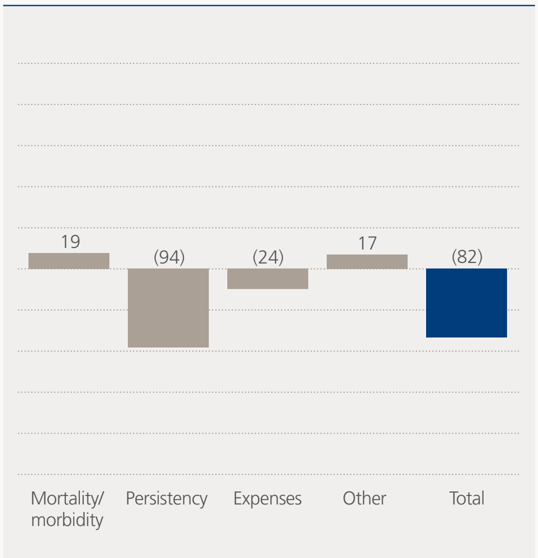
The expected transfer to shareholders' net assets shows the profits expected to emerge during the period in respect of business that was in force at the start of the year. The net effect is zero, as the reduction in value of business in force is offset by the increase in shareholders' net assets.

4. Operating, economic and other non-operating variances

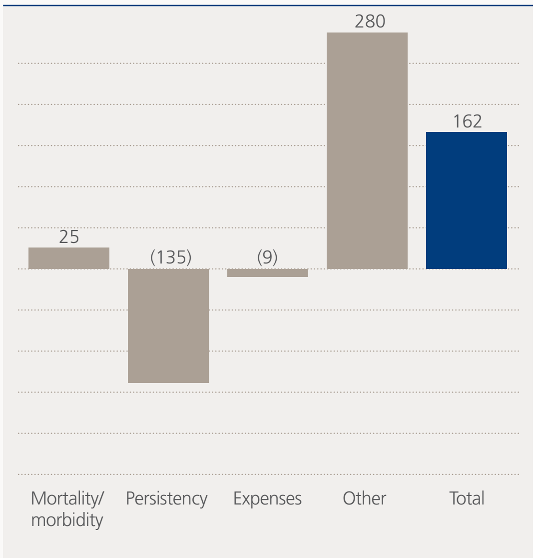
Operating variances

Operating variance measures the difference between actual experience during the period and that implied by the operating assumptions. Experience variations occur in the normal course of business as short-term experience fluctuates around the long-term assumptions. Operating variance also includes the impact of changes in assumptions about future operating experience.

Embedded value
Split of operating experience variance
(in USD millions, for the year ended December 31)



Embedded value
Split of operating assumption changes
(in USD millions, for the year ended December 31)



Mortality experience increased the embedded value by USD 19 million, primarily arising in Chile where the actual experience on a Disability and Survivorship scheme has turned out to be better than originally anticipated. There have also been additional small positive experience gains in Spain and Ireland which were offset by negative experience in Farmers. As a result of regular reviews of mortality in Global Life, the Group has updated its mortality assumptions in Switzerland, Japan and Spain, the net effect of this was to increase the embedded value by USD 25 million.

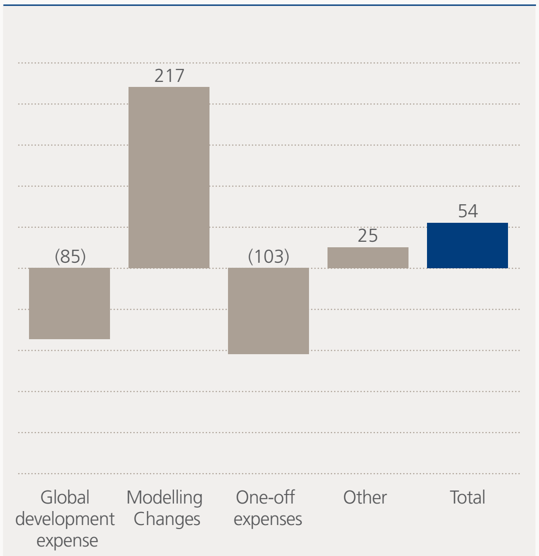
Persistency experience decreased the embedded value by USD 94 million with a further USD 135 million reduction in value arising from changes to future expected persistency assumptions. In the U.S., 2010 was the first year where the level term 2000 policies moved from the level premium to the yearly renewable stage enabling the business to gain a better view of persistency in this less predictable phase. Since the persistency experience was worse than expected the embedded value has reduced due to higher lapses in the period as well as from the more significant change to future persistency assumptions, which reduced value by USD 221 million. In Germany, enhanced lapse rate analysis was introduced including more explicit allowance for premium suspension on Riester business. Overall these assumption changes have increased embedded value by USD 120 million. In ZIS, persistency was worse than expected causing an experience loss of USD 38 million, exacerbated by the conversion of a large corporate scheme into a lower margin product. Revisions to persistency assumptions in Spain decreased the embedded value by USD 20 million, where transfers between pensions business and life business in Banco Sabadell have now been treated as lapses instead of replacement contracts.

Expense overruns decreased the embedded value by USD 24 million. The main contributors to this were Switzerland where business volumes have been lower than plan and Luxembourg where start up costs exceed the expense allowances while the business develops scale. Expense assumption changes led to positive impacts in the UK, Germany and Ireland with negative impacts in Switzerland, Italy and Japan, giving an overall minor negative impact of USD 9 million.

Embedded value report *continued*

Other assumption changes increased the embedded value by USD 280 million. In Switzerland, there was a benefit from the change in profit sharing rules and an increase in fees on unit-linked funds. In Germany, adjustments were made to the profit sharing allocation rates to more appropriately reflect the impact of 2008 legislative changes now that they have been analysed in more detail, and as industry views have evolved.

Embedded value
Split of other operating variances
(in USD millions, for the year ended December 31)



Other operating variances increased the embedded value by USD 54 million. Improvements were made in a number of countries to improve the accuracy of the results, resulting in an increase of USD 217 million in embedded value. Global development expenses, in particular in the UK and Ireland, were incurred to fund the Global Life growth strategy. One-off expenses include investments in the corporate savings platform and other domestic investments in the UK, and a one-off contribution to the staff pension scheme in Ireland.

Economic variances

Economic variances are the difference between the actual experience during the year and that implied by the economic assumptions at the start of the period and also includes the impact of changes in assumptions in respect of future economic experience at the end of the period.

During the year, risk-free interest rates as measured by swap rates decreased in developed economies in which the business operates. This reduction has adversely affected the value of spread business, including traditional participating business. This impact has been exacerbated by the increase in sovereign credit spreads in Ireland, Italy and Spain since the market consistent methodology that the Group uses assumes that spread reflects default premium. Protection business, on the other hand, benefits from the reduction in interest rates hence the Farmers business in particular benefited from these conditions. The net effect of the economic variances has been a reduction in value of USD 846 million.

Other non-operating variances

Other non-operating variances included the impact of legal, tax and regulatory changes in the year as well as other significant one-off items. The impact of the sale of the Group's interest in Caixa Sabadell for a price in excess of embedded value has generated a net of tax economic gain of USD 257 million. In Latin America the acquisition of the life insurance interests of Minas Brasil Vida e Previdencia for a price in excess of embedded value generated an economic loss of USD 50 million. The remaining non-operating variances relate to various items including currency effects which stem from offshore sales by ZIS.

5. Adjustments

a) Non-controlling interests
The adjustment to embedded value to remove non-controlling interests from the new business value is included here, and largely arose from the interests of the non-controlling shareholders in the Spain operations.

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.

Dividend and capital movements that occurred in the first six months of the year are shown as "start of period" movements whilst the rest are shown as "end of period".

The UK life business paid a dividend of USD 294 million. A further USD 92 million of value was transferred to a non-covered entity to close the acquisition of a block of life business that took place at the end of 2009.

A review of the capital arrangements of the Spain Life business has been completed, including changes to the internal debt and equity mix. For changes where regulatory approval is expected to be completed early in 2011, their impact has been reflected in the December 31, 2010 embedded value.

Further dividends include USD 254 million from Germany, USD 120 million from the U.S. and USD 47 million from Switzerland.

In Latin America a capital injection of USD 62 million was made to reflect the acquisition of Minas Brazil Vida e Previdencia.

Note that changes in value for Global Life caused by dividend and capital movements are offset by equal and opposite value changes in the non-covered segment of the Group and therefore have no impact on Group MCEV as shown in Section 9.

c) Foreign currency translation effects
Foreign currency translation effects represent the impact of adjusting values to end-of-period exchange rates. The strengthening of the U.S. dollar against the Euro and British pound during the year had a negative impact on embedded value partially offset by a stronger Swiss franc.

Embedded value report *continued*

6. Reconciliation of IFRS equity to embedded value

Reconciliation of Global Life IFRS shareholders' equity to embedded value

in USD billions, as of December 31	Total 2010
IFRS shareholders' net assets[1]	**14.8**
Less non-controlling interests[2]	(1.0)
IFRS shareholders' equity net of joint ventures and non-controlling interests	**13.8**
Plus pension scheme liabilities[3]	0.3
Less intangible assets[4]	(6.4)
Deferred acquisition costs and deferred origination costs	*(13.4)*
Deferred front end fees	*5.6*
Present value of profits of acquired insurance contracts	*(0.8)*
Policyholder share of actuarial intangibles net of tax	*1.7*
Tax on shareholder share of actuarial intangibles	*2.1*
Goodwill	*(0.4)*
Other intangibles	*(1.3)*
Valuation differences[5]	(1.1)
Embedded value shareholders' net assets[6]	**6.6**
Value of business in force[7]	9.5
Embedded value	**16.1**

[1] Global Life balance sheet value.
[2] Includes Spanish and other non-controlling interests.
[3] Since pension scheme 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 non-controlling interests.
[7] EV value of business in force.

7. Sensitivities

Sensitivities

in USD millions, as of December 31, 2010	Change in embedded value			
	Shareholders' net assets	Value of business in force	Total	Change in new business value
Actual embedded value	**6,592**	**9,549**	**16,141**	**817**
Operating sensitivities				
10% increase in initial expenses	n/a	n/a	**n/a**	**(45)**
10% decrease in maintenance expenses	–	359	**359**	**44**
10% increase in voluntary discontinuance rates	–	(519)	**(519)**	**(83)**
10% decrease in voluntary discontinuance rates	–	603	**603**	**97**
5% improvement in mortality and morbidity for assurances	–	266	**266**	**46**
5% improvement in mortality for annuities	–	(117)	**(117)**	**(10)**
Required capital set equal to minimum solvency capital	–	85	**85**	**1**
Economic sensitivities				
100 basis points increase in risk free yield curve	(424)	260	**(164)**	**88**
100 basis points decrease in risk free yield curve	307	(904)	**(598)**	**(207)**
10% fall in equity market values	(65)	(197)	**(261)**	**(7)**
10% fall in property market values	(33)	(261)	**(294)**	**(4)**
25% increase in implied volatilities for risk free yields	30	(229)	**(199)**	**(16)**
25% decrease in implied volatilities for risk free yields	(32)	266	**234**	**20**
25% increase in implied volatilities for equities and properties	–	(131)	**(131)**	**(11)**
25% decrease in implied volatilities for equities and properties	–	109	**109**	**7**

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 decrease in risk free yield curve increases the value of some products, such as term assurance, with fixed cash flows that are discounted at lower rates. This increase is offset by the reduction in the value of other products, such as those with profit sharing, due to the lower assumed investment returns on investment of net cash flows. The Group has also estimated the effect on the embedded value of allowing for a liquidity premium of 10 basis points. The estimated impact would be an increase of USD 175 million and has been based on the assumptions referred to in Section 11a).

Embedded value report *continued*

8. Non-core life business

The Group has written life business in Zurich Americas Life Insurance Company and in its Centre operations, some of which is not managed by Global Life. The main products that have been written by these businesses outside Global Life were:

- 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	2010	2009
Shareholders' net assets	**1.0**	**1.0**
Certainty equivalent value	*(0.1)*	*0.1*
Time value of financial options and guarantees	*(0.1)*	*(0.0)*
Frictional costs	*0.0*	*(0.0)*
Cost of residual non-hedgeable risk	*(0.1)*	*(0.1)*
Value of business in force	**(0.3)**	**(0.1)**
Embedded value	**0.7**	**0.9**

The Group implemented a dynamic hedge strategy for a closed U.S. life book of variable annuity products in March of 2010. This has reduced the sensitivity of the non-core life business embedded value to changes in interest rates and equity market returns.

9. Group MCEV

The Group MCEV is presented in the following table as the Global Life covered business which is valued under the MCEV principles and the non-covered business which is valued as the unadjusted IFRS net asset value. Non-covered business includes the non-core life businesses managed outside Global Life and the remaining Group non-life business.

Group MCEV, 2010

in USD billions, as of December 31	Covered Business MCEV	Non covered business	Total Group MCEV
Opening Group MCEV	**16.8**	**17.0**	**33.7**
Opening adjustments[1]	*0.0*	*(0.4)*	*(0.4)*
Adjusted Opening MCEV	*16.8*	*16.6*	*33.4*
Operating MCEV earnings[2]	*1.6*	*2.3*	*3.9*
Non-operating MCEV earnings	*(0.6)*	*0.0*	*(0.6)*
Total MCEV Earnings	*1.0*	*2.3*	*3.3*
Other movements in IFRS net equity[3]	*0.0*	*1.8*	*1.8*
Closing adjustments[4]	*(1.6)*	*(2.5)*	*(4.2)*
Closing Group MCEV	**16.1**	**18.2**	**34.3**

1 Opening adjustments refer to the opening balance restatement of December 31, 2009 in respect of a U.S. closed book of variable annuity products (see note 1 of the consolidated financial statements).
2 For non-covered business this is set equal to the change in Net Income After Tax (NIAT) over the period.
3 For non-covered business this is set equal to the change in Other Comprehensive Income (OCI) excluding the currency translation adjustment over the period.
4 Closing adjustments refer to dividend and capital movements, non-controlling interests and foreign currency translation effects.

Embedded value report *continued*

10. Embedded value methodology

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 businesses in its Global Life segment (the covered business) for the twelve months ended December 31, 2010. This report primarily relates to Global Life, but information relating to the Non-Core Life 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' net asset value, as calculated in accordance with the Group's IFRS accounting policies. The contribution from these companies to the embedded value is approximately 1.0 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.

For the UK, a dual capital regime exists with the second pillar currently more stringent than the first pillar which is a solvency one basis. Under the Pillar two basis the value of in force is counted as an admissable asset with a subsequent risk charge. Under this basis, when the Group writes new business with an in force value greater than the risk charge, the level of required capital decreases. Similarly, when in force value emerges into shareholders net assets, a portion of this release needs to be allocated to required capital to offset the now reduced value of in force asset. This required capital impact is a feature of an economic capital mechanism which differs markedly from the current solvency one basis.

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. In Germany, the policyholders share of investment income on the capital is also included.

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.

Embedded value report *continued*

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)** is an explicit deduction for non hedgeable financial risks (non-hedgeable asset/liability management risks, reinsurance credit risk), and non-financial risks (mortality, persistency, expenses and operational risk). The certainty equivalent value allows for best estimate shareholder cashflows. The CRNHR 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 CRNHR allows for diversification across risk types and across geographical segments. It complies with all areas of the MCEV Principles except Guidance 9.7, 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 221 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 for 2010 and 2009. 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. From the beginning of the year 2011, the Group will apply a cost capital charge of 4 percent.

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 at the point of sale. Explicit allowance is made for frictional costs, time value of financial options and guarantees, and CRNHR. 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 year. 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, 2010 values, by scaling to match the expected balance sheet figures. The new business model points were set up at September 30, 2010, 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 debt security cash flow is valued using a debt security 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, 2010 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 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, 2010.

Simulations are produced for the economies in the U.S., the UK, Switzerland and the eurozone. 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 U.S. 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 are allocated 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.

Embedded value report *continued*

k) Consolidation adjustments
Where a reassurance arrangement exists between two life companies within Global Life, the value of the reassurance is shown in the embedded value of the ceding company.

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 "Non-controlling interests".

l) Debt
Where a loan exists between a company in Global Life and a Group company outside 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 financial statements, with a liability recognized for Employee Benefit deficits under IAS19. 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, 2010 would have been lower by USD 282 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 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 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 translated 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, 2009. This approach has also been applied to the analysis of movement. Valuations as at a specified date are translated at end-of-period exchange rates.

The rates can be found in note 1 of 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 increase in initial expenses was considered for new business values only.

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 voluntary discontinuance rates means that, for example, a base assumption of 5 percent p.a. would decrease to 4.5 percent p.a.

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 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.

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.

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.

Embedded value report *continued*

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 of 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 start of period one year swap rate. The expected return on corporate bonds is equal to the start 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, 2010. 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 the U.S. dollar, as their liabilities are principally U.S. 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.

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 engaged Barrie & Hibbert who estimated a liquidity premium proxy to be equal to 50 percent times the (Credit spread over swaps less 40 basis points) where Credit spreads over swaps is equal to Credit spread on a representative corporate bond index less the swap rate for each particular currency.

The Group has continued its previous market-consistent approach with a liquidity premium of zero for 2010.

However, the impact of the inclusion of a non-zero liquidity premium on year end MCEV and NBV, calculated on the basis below, has been included as additional information.

A liquidity premium applied to the base yield curve applicable to units reporting in U.S. dollar, Euro, British pound or Swiss franc.

The liquidity premium is applied to the following lines of business:

- 100 percent for annuities;
- 75 percent for contracts with participating features, universal life contracts and fixed interest annuities in the U.S;
- 0 percent for all other lines of business.

The liquidity premium is not applied to the Time Value of Options and Guarantees, this would represent an area of non-compliance with the MCEV principles. All sensitivities in the report relate to the base yield curve with no liquidity premium.

"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 period implied in the yield curve assumptions.

For equity assets for units where there is a substantial equity allocation, the investment return assumption is based on the long term "real world" expected return allowing for reversion to the mean over a period of five years. For equity assets for units without a material equity allocation the investment return assumption is based on the 1 year swap rate at the beginning of period plus a margin to reflect the additional risk associated with investment in this asset class.

For property assets, the investment return assumptions are based on the one year swap rate at the beginning of period plus a margin to reflect the additional risk associated with investment in this asset class.

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.

"Return on opening embedded value" (as shown in the Embedded value key results)

The return on opening embedded value is calculated as the sum of the annualised new business value, annualized expected contributions, economic variance for the year to date and operating and non-operating variances for the year to date divided by the opening embedded value less start of period dividend and capital movements.

Embedded value report *continued*

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 TVFOG.

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.

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.

Where significant development work is perfomed in one county that is intended to have wider application across Global Life, that cost is shown under "Global Development Expenses".

The restart of business in Luxembourg is treated as a start-up operation with acquisition and maintenance expenses set at expected medium term levels. Any actual expenses incurred in excess of policy allowances is treated as an expense overrun and shown as an expense experience variation. The expense overrun is expected to be eliminated by 2012.

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.

Appendix

Embedded value results Global Life

in USD millions, for the year ended December 31

	Americas		United Kingdom	
	2010	2009	**2010**	2009
Embedded value information:				
Opening embedded value	**3,154**	**2,570**	**3,672**	**2,895**
Dividends and capital movements start of period	13	71	(381)	3
New business value Global Life	120	136	145	95
Expected contribution	143	222	117	253
Experience variance	(21)	(11)	(1)	7
Assumption changes	(263)	(47)	79	6
Other operating variances	94	(26)	–	(54)
Operating earnings	**73**	**273**	**340**	**308**
Economic variance	309	218	(48)	210
Other non-operating variances	(45)	(21)	59	(210)
Embedded value earnings	**337**	**471**	**350**	**307**
Dividends and capital movements end of period	(86)	(7)	(5)	147
Non-controlling interests	(2)	–	–	–
Foreign currency translation effects	13	49	(129)	321
Closing embedded value	**3,430**	**3,154**	**3,507**	**3,672**
New business information:				
Annual premiums	240	215	393	296
Single premiums	599	438	5,682	4,887
Annual premium equivalent (APE)	300	259	961	785
Present value of new business premiums (PVNBP)	1,936	1,794	8,730	6,913
New business value	**120**	**136**	**145**	**95**
New business margin (as % of APE)	40.2%	52.4%	15.0%	12.1%
New business margin (as % of PVNBP)	6.2%	7.6%	1.7%	1.4%
Returns				
Expected return	4.5%	8.4%	3.6%	8.7%
Operating return	2.3%	10.3%	10.3%	10.6%
Embedded value return	10.6%	17.8%	10.6%	10.6%

	Germany		Switzerland		Ireland		Spain		Emerging Markets in Asia		Rest of the World		Global Life	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	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**
	(47)	47	(12)	(28)	–	–	–	(4)	12	(2)	(13)	(15)	(427)	72
	171	144	4	24	80	69	107	111	117	128	74	75	817	782
	81	74	105	110	22	39	29	20	60	53	66	69	622	840
	(3)	–	(10)	(11)	11	14	(10)	–	(20)	(20)	(27)	(17)	(82)	(37)
	444	84	(55)	91	21	(18)	3	(15)	(30)	81	(36)	2	162	184
	44	97	(10)	71	(47)	(17)	(13)	7	(28)	15	15	59	54	152
	737	**398**	**33**	**285**	**86**	**88**	**115**	**124**	**99**	**257**	**91**	**188**	**1,574**	**1,921**
	(871)	398	109	111	(31)	50	(205)	78	69	136	(177)	89	(846)	1,290
	–	(28)	–	305	–	(9)	257	(15)	13	(133)	(7)	(12)	277	(123)
	(133)	**768**	**142**	**701**	**55**	**130**	**166**	**187**	**181**	**259**	**(93)**	**265**	**1,005**	**3,088**
	(207)	(105)	(35)	(15)	–	–	(625)	–	(1)	(12)	7	2	(952)	10
	(4)	(4)	–	–	–	–	(48)	(47)	–	–	–	–	(54)	(51)
	(161)	68	231	68	(82)	36	(58)	23	(35)	104	39	147	(182)	815
	1,848	**2,401**	**2,337**	**2,010**	**1,224**	**1,251**	**251**	**816**	**1,834**	**1,677**	**1,710**	**1,770**	**16,141**	**16,752**
	460	501	56	73	124	152	93	124	444	484	163	148	1,973	1,993
	1,932	1,213	336	451	2,456	1,577	4,168	5,843	423	445	1,665	1,890	17,261	16,743
	653	622	89	118	370	310	509	709	486	528	330	336	3,699	3,667
	6,909	4,955	823	1,102	3,121	2,374	4,502	6,510	2,177	2,554	3,200	3,313	31,399	29,515
	171	**144**	**4**	**24**	**80**	**69**	**107**	**111**	**117**	**128**	**74**	**75**	**817**	**782**
	26.2%	23.1%	3.9%	20.1%	21.6%	22.4%	21.0%	15.7%	24.0%	24.2%	22.3%	22.4%	22.1%	21.3%
	2.5%	2.9%	0.4%	2.2%	2.6%	2.9%	2.4%	1.7%	5.4%	5.0%	2.3%	2.3%	2.6%	2.6%
	3.4%	4.4%	5.2%	8.7%	1.8%	3.6%	3.5%	3.1%	3.6%	4.0%	3.7%	5.1%	3.8%	6.5%
	31.3%	23.8%	1.7%	22.7%	6.9%	8.1%	14.1%	18.9%	5.9%	19.4%	5.2%	13.9%	9.6%	14.9%
	(5.7%)	45.9%	7.1%	55.8%	4.4%	11.9%	20.4%	28.7%	10.7%	19.5%	(5.3%)	19.6%	6.2%	24.0%

Appendix *continued*

Embedded value results Americas, Emerging Markets in Asia and Rest of the World

in USD millions, for the year ended December 31	Americas					
	United States		Latin America		Total	
	2010	2009	**2010**	2009	**2010**	2009
Embedded value information:						
Opening embedded value	**2,655**	**2,271**	**499**	**299**	**3,154**	**2,570**
Dividends and capital movements start of period	(34)	69	47	2	13	71
New business value Global Life	68	100	52	36	120	136
Expected contribution	115	201	28	22	143	222
Experience variance	(40)	(8)	19	(3)	(21)	(11)
Assumption changes	(258)	(39)	(5)	(8)	(263)	(47)
Other operating variances	86	(74)	8	48	94	(26)
Operating earnings	**(30)**	**179**	**103**	**94**	**73**	**273**
Economic variance	283	167	26	52	309	218
Other non-operating variances	3	(24)	(48)	3	(45)	(21)
Embedded value earnings	**256**	**322**	**81**	**149**	**337**	**471**
Dividends and capital movements end of period	(86)	(7)	–	–	(86)	(7)
Non-controlling interests	–	–	(2)	–	(2)	–
Foreign currency translation effects	–	–	13	49	13	49
Closing embedded value	**2,792**	**2,655**	**638**	**499**	**3,430**	**3,154**
New business information:						
Annual premiums	90	91	150	124	240	215
Single premiums	77	60	522	378	599	438
Annual premium equivalent (APE)	98	97	202	161	300	259
Present value of new business premiums (PVNBP)	941	1,013	994	781	1,936	1,794
New business value	**68**	**100**	**52**	**36**	**120**	**136**
New business margin (as % of APE)	69.8%	102.5%	25.9%	22.1%	40.2%	52.4%
New business margin (as % of PVNBP)	7.2%	9.8%	5.3%	4.6%	6.2%	7.6%
Returns						
Expected return	4.4%	8.6%	5.1%	7.2%	4.5%	8.4%
Operating return	(1.1%)	7.7%	18.9%	31.2%	2.3%	10.3%
Embedded value return	9.8%	13.7%	14.8%	49.4%	10.6%	17.8%

	Emerging Markets in Asia								Rest of the World					
	ZIS		Hong Kong		Other		Total		Italy		Other		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	1,360	**1,002**	**339**	**336**	**(22)**	**(9)**	**1,677**	**1,328**	**762**	**539**	**1,008**	**831**	**1,770**	**1,371**
	–	–	13	(2)	–	–	12	(2)	(2)	–	(11)	(15)	(13)	(15)
	112	112	4	16	–	–	117	128	27	30	47	46	74	75
	37	29	23	23	–	–	60	53	18	35	48	34	66	69
	(17)	(12)	(3)	(8)	–	–	(20)	(20)	(10)	(8)	(17)	(9)	(27)	(17)
	13	110	(42)	(29)	–	–	(30)	81	(35)	(2)	(1)	4	(36)	2
	(11)	25	–	2	(17)	(11)	(28)	15	(1)	1	15	58	15	59
	134	**264**	**(18)**	**4**	**(17)**	**(11)**	**99**	**257**	**(1)**	**55**	**92**	**133**	**91**	**188**
	64	108	4	28	–	–	69	136	(173)	156	(4)	(67)	(177)	89
	13	(119)	–	(15)	–	–	13	(133)	6	(16)	(13)	4	(7)	(12)
	212	**253**	**(14)**	**18**	**(17)**	**(11)**	**181**	**259**	**(168)**	**196**	**75**	**70**	**(93)**	**265**
	(2)	–	1	(12)	(2)	–	(1)	(12)	–	5	7	(3)	7	2
	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	(29)	105	(1)	–	(5)	(1)	(35)	104	(52)	22	91	125	39	147
	1,540	**1,360**	**338**	**339**	**(44)**	**(22)**	**1,834**	**1,677**	**540**	**762**	**1,170**	**1,008**	**1,710**	**1,770**
					–	–								
					–	–								
	383	410	61	74	–	–	444	484	83	81	80	67	163	148
	410	432	12	13	–	–	423	445	796	661	869	1,229	1,665	1,890
	424	453	62	75	–	–	486	528	163	147	167	190	330	336
	1,929	2,263	248	290	–	–	2,177	2,554	1,558	1,476	1,642	1,837	3,200	3,313
	112	**112**	**4**	**16**	**–**	**–**	**117**	**128**	**27**	**30**	**47**	**46**	**74**	**75**
	26.5%	24.7%	7.1%	21.4%	n/a	n/a	24.0%	24.2%	16.6%	20.1%	27.9%	24.1%	22.3%	22.4%
	5.8%	4.9%	1.8%	5.6%	n/a	n/a	5.4%	5.0%	1.7%	2.0%	2.8%	2.5%	2.3%	2.3%
	2.7%	2.9%	6.4%	6.9%	n/a	n/a	3.6%	4.0%	2.3%	6.4%	4.8%	4.2%	3.7%	5.1%
	9.9%	26.3%	(5.2%)	1.3%	n/a	n/a	5.9%	19.4%	(0.2%)	10.3%	9.2%	16.3%	5.2%	13.9%
	15.6%	25.2%	(4.1%)	5.3%	n/a	n/a	10.7%	19.5%	(22.2%)	36.3%	7.5%	8.5%	(5.3%)	19.6%

Statement by Directors

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

Zurich, February 9, 2011

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") of Zurich Financial Services Ltd included in pages 260 to 290 of the Annual Report 2010, for the year ended December 31, 2010. 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 CFO Forum, as described on pages 276 to 281.

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 reasonable 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 of Zurich Financial Services Ltd for the year ended December 31, 2010 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

Ray Kunz Audit expert Auditor in charge	Patrick Shouvlin Global relationship partner

Holding company

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.

Net income for the year was CHF 70 million compared with CHF 4,082 million in the prior year. The decrease is mainly driven by lower dividend income from subsidiary companies and lower other financial income. In 2009 other financial income included a net gain of CHF 2,642 million resulting from the restructuring of the legal structure. During this restructuring Zurich Group Holding was 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 Zurich Group Holding to Zurich Financial Services Ltd.

The Annual General Meeting on March 30, 2010, approved a gross dividend of CHF 16.00 per share. This gross dividend has been recognized through shareholders' equity. Additionally the Annual General Meeting approved the destruction of the remaining 1,836,404 shares from the share buyback program authorized by the Board of Directors on February 13, 2008. The effective date of the capital reduction was June 15, 2010.

A new tax legislation based on the Swiss Corporate Tax reform II became effective as of January 1, 2011. It allows payments free of Swiss withholding tax to shareholders out of a new capital contribution reserve. Therefore CHF 14,000 million of the reserves have been reclassified to the new capital contribution reserve.

Net income for the year and the dividend paid in 2010 resulted in a decrease in shareholders' equity to CHF 17,943 million as of December 31, 2010 from CHF 20,383 million as of December 31, 2009. The Board will propose a dividend from the capital contribution reserve of CHF 17 per share in respect of the year 2010 for approval at the Annual General Meeting to be held on March 31, 2011.

Income statements

in CHF thousands, for the years ended December 31	Notes	2010	2009
Revenues			
Interest income		187,218	249,729
Dividend income		36,482	1,500,594
Other financial income	3	128,897	2,704,381
Other income		29,010	–
Total revenues		381,607	4,454,704
Expenses			
Administrative expense	4	(19,694)	(55,279)
Other financial expense	5	(285,202)	(306,687)
Tax expense	6	(6,993)	(10,333)
Total expenses		(311,889)	(372,298)
Net income		**69,718**	**4,082,406**

Holding company *continued*

Balance sheets

Assets

in CHF thousands, as of December 31	Notes	2010	2009
Non-current assets			
Investments in subsidiaries	7	11,851,474	11,678,292
Subordinated loans to subsidiaries	8	8,013,379	10,293,539
Total non-current assets		19,864,853	21,971,831
Current assets			
Cash and cash equivalents		17,372	11,341
Loans to subsidiaries		612,471	691,320
Own shares		–	415,945
Receivables from third parties		3,390	5
Accrued income from subsidiaries		3,227	6,482
Derivatives with subsidiaries		4,706	400
Total current assets		641,166	1,125,493
Total assets		**20,506,018**	**23,097,324**

Liabilities and shareholders' equity

Short-term liabilities			
Loans from subsidiaries		2,014,308	2,086,058
Other liabilities to subsidiaries		449	–
Other liabilities to third parties		1,456	35,632
Other liabilities to shareholders		304	239
Accrued liabilities to subsidiaries		13,683	15,179
Accrued liabilities to third parties		26,416	400
Derivatives with subsidiaries		17,409	3,585
Total short-term liabilities		2,074,025	2,141,093
Long-term liabilities			
Long-term loans from subsidiaries		488,923	542,555
Provisions		–	31,092
Total long-term liabilities		488,923	573,647
Total liabilities		2,562,948	2,714,740
Shareholders' equity (before appropriation of available earnings)			
Share capital	10	14,659	14,747
Legal reserves:			
Capital contribution reserve	*11*	*14,000,000*	*–*
General legal reserve		*–*	*10,551,524*
Reserve for treasury shares	*12*	*341,140*	*887,906*
Free reserve		332,986	3,425,820
Retained earnings:			
As of January 1		*5,502,586*	*2,930,181*
Dividends paid		*(2,318,019)*[1]	*(1,510,001)*[2]
As of January 1, adjusted for appropriations		*3,184,567*	*1,420,180*
Net income		69,718	4,082,406
Retained earnings, as of December 31		3,254,285	5,502,586
Total shareholders' equity (before appropriation of available earnings)		17,943,070	20,382,584
Total liabilities and shareholders' equity		**20,506,018**	**23,097,324**

[1] Dividends paid in the year, proposed in respect of the 2009 result
[2] Dividends paid in the year, proposed in respect of the 2008 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 amounted to CHF 129 million for 2010 and CHF 2,704 million for 2009. The decrease is mainly driven by the net realized capital gain in 2009 of CHF 2,642 million resulting from the restructuring of the Company's immediate subsidiary holding companies, Zurich Group Holding and Allied Zurich Limited.

4. Administrative expense

Administrative expense includes directors' fees of CHF 3.5 million for 2010 and CHF 3.6 million for 2009 (see note 15) and overhead expenses of CHF 10 million for 2010 and 2009.

5. Other financial expense

Other financial expense includes CHF 80 million write-down of investments in subsidiaries for 2010 and CHF 75 million net losses on own shares for 2009.

6. Taxes

The tax expense consists of income, capital and other taxes.

Holding company *continued*

7. Investments in subsidiaries

Investment in subsidiaries

as of December 31	2010 Carrying value[1]	2010 Ownership in %	2009 Carrying value[1]	2009 Ownership in %
Zurich Insurance Company Ltd	11,087,485	100.00	11,087,485	100.00
Zurich Financial Services EUB Holding Ltd	727,936	99.90	554,754	99.90
Allied Zurich Limited	175	100.00	175	100.00
Other investments in subsidiaries	35,878	–	35,878	–
Total	**11,851,474**		**11,678,292**	

[1] in CHF thousands

Zurich Financial Services Ltd injected GBP 160 million (CHF 253 million) into the reserves of Zurich Financial Services EUB Holdings Limited in 2010. Furthermore the investment was impaired by CHF 80 million.

8. Subordinated loans to subsidiaries

Subordinated loans include loans with Zurich Insurance Company Ltd of CHF 7,832 million as of December 31, 2010 compared with CHF 10,132 million as of December 31, 2009.

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. 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 11,842 million as of December 31, 2010 and CHF 15,851 million as of December 31, 2009. CHF 8,150 million of CHF 11,842 million relate to guarantees in the aggregate 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 favor of the Institute of London Underwriters in relation to business transferred to Zurich Insurance plc, from a group company which no longer has insurance licenses.

The guarantee with the Superintendent of Financial Institutions, Canada, has been revoked in 2010. Zurich Financial Services Ltd no longer has to provide additional capital in case the applicable capital adequacy tests for the Canadian business are not met or to provide assistance in case of liquidity issues.

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

At the Annual General Meeting on March 30, 2010, the shareholders approved a share capital reduction of CHF 183,640.40 from CHF 14,747,306.80 to CHF 14,563,666.40 by canceling 1,836,404 registered shares. The effective date of the capital reduction was June 15, 2010. In addition, the shareholders approved an increase in the authorized share capital to a new maximum of CHF 1,000,000, allowing for enhanced financial flexibility of the company for future capital management, and an increase in the contingent share capital to a new maximum of CHF 500,000 which can be issued to employees of Zurich Financial Services Ltd and its subsidiaries in connection with employee participation plans. During the year 2010, a total of 950,232 shares were issued to employees out of the contingent capital.

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.

b) Authorized share capital

Until March 30, 2012, the Board of Zurich Financial Services Ltd is authorized to increase the share capital by an amount not exceeding CHF 1,000,000 by issuing up to 10,000,000 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 the 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 January 1, 2009, the contingent share capital, to be issued to employees of Zurich Financial Services Ltd and Group companies, amounted to CHF 319,428 or 3,194,279 fully paid registered shares with a nominal value of CHF 0.10 each. On January 1, 2010, the contingent share capital, to be issued to employees of Zurich Financial Services Ltd and Group companies, amounted to CHF 264,383 or 2,643,831 fully paid registered shares with a nominal value of CHF 0.10 each. At the Annual General Meeting on March 30, 2010, the shareholders approved the proposed increase of the contingent share capital for the issuance of new shares to employees of the Group to a new maximum of CHF 500,000. This increase was approved and registered with the Commercial Register on April 1, 2010.

During 2010 and 2009, 950,232 and 550,448 shares, respectively, were issued to employees out of the contingent share capital under the program described above. Of the total 950,232 registered shares issued to employees during the year 2010, 685,595 shares were issued in the period from January 1, 2010 to March 31, 2010 and 291,637 registered shares were issued as from April 1, 2010 to December 31, 2010. As a result, as of December 31, 2010 and 2009, the remaining contingent share capital, which can be issued to employees of Zurich Financial Services Ltd and its subsidiaries, amounted to CHF 470,836 and CHF 264,383 or 4,708,363 and 2,643,831 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.

Holding company *continued*

11. Capital contribution reserve

As of January 1, 2011 a new Swiss tax regulation based on the Swiss Corporate Tax reform II became effective, allowing for payments free of Swiss withholding tax to shareholders out of new capital contribution reserve, created out of additional paid in capital since January 1, 1997. The Federal Tax Administration has approved that CHF 15,255,112 of capital contribution qualify under this law as of September 30, 2010. As a consequence Zurich Financial Services Ltd made the following reclassifications within reserves:

Transfer of general legal and free reserve to capital contribution reserve

in CHF thousands	General legal reserve	Free reserve	Capital contribution reserve
As of January 1, 2010	10,551,524	3,425,820	–
Movements due to shares issued through contingent capital	224,637	–	–
Reclassification of reserve for treasury shares to free reserve	–	546,766 [1]	–
Reduction of free reserve through destruction of own shares	–	(415,762)	–
Transfer of general legal reserve to capital contribution reserve	(10,776,161)	–	10,776,161
Transfer of free reserve to capital contribution reserve	–	(3,223,839)	3,223,839
As of December 31, 2010	**–**	**332,986**	**14,000,000**

[1] Due to sales and cancellation of treasury shares during 2010, CHF 546,766 thousand was reclassified from reserve for treasury shares into free reserve.

12. 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 2010	Purchase value 2010[1]	Number of shares 2009	Purchase value 2009[1]
As of January 1	3,269,338	888,269 [2]	5,219,803	1,575,468
Additions during the year	–	–	1,410,162	343,345
Sales during the year	(33,854)	(8,243)	(3,360,627)	(1,030,907)
Decrease due to share cancellation	(1,836,404)	(538,886)	–	–
As of December 31	**1,399,080**	**341,140**	**3,269,338**	**887,906**
Average purchase price of additions, in CHF		–		243
Average selling price, in CHF		281		212

[1] in CHF thousands
[2] The cost value of the treasury shares held by Zurich Insurance Company Ltd has been adjusted in 2010.

At the Annual General Meeting 2010 the shareholders approved the destruction of the remaining 1,836,404 shares from the share buyback program authorized by the Board of Directors on February 13, 2008. The destruction was effective June 15, 2010.

13. Shareholders

The shares registered in the share ledger as of December 31, 2010, were owned by 121,715 shareholders of which 115,840 were private individuals holding 22.5% of the shares (or 14.0% of all outstanding shares), 2,055 were foundations and pension funds holding 7.3% of the shares (or 4.6% of all outstanding shares), and 3,820 were other legal entities holding 70.1% of the shares (or 43.5% of all outstanding shares).

According to the information available on December 31, 2010, 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 16.

14. Information on the risk assessment process
Refer to the disclosures in the Risk review on pages 95 to 131 of this Annual Report.

15. 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 46 to 65, in which additional details of the remuneration principles and architecture 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 were elected members of the Board in Zurich Holding Company of America (ZHCA). There were no changes in the fee structure in 2010 compared with 2009. A fixed portion of the fee was allocated towards the provision of sales-restricted Zurich Financial Services Ltd shares. As in 2009 the portion for the Chairman was set at USD 233,500 (CHF 248,584 for 2010 and CHF 254,824 for 2009), and the portion for the other members of the Board of Directors at USD 68,500 (CHF 72,925 for 2010 and CHF 74,756 for 2009). The overall fees are set out in the following tables:

Directors' fees 2010

in CHF [1]	2010[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]	745,220	–	–	–	745,220	496,636	248,584
Ph. Pidoux, Vice Chairman[9, 10]	87,830	–	–	–	87,830	87,830	–
J. Ackermann, Vice Chairman[10]	263,489	–	–	–	263,489	208,795	54,694
S. Bies, Member	218,243	42,584	–	53,230 [11]	314,057	241,132	72,925
V. Chu, Member	218,243	42,584	–	–	260,827	187,902	72,925
Th. Escher, Member	218,243	42,584	–	–	260,827	187,902	72,925
F. Kindle, Member	218,243	42,584	–	–	260,827	187,902	72,925
A. Meyer, Member	218,243	42,584	–	–	260,827	187,902	72,925
D. Nicolaisen, Member	218,243	42,584	31,938	53,230 [11]	345,995	273,070	72,925
V.L. Sankey, Member	218,243	42,584	21,292	–	282,119	209,194	72,925
T. de Swaan, Member	218,243	42,584	21,292	53,230 [11]	335,349	262,424	72,925
R. Watter, Member	218,243	42,584	–	–	260,827	187,902	72,925
Total in CHF[12]	**3,060,726**	**383,256**	**74,522**	**159,690**	**3,678,194**	**2,718,591**	**959,603**
Total in USD	**2,875,000**	**360,000**	**70,000**	**150,000**	**3,455,000**	**2,553,625**	**901,375**

Holding company *continued*

Directors' fees 2009

in CHF [1]	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, 13]
							2009[2]
M. Gentz, Chairman[8]	763,926	–	–	–	763,926	509,102	254,824
Ph. Pidoux, Vice Chairman[8]	360,137	–	–	–	360,137	285,381	74,756
S. Bies, Member	223,721	43,653	–	21,827 [11]	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 [11]	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 [11]	343,767	269,011	74,756
R. Watter, Member	223,721	43,653	–	–	267,374	192,618	74,756
Total in CHF[12]	**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**

[1] The total fees (including the portion allocated in shares) provided to Directors by Zurich Financial Services Ltd amounted to CHF 3,678,194 for 2010 and to CHF 3,705,042 for 2009, calculated on the basis of the exchange rates on 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 amounted to USD 3,455,000 for 2010 and to USD 3,395,000 for 2009, the average exchange rates were USD/CHF 1.0646 for 2010 and USD/CHF 1.0913 for 2009. All figures shown in Swiss francs in the above table have been translated from U.S. 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 30.
[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 30.
[5] Directors who reside in the U.S. 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, 2010, Mr Gentz was allocated 1,071 shares and the other Board members were allocated 314 shares based on a full year's membership. The share price (CHF 246.50) and the exchange rate (USD/CHF 1.131) as of June 15, 2010, 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] At the Annual General Meeting on March 30, 2010 Mr Pidoux retired from the Board and Mr Ackermann was elected to the Board and was appointed Vice Chairman.
[11] 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 Services Group companies:
– In 2010, Mrs Bies and Mr Nicolaisen earned an annual fee of USD 40,000 for their membership of the board of Zurich Holding Company of America (ZHCA). In 2009 both received a pro rata fee of USD 10,000 for their membership on the board of Zurich Holding Company of America (ZHCA) from October 19, 2009 (based on an annual fee of USD 40,000). In 2010 and 2009, the amounts shown in the table also include a U.S. Residence Fee of USD 10,000.
– In 2010 and 2009, Mr de Swaan earned an annual fee of USD 40,000 for his membership of the board of Zurich Insurance plc and of the board of Zurich Life Assurance plc (from January 1, 2010) and an annual fee of USD 10,000 for being chair of the audit committees of these companies.
[12] In line with applicable laws, Zurich Financial Services Ltd paid the company-related portion of contributions to social security systems, which amounted to USD 85,136 (CHF 88,527) in 2010. The corresponding contributions amounted to USD 80,670 (CHF 87,371) in 2009. Any personal contributions of the Directors to social security systems are included in the amounts shown in the table above.
[13] As of June 30, 2009, Mr Gentz was allocated 1,296 shares and the other Board members were allocated 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.

The Directors' fees are not pensionable. None of the Directors received any benefits-in-kind or any other compensation other than that set out in the tables above.

Mr Philippe Pidoux retired from the Board at the Annual General Meeting during 2010. No termination payments were made to him during the year.

Except for Mr Watter none of the Directors had outstanding loans, advances or credits as of December 31, 2010 or 2009. 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, 2010 and 2009. The annual interest rate charged on the loan is 4 percent.

No benefits (or waiver of claims) have been provided to former members of the Board during the year 2010, or during the year 2009. Neither had any former member of the Board outstanding loans, advances or credits as of December 31, 2010 or 2009.

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 2010, nor during the year 2009. Neither had any related party of the Directors or of former members of the Board outstanding loans, advances or credits as of December 31, 2010 or 2009.

Remuneration of Group Executive Committee

The total remuneration of the members of the GEC for 2010 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 2010 and is calculated on the same basis as in 2009. 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	**2010[3]**	2009[4]
Base compensation	11.90	12.00
Cash incentive awards earned for the year	13.10	15.50
Service Costs for pension benefits[5]	3.20	3.90
Value of other remuneration[6]	3.80	2.30
Value of target performance share and restricted share grants[7]	7.60	9.10
Value of target performance option grants[7]	7.60	9.10
Total in CHF million[8]	**47.20**	**51.90**
Total in USD million as shown in the Remuneration report	**45.80**	**47.80**

[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 13 GEC members of whom 8 served during the full year 2010.
[4] On the basis of 11 GEC members, of whom 10 served during the full year 2009.
[5] The amounts reflect the total value of pension benefits accruing to members of the GEC during 2010 and 2009, 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 including a total amount of CHF 2.2 million in respect of termination payments accrued during the year 2010 for the one member who gave up the function during the year 2010. 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 259.90 for 2010 and CHF 198.10 for 2009) 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 Financial Services Ltd paid the company related portion of contributions to social security systems, which amounted to USD 2.1 million (CHF 2.1 million) in 2010 and to USD 1.9 million (CHF 2.0 million) in 2009. 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 systems and the benefits received by the executives.

Holding company *continued*

Highest paid Executive, Chief Executive Officer, Martin Senn in 2010 James J. Schiro in 2009

in CHF millions[1, 2], for the years ended December 31	2010	2009
Base compensation	1.60	1.60
Cash incentive awards earned for the year	2.40	4.20
Service Costs for pension benefits[3]	0.20	1.00
Value of other remuneration[4]	0.10	0.95
Value of target performance share and restricted share grants[5]	1.40	2.55
Value of target performance option grants[5]	1.40	2.55
Total in CHF million	**7.10**	**12.85**
Total in USD million as shown in the Remuneration report	**7.00**	**11.85**

1 The figures have been translated for Mr Schiro 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 259.90 for 2010 and CHF 198.10 for 2009) and the valuation of the restricted share grants based on the share price on the date of the grants.

As of December 31, 2010, there were no loans, advances or credits outstanding from GEC members. As of December 31, 2009, the total of loans, advances or credits outstanding from GEC members was CHF 1,073,000. These loans represented 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 the highest mortgage loan was held by Mr Lehmann (Chief Risk Officer), in the amount of CHF 773,000, which had an overall interest rate of 2.1 percent.

During 2010, one member left the Group. A termination agreement with the departing member provided remuneration in accordance with an existing employment contract which included a twelve month notice period. Subject to the individual's compliance with post-employment obligations, the total value of the payments made in connection with the agreement during both 2010 and 2011 will amount to CHF 2.2 million. Following his long service with the Group, another member retired on December 31, 2010. The retiring member will be retained as a consultant and receive payments in 2011 and 2012 recognizing contractual obligations and subject to compliance with post-employment obligations and the provision of services. Details will be disclosed in the years services are provided and payments are made. 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 in 2009.

In connection with the transition of duties from the former Chief Executive Officer, James J. Schiro to Martin Senn, Zurich entered into an agreement with Mr Schiro for him to provide expertise and advice during the first six months of 2010. For these services Mr Schiro received fees and benefits in the amount of CHF 0.3 million. Besides these payments, no benefits (or waiver of claims) have been provided to former members of the GEC during the year 2010, nor during the year 2009.

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. As of December 31, 2010 no former member of the Group Executive Committee had any outstanding loans, advances or credits. As of December 31, 2009 one former member, Mr Eckert, held an outstanding mortgage loan of CHF 2,500,000, with a reduced interest rate of 2.0 percent applying on the first CHF 1,000,000. Apart from this, no former members of the GEC had any outstanding loans, advances or credits as of December 31, 2009.

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 2010 or 2009. Neither had any related party of GEC members or of former members of the GEC outstanding loans, advances or credits as of December 31, 2010 or 2009.

16. 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, 2010 and 2009, 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 46 to 65 of the Annual 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	
	2010	2009
M. Gentz, Chairman	5,345	4,274
Ph. Pidoux, Vice Chairman[2]	n.a.	2,850
J. Ackermann, Vice Chairman[2]	235	n.a.
S. Bies, Member	881	567
V. Chu, Member	881	567
Th. Escher, Member	6,164	5,850
F. Kindle, Member	11,164	10,850
A. Meyer, Member	2,488	2,174
D. Nicolaisen, Member	1,164	850
V.L. Sankey, Member	2,334	2,020
T. de Swaan, Member	1,164	850
R. Watter, Member	4,132	3,818
Total	**35,952**	**34,670**

[1] None of the Directors together with related parties to them held more than 0.5% of the voting rights as of December 31, 2010 or 2009, respectively.
[2] At the Annual General Meeting on March 30, 2010 Mr Pidoux retired from the Board and Mr Ackermann was elected to the Board and was appointed Vice Chairman.

All interests are beneficial, include sales-restricted shares allocated to the Directors 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, 2010 or 2009.

Holding company *continued*

Share and share option holdings of the GEC members

The following table sets out the actual share and share option holdings of GEC members as of December 31, 2010 and 2009. 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	**2010**		2009	
	Ownership of shares	**Ownership of vested options over shares[2]**	Ownership of shares	Ownership of vested options over shares[2]
M. Senn, Chief Executive Officer	15,806	49,220	11,662	31,729
J.J. Schiro, former Chief Executive Officer[3]	n.a.	n.a.	97,426	286,165
J. Amore, Senior Advisor[4]	21,590	102,147	19,264	82,522
A. Court, former Chief Executive Officer Europe General Insurance[5]	n.a.	n.a.	6,722	16,515
M. Foley, Chief Executive Officer North America Commercial	10,459	23,996	6,696	11,696
M. Greco, Chief Executive Officer General Insurance	5,387	15,809	2,403	5,076
K. Hogan, Chief Executive Officer Global Life[6]	442	2,237	n.a.	n.a.
P. Hopkins, Chairman of the Board of Farmers Group, Inc. and Regional Chairman Americas	7,733	48,381	5,932	33,662
A. Lehmann, Chief Risk Officer	16,711	64,628	15,174	56,257
Ch. Orator, Chief Administrative Officer[7]	5,026	14,035	n.a.	n.a.
C. Reyes, Chief Investment Officer[8]	1,333	6,002	n.a.	n.a.
G. Riddell, Regional Chairman Asia-Pacific and Middle East	19,071	67,640	16,918	52,533
K. Terryn, Group Head of Operations	1,187	10,233	n.a.	n.a.
D. Wemmer, Chief Financial Officer and Regional Chairman Europe	17,102	67,816	12,612	48,868
Total	**121,847**	**472,144**	**194,809**	**625,023**

[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, 2010 or 2009, 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] Mr Schiro retired from the GEC and his function as Chief Executive Officer on December 31, 2009. The share amount includes an amount of 3,800 shares as of December 31, 2009 for Mr Schiro, which are held by family run charitable foundations.
[4] Mr Amore retired on December 31, 2010.
[5] Ms Court left the function on June 30, 2010.
[6] Mr Hogan took on the function on July 1, 2010.
[7] Mr Orator took on the function on September 1, 2010.
[8] Ms Reyes took on the function on April 1, 2010.
[9] Mr Terryn took on the function on July 1, 2010.

The following tables show how the totals of vested share options owned by GEC members as of December 31, 2010 and 2009, are distributed according to the grants identified in the tables "Summary of outstanding options."

Distribution of vested share options 2010

Number of vested share options as of December 31, 2010	Year of grant							Total
	2009	2008	2007	2006	2005	2004	2001	
M. Senn	6,164	12,054	19,200	11,802	–	–	–	49,220
J. Amore	6,991	12,236	22,703	17,893	17,269	15,913	9,142	102,147
M. Foley	5,243	8,158	10,595	–	–	–	–	23,996
M. Greco	6,164	9,645	–	–	–	–	–	15,809
K. Hogan	2,237	–	–	–	–	–	–	2,237
P. Hopkins	5,243	9,177	17,028	13,420	10	3,503	–	48,381
A. Lehmann	6,164	12,054	17,028	13,420	15,962	–	–	64,628
Ch. Orator	1,294	2,531	3,034	2,785	4,391	–	–	14,035
C. Reyes	812	1,590	1,950	1,650	–	–	–	6,002
G. Riddell	4,711	10,106	18,623	12,194	15,633	6,373	–	67,640
K. Terryn	1,841	2,555	3,108	2,729	–	–	–	10,233
D. Wemmer	6,677	13,059	20,800	11,802	12,850	2,628	–	67,816
Total	**53,541**	**93,165**	**134,069**	**87,695**	**66,115**	**28,417**	**9,142**	**472,144**

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[1]	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[2]	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**

[1] Mr Schiro retired from the GEC and his function as Chief Executive Officer on December 31, 2009.
[2] Ms Court left the function on June 30, 2010

The following tables set out additional details of the options outstanding for members of the GEC as at December 31, 2010 and 2009, respectively. Further details can be found in the unaudited Remuneration report, pages 46 to 65.

Holding company *continued*

Summary of outstanding options, 2010

as of December 31, 2010

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
2010	–	257,236	257,236	259.90	2017
2009	53,541	70,000	123,541	198.10	2016
2008	93,165	28,851	122,016	336.50	2015
2007	134,069	–	134,069	355.75	2014
2006	87,695	–	87,695	308.00	2013
2005	66,115	–	66,115	206.40	2012
2004	28,417	–	28,417	213.25	2011
2001	9,142	–	9,142	322.30	2012
Total	**472,144**	**356,087**	**828,231**		

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**		

Proposed appropriation of available earnings and capital contribution reserve

as of December 31	2010	2009
Registered shares eligible for dividends		
Eligible shares	146,586,896	147,473,068

in CHF thousands	2010	2009
Appropriation of available earnings as proposed by the Board of Directors		
Net income	69,718	4,082,406
Balance brought forward	3,184,567	1,420,180
Retained earnings	3,254,285	5,502,586
Dividend	–	(2,318,019)[1]
Transfer to capital contribution reserve	(1,275,702)[2]	–
Balance carried forward	1,978,583	3,184,567 [1]

[1] These figures are based on the issued share capital on April 7, 2010. The proposed dividend published in the Annual Report 2009 was CHF 2,359,569 thousand resulting in a balance carried forward of CHF 3,143,017 thousand. The difference is due to the issuance of shares out of contingent capital for employees after the balance sheet date (see note 10). Treasury shares are not entitled to dividends.

[2] The Board of Directors proposes to transfer CHF 1,275,702 thousand from retained earnings to capital contribution reserve. Due to this transfer the capital contribution reserve reaches CHF 15,275,702 thousand which includes the approved capital contribution by the Federal Tax Administration (see note 11) and the capital contribution from shareholders through contingent capital from October 1, 2010 to December 31, 2010 of CHF 20,590 thousand.

in CHF thousands	Capital contribution reserve
Appropriation of capital contribution reserve	
Balance at January 1, 2011	14,000,000
Transfer from retained earnings to capital contribution reserve	1,275,702 [1]
Transfer to free reserve for dividend payment out of capital contribution reserve	(2,491,977)[2]
Balance carried forward	12,783,725 [2]

[1] The amount of CHF 1,275,702 thousand includes additionally to the approved amount by the Federal Tax Administration (see note 11) CHF 20,590 thousand capital contribution from shareholders through issued contingent shares from October 1, 2010 to December 31, 2010.

[2] These figures are based on the issued share capital as of December 31, 2010. They may change following the issuance of shares out of contingent capital for employees after the balance sheet date (see note 10). Treasury shares are not entitled to dividends.

The Board of Directors proposes to the Annual General Meeting on March 31, 2011 to transfer CHF 2,492 million from the capital contribution reserve to the free reserve to be subsequently paid out as a dividend.

If this proposal is approved, a payment of CHF 17 per share exempt from Swiss withholding tax is expected to be paid starting from April 7, 2011.

Zurich, February 9, 2011

On behalf of the Board of Directors of Zurich Financial Services Ltd

Manfred Gentz

Report of the statutory auditor

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 293 to 306), for the year ended December 31, 2010.

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, 2010 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 307) 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	Emel Can-Harrison
Audit expert	Audit expert
Auditor in charge	

Zurich, February 9, 2011

Auditor’s confirmation

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, 2010 to December 31, 2010 based on the resolutions of the general meetings of Zurich Financial Services Ltd as of October 16, 2000, April 3, 2007 and March 30, 2010 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 the articles of association 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 association. 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 950,232 registered shares of a nominal value of CHF 0.10 per share and total amount of CHF 95,023.20 was in accordance with the provisions of the Swiss law and the articles of association of Zurich Financial Services Ltd. Of the total 950,232 registered shares, 658,595 registered shares were issued in the period from January 1, 2010 to and including March 31, 2010 and 291,637 registered shares in the period from April 1, 2010 to and including December 31, 2010.

OBT AG

Willi Holdener
Licensed audit expert

Daniel Schweizer
Licensed audit expert

Zurich, January 7, 2011

Informations pour les actionnaires

Informations pour les actionnaires *suite*

Données relatives aux actions nominatives de Zurich Financial Services SA

Indicateurs clés

au 31 décembre	2010	2009
Nombre d'actions émises	146 586 896	147 473 068
Nombre d'actions donnant droit à dividende[1]	146 586 896	147 473 068
Capitalisation boursière (en millions de CHF, cours de fin de période)	35 503	33 403
Capital autorisé, nombre d'actions	10 000 000	5 200 000
Capital conditionnel, nombre d'actions	14 708 363	12 643 831

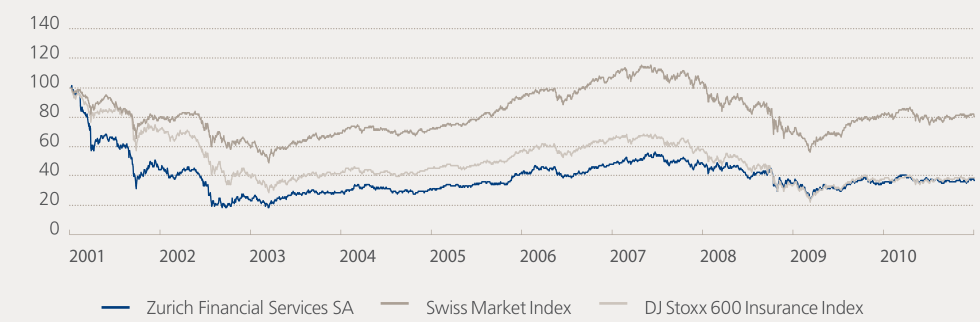
[1] Les propres actions ne donnent pas droit à dividende.

Données par action

en CHF	2010	2009
Dividende brut	17.00[1]	16.00
Bénéfice de base par action	24.57	30.09
Bénéfice dilué par action	24.38	29.88
Valeur comptable par action, au 31 décembre	202.69	206.58
Valeur nominale par action	0.10	0.10
Cours de fin de période	242.20	226.50
Cours le plus haut de la période	271.20	260.00
Cours le plus bas de la période	223.30	127.80

[1] Dividende proposé, soumis à l'approbation des actionnaires lors de l'Assemblée générale ordinaire 2011; la date de paiement est prévue dès le 7 avril 2011. Le dividende sera payé à partir de la réserve d'apport en capital, et exonéré de l'impôt anticipé suisse.

Performance de l'action Zurich (indexée) sur les dix dernières années
en %



Source: Thomson Datastream

Dividende/historique de paiement

	Exercice comptable	Montant brut par action nominative, en CHF	Date de paiement dès le
Dividende	2010	17.00 [1]	7 avril 2011[1]
Dividende	2009	16.00	8 avril 2010
Dividende	2008	11.00	7 avril 2009
Dividende	2007	15.00	8 avril 2008
Dividende	2006	11.00	10 avril 2007
Dividende/réduction de la valeur nominale	2005	7.00	4 juillet 2006
Réduction de la valeur nominale	2004	4.00	4 juillet 2005
Réduction de la valeur nominale	2003	2.50	1er juillet 2004
Réduction de la valeur nominale	2002	1.00	15 juillet 2003

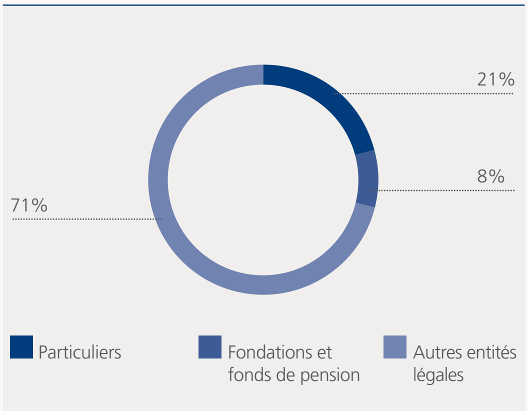
[1] Dividende proposé, soumis à l'approbation des actionnaires lors de l'Assemblée générale ordinaire 2011; la date de paiement est prévue dès le 7 avril 2011.

Négoce des actions

Les actions de Zurich Financial Services SA sont cotées à la SIX Swiss Exchange et elles sont négociées sur le segment Blue Chip de la SIX Swiss Exchange; symbole ticker: ZURN; le numéro de valeur (Valorennummer) suisse est le 1107539. Les transactions sur les actions de Zurich Financial Services SA sur le segment Blue Chip sont libellées en francs suisses.

Actionnaires de Zurich Financial Services SA inscrits au registre des actions

Inscrits au registre des actions



Les actions inscrites au registre des actions au 31 décembre 2010 étaient détenues par 121 715 actionnaires, dont 115 840 étaient des particuliers avec 23% des actions nominatives (soit 14% de toutes les actions émises), 2 055 étaient des fondations et des fonds de pension avec 7% des actions nominatives (soit 5% de toutes les actions émises) et 3 820 étaient d'autres entités légales avec 70% des actions nominatives (soit 44% de toutes les actions émises).

Principaux actionnaires

Au 31 décembre 2010, à la connaissance de Zurich Financial Services SA, aucune personne ou aucun établissement autre que ceux mentionnés ci-après ne détenait, directement ou indirectement, des participations en tant qu'ayant droit économique d'actions, de droits d'option et/ou droits de conversion relatifs à des actions de Zurich Financial Services SA, représentant 3% ou plus de ses actions émises:

- BlackRock, Inc., 40 East 52nd Street, New York, 10022, Etats-Unis, et ses filiales ont déclaré au 15 décembre 2009 une position d'achat de 3,39% des actions nominatives de Zurich Financial Services SA.
- Norges Bank, Bankplassen 2, P.O. Box 1179, Sentrum, 0107 Oslo, Norvège, a déclaré au 20 décembre 2010 une position d'achat de 3,02% des actions nominatives de Zurich Financial Services SA.

Service de dépôt de titres

Zurich offre à ses actionnaires la possibilité de déposer gratuitement des actions de Zurich Financial Services SA chez SIX SAG SA, en Suisse. La réglementation relative au dépôt des titres, ainsi que le formulaire de demande d'ouverture d'un compte de dépôt de titres, peuvent être téléchargés sur notre site Internet: www.zurich.com

Informations pour les actionnaires *suite*

Calendrier financier

Assemblée générale ordinaire 2011
31 mars 2011

Date ex-dividende
4 avril 2011

Dividende – jour de référence
6 avril 2011

Paiement du dividende dès le
7 avril 2011

Présentation des résultats pour les troismois arrêtés au 31 mars 2011
5 mai 2011

Présentation des résultats semestriels 2011
11 août 2011

Présentation des résultats pour les neuf mois arrêtés au 30 septembre 2011
10 novembre 2011

Publications

Compte rendu des activités 2010

Le Compte rendu des activités contient des informations sur les activités de Zurich, sa stratégie et sa performance au cours de l'année 2010. Il est disponible en anglais, en allemand et en français.

Rapport de gestion 2010

Le Rapport de gestion contient des informations détaillées sur la performance financière, la structure d'entreprise, les organes exécutifs de Zurich, ainsi que sur la gestion des risques, la gouvernance d'entreprise et les rémunérations. Il est disponible en anglais, en allemand et en français, les données financières n'étant disponibles qu'en anglais.

www.zurich.com

Les fichiers pdf des deux rapports sont disponibles sur www.zurich.com. Des informations pratiques sur la gestion des risques peuvent être consultées sous la rubrique Insight section: www.zurich.com/insight.

Contacts

Pour plus d'informations, veuillez contacter les bureaux ci-dessous ou consulter notre site Internet: www.zurich.com.

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Site Internet: www.six-sag.com

American Depositary Receipts
Zurich Financial Services SA dispose d'un programme d'American Depositary Receipt avec The Bank of New York Mellon (BNY). Pour toute information sur un compte ADR, veuillez appeler le service pour les actionnaires de BNY Mellon depuis les États-Unis au +1-888-BNY-ADRs (1-888-269-2377) ou, en dehors des États-Unis,au +1-201-680-6825. Des informations générales sur le programme ADR de la société peuvent être obtenues auprès de The Bank of New York Mellon sur www.adrbnymellon.com.

Glossary

Group

Book value per share
This measure is calculated by dividing common shareholders' equity by the number of shares issued less the number of treasury shares.

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.

Investments
Total investments on our consolidated balance sheets includes Group investments and investments for unit-linked products. Our 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.

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 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 are managed but not owned by Farmers Group, Inc., a wholly owned subsidiary of the Group. This segment also comprises the Farmers Re business which includes all reinsurance assumed from the Farmers Exchanges by the Group. The Farmers Exchanges are prominent writers of personal lines and small commercial lines business in the United States.

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 of the Farmers Management Services.

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.

Surplus ratio (Farmers Exchanges)
is a measure that indicates the amount of capital available to support the volume of insurance business written, and is calculated by dividing the end-of-period surplus balance by the net premium written in the preceding twelve month period.

Déclaration de déni et de précaution

Certaines des déclarations contenues dans ce document se réfèrent à l'avenir, y compris, mais sans se limiter à elles seules, des déclarations prospectives faisant état d'événements, de tendances, de plans ou d'objectifs futurs. Les déclarations concernant l'avenir comprennent des déclarations relatives à l'amélioration escomptée de notre bénéfice, à des objectifs de rendement des fonds propres, à des réductions de dépenses, aux conditions tarifaires, à la politique en matière de dividendes et aux améliorations dans le règlement des sinistres de même que des déclarations concernant notre compréhension des conditions économiques, des marchés financiers et du secteur de l'assurance ainsi que des évolutions escomptées. Aucune fiabilité indue ne doit être accordée à de telles déclarations, puisque, de par leur nature, elles sont sujettes à des risques ainsi qu'à des incertitudes –connus ou inconnus – et qu'elles peuvent être influencées par d'autres facteurs pouvant modifier substantiellement les résultats réels ainsi que les plans et objectifs de Zurich Financial Services SA ou de Zurich Financial Services Group (le «groupe») par rapport à ce qui a été exprimé ou sous-entendu dans les déclarations portant sur l'avenir (ou dans les résultats antérieurs). Des facteurs tels que (i) les conditions économiques générales et les facteurs liés à la concurrence, particulièrement sur nos marchés clés; (ii) le risque de ralentissement économique général et de ralentissement dans les services financiers notamment; (iii) la performance des marchés financiers; (iv) les niveaux des taux d'intérêt et ceux des taux de change des devises étrangères; (v) la fréquence, la gravité et l'évolution de sinistres assurés; (vi) les expériences en termes de mortalité et de morbidité; (vii) les taux de renouvellements et d'annulations de polices; et (viii) les modifications de dispositions légales et de réglementations, ainsi que des politiques des autorités de surveillance peuvent avoir une influence directe tant sur les résultats des opérations de Zurich Financial Services SA et de son groupe que sur l'atteinte des objectifs. Zurich Financial Services SA n'assume aucune obligation de mise à jour publique ou de révision de l'une de ses déclarations se référant à l'avenir, qu'il s'agisse de refléter de nouvelles informations, des événements futurs, des circonstances ou d'autres éléments, quels qu'ils soient.

Il faut noter que la performance passée ne constitue aucunement une indication fiable quant à la performance future.

Les personnes qui souhaitent un conseil doivent consulter un conseiller indépendant.

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