Zurich Financial Services Group

Geschäftsbericht 2010

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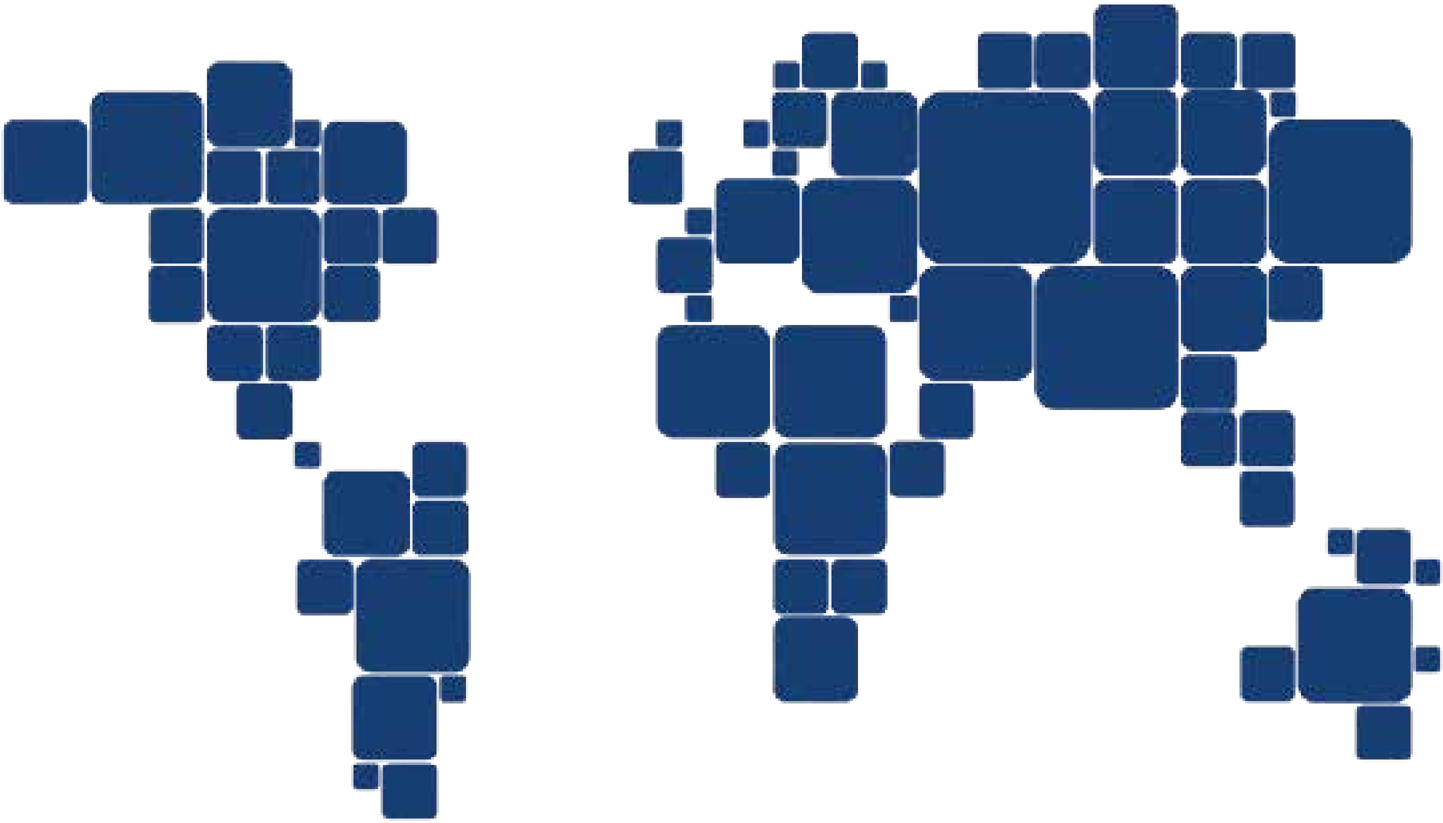
Über Zurich

Zurich ist eines der grössten Versicherungsunternehmen weltweit und gehört zu den wenigen Versicherern, die global tätig sind. Wir unterstützen unsere Kunden dabei, Risiken zu verstehen und sich gegen diese zu schützen.

Mit über 60’000 Mitarbeitenden, die Dienstleistungen in mehr als 170 Ländern erbringen, sind wir bestrebt, der beste globale Versicherer aus Sicht unserer Aktionäre, Kunden und Mitarbeitenden zu werden.



Operative Highlights

- Die Organisation von General Insurance wird gestrafft und konzentriert sich auf ausgewählte Sparten
- Global Life setzt seine Wachstumsstrategie um und strebt einen effizienten Betrieb an – neue Hubs in Lateinamerika und Asien sind geplant
- Farmers erzielt aufgrund der vollständigen Integration von 21st Century starke Ergebnisse
- Group Operations wurde gegründet, um Kosten und Effizienzmassnahmen in der gesamten Gruppe zu managen und Veränderungen global zu ermöglichen
- Die Solvency-I-Quote von 243% zeugt von einer hervorragenden Bilanz
- Wichtige Akquisitionen in Indonesien und dem Libanon sowie verstärkte Präsenz in der Türkei

Konzernüberblick

Governance

Group performance review

Financial information

Konzernüberblick

Kennzahlen (ungeprüft)

Die folgende Tabelle zeigt die zusammengefassten konsolidierten Ergebnisse der Gruppe für die per 31. Dezember 2010 bzw. 2009 abgeschlossenen Geschäftsjahre. Alle aufgeführten Beträge sind in USD Mio. ausgewiesen und, sofern nicht anders vermerkt, auf die nächste Million gerundet. Dies kann dazu führen, dass die Addition der gerundeten Beträge nicht in allen Fällen genau dem gerundeten Total entspricht. Kennzahlen und Veränderungen werden unter Verwendung des exakten Betrages und nicht des gerundeten Betrages berechnet. Dieses Dokument sollte zusammen mit dem Geschäftsbericht 2010 für die Zurich Financial Services Group und mit ihren geprüften Consolidated Financial Statements per 31. Dezember 2010 gelesen werden. Gewisse Vergleichswerte wurden an Änderungen der Rechnungslegungsgrundsätze angepasst. Siehe hierzu auch Note 1 der Consolidated Financial Statements.

in USD Mio., für die per 31. Dezember abgeschlossenen Geschäftsjahre, sofern nicht anders ausgewiesen	2010	2009[2]	Change[1]
Business Operating Profit	**4'875**	5'593	(13%)
Den Aktionären zurechenbarer Reingewinn	**3'434**	3'963	(13%)
General Insurance – Bruttoprämien und Policengebühren	**33'066**	34'157	(3%)
Global Life – Bruttoprämien, Policengebühren und Beiträge mit Anlagecharakter	**27'675**	26'029	6%
Farmers Management Services – Managementgebühren und damit verbundene Erträge	**2'778**	2'690	3%
Farmers Re – Bruttoprämien und Policengebühren	**4'194**	6'615	(37%)
General Insurance – Business Operating Profit	**2'673**	3'463	(23%)
General Insurance – Schaden-Kosten-Satz (Combined Ratio)	**97,9%**	96,8%	(1,1 pts)
Global Life – Business Operating Profit	**1'474**	1'477	–
Global Life – Jahresprämienäquivalent aus Neugeschäft (APE)	**3'699**	3'667	1%
Global Life – Gewinnmarge aus Neugeschäft, nach Steuern (in % des APE)	**22,1%**	21,3%	0,8 pts
Global Life – Wert des Neugeschäfts, nach Steuern	**817**	782	4%
Farmers – Business Operating Profit	**1'686**	1'554	8%
Farmers Management Services – Bruttomanagementergebnis	**1'338**	1'291	4%
Farmers Management Services – Marge aus den verdienten Bruttoprämien, die von der Gruppe verwaltet werden	**7,3%**	7,2%	0,1 pts
Durchschnittliche Kapitalanlagen der Gruppe[3]	**195'532**	187'063	5%
Gesamtergebnis aus Kapitalanlagen der Gruppe, netto	**7'990**	5'929	35%
Anlagerendite aus Kapitalanlagen der Gruppe (in % des durchschnittlichen Kapitalanlagebestandes)	**4,1%**	3,2%	0,9 pts
Gesamtrendite aus Kapitalanlagen der Gruppe	**5,4%**	6,4%	(1,1 pts)
Den Aktionären zurechenbares Eigenkapital	**31'984**	29'304	9%
Solvency-I-Quote	**243%**[5]	195%[4]	48 pts
Verwässerter Gewinn je Aktie (in CHF)	**24.38**	29.88	(18%)
Buchwert je Aktie (in CHF)	**202.69**	206.58	(2%)
Den Aktionären zurechenbare Eigenkapitalrendite ohne Vorzugspapiere (ROE)	**11,4%**	16,1%	(4,7 pts)
Den Aktionären zurechenbare Eigenkapitalrendite ohne Vorzugspapiere, basierend auf dem Business Operating Profit nach Steuern (BOPAT ROE)	**12,9%**	17,6%	(4,7 pts)

[1] Zahlen in Klammern stellen eine negative Veränderung dar.
[2] An Änderungen der Rechnungslegungsgrundsätze angepasst (siehe hierzu auch Note 1 der Consolidated Financial Statements).
[3] Ohne als Sicherheit dienende flüssige Mittel aus Securities-Lending-Programmen von USD 246 Mio. bzw. USD 335 Mio. für die per 31. Dezember 2010 bzw. 2009 abgeschlossenen Jahre.
[4] Finalisiert, an Änderungen im Rahmen der Rechnungslegung angepasst und wie bei der schweizerischen Regulierungsbehörde eingereicht; nach der Dividende 2009.
[5] Unter Berücksichtigung der für das Geschäftsjahr 2010 vorgeschlagenen Dividende.

Zurich auf einen Blick

Wir bieten ein breites Sortiment von Schaden- und Lebensversicherungsprodukten und Dienstleistungen für Privatkunden, Kleinbetriebe, mittelständische und grosse Unternehmen sowie für multinationale Gesellschaften an.

Zurich – globaler Versicherer

General Insurance

General Insurance ist das grösste unserer drei Segmente. Es bietet Privatpersonen, Kleinbetrieben und grossen Unternehmen Produkte und Dienstleistungen in den Bereichen Motorfahrzeug-, Eigenheim- und gewerbliche Versicherungen an. Wir sind global organisiert, um unseren Kunden bestmöglich zu dienen.

Business Operating Profit:

USD 2'673 Mio.

Bruttoprämien und Policengebühren

USD 33'066 Mio.

Weitere Informationen finden Sie auf S. 72.

Global Life

Global Life ist ein wichtiger Wachstumsmotor der Gruppe. Wir bieten unseren Kunden erstklassige Lösungen in den Bereichen Lebensversicherung, Kapitalanlagen, Spar- und Vorsorgeprodukte und vermitteln ihnen so Zuversicht hinsichtlich ihrer finanziellen Zukunft.

Business Operating Profit:

USD 1'474 Mio.

Bruttoprämien, Policengebühren und Beiträge mit Anlagecharakter

USD 27'675 Mio.

Weitere Informationen finden Sie auf S. 78.

Farmers

Farmers umfasst die Farmers Management Services, die nicht-schadenbezogene Managementdienstleistungen für die Farmers Exchanges (die wir nicht besitzen) erbringt, sowie die Marken Foremost, 21st Century in den Vereinigten Staaten und Farmers Re.

Business Operating Profit:

USD 1'686 Mio.

Managementgebühren und damit verbundene Erträge

USD 2'778 Mio.

Weitere Informationen finden Sie auf S. 81.

Brief des Verwaltungsratspräsidenten und des CEO

Wir sind gut positioniert, um in einem weiterhin schwierigen Umfeld gut zu bestehen.

Dr. Manfred Gentz und Martin Senn

Sehr geehrte Aktionärin, sehr geehrter Aktionär,

Wir freuen uns, Ihnen die Jahresergebnisse der Gruppe für 2010 vorzulegen. Zurich hat eine gute Leistung erbracht. Unsere Finanzkraft, zusammen mit der zugrunde liegenden operativen Stärke und dem Vertrauen in den anhaltenden Erfolg unserer Strategie, erlauben uns, eine Dividende von CHF 17.00 pro Aktie vorzuschlagen. Dies entspricht einer Erhöhung von 6%. Da die Dividende aus den Reserven aus Kapitaleinlagen geleistet werden soll, ist sie in der Schweiz nicht verrechnungssteuerpflichtig.

Unser Business Operating Profit lag im Geschäftsjahr 2010 bei USD 4,9 Mrd., der Reingewinn bei USD 3,4 Mrd., was in beiden Grössen einem Rückgang von 13% entspricht.

Wir hatten 2010 eine überdurchschnittliche Häufung grösserer Schadensereignisse, Rückstellungen für Bankkreditausfälle in unserem Berichtssegment Non-Core Business sowie den Vergleich in einer Sammelklage in den USA zu verkraften. Vor diesem Hintergrund zeigen die Zahlen nicht vollumfänglich die starke zugrunde liegende Rentabilität der Gruppe.

Trotz dieser ausserordentlichen Aufwendungen lag unsere operative Eigenkapitalrendite nach Steuern bei 12,9%, was angesichts des aktuellen Umfelds ein starkes Ergebnis ist. Wie Sie wissen, bestätigten wir im Dezember erneut unser langfristiges Ziel einer mittelfristigen operativen Eigenkapitalrendite nach Steuern von 16%.

Strategischer Überblick

Unsere Strategie zur Schaffung von nachhaltigem Shareholder Value baut auf sechs Grundpfeilern auf, die so gestaltet sind, dass sie die Bindung der Kunden und Mitarbeiter fördern, die Rentabilität vorantreiben und Synergien in unserem weltweiten Geschäft ausnutzen.

Wesentlich bei dieser Vorgehensweise ist es, unser Markenversprechen einzulösen, eine bewegliche Organisation zu entwickeln, unsere finanzielle Disziplin beizubehalten und unseren Kernwerten Integrität, Kundenorientierung, Exzellenz, Teamgeist und nachhaltiger Wertschöpfung treu zu bleiben.

Siehe www.zurich.com/annualreport2010

Profitables Wachstum
- Verbessertes Market Management
- Selektive Akquisitionen

Kundenorientierung
- Sehr gute Kenntnis der Kunden
- Gruppenweite Kennzahlen für Kundenzufriedenheit

Operative Verbesserungen
- Transaktionsbasierte Exzellenz und Kostenmanagement
- Intensivierung von «The Zurich Way»

Mitarbeiterführung
- Besseres Engagement der Mitarbeitenden, leistungsorientierte Unternehmenskultur
- Systematische Planung des zukünftigen Personalbedarfs

Organisatorische Agilität
- Klare Verantwortlichkeiten und zielgerichtete Entscheidungskompetenzen
- Konkurrenzfähigere Organisation

Finanzielle Disziplin
- Fortgesetzt disziplinierte, risikooptimierte langfristige Ausrichtung
- Steuerung basierend auf messbaren Entscheidungsgrundlagen

Brief des Verwaltungsratspräsidenten und des CEO *fortgesetzt*

Das gesamte Geschäftsvolumen der Gruppe, das Bruttoprämien, Policengebühren, Beiträge mit Anlagecharakter und Managementgebühren beinhaltet, betrug USD 67,7 Mrd., was einem Rückgang von 3% entspricht.

Unsere Gruppensolvabilität (Solvency I) verbesserte sich um 48 Prozentpunkte auf 243%; das den Aktionären zurechenbare Eigenkapital stieg um 9% auf USD 32,0 Mrd., nach der Dividendenzahlung im Jahr 2010 in Höhe von USD 2,2 Mrd.

Wir starten aus einer guten Position in das Jahr 2011, um in einem weiterhin schwierigen Umfeld gut zu bestehen. Die Aussichten für die globale Wirtschaft deuten zwar auf eine Verbesserung hin. Dennoch gibt es gute Gründe vorsichtig zu bleiben. Wir sind überzeugt, dass es in diesem Umfeld sinnvoll ist, uns weiterhin auf unsere finanzielle Stärke und unternehmerische Agilität zu konzentrieren, damit wir unvorhersehbare Belastungen gut überstehen und Chancen nutzen können, wenn sie sich uns bieten.

Wenden wir uns nun den Segmentergebnissen zu: Global Life und Farmers trugen mit einem kontinuierlichen Volumenwachstum und guten Gewinnmargen zum positiven Gruppenergebnis bei. Die Preisstrategie von General Insurance verbesserte die zugrunde liegende Leistung. Das Segment erzielte selektives Wachstum in ausgewählten profitablen Bereichen.

Bei Global Life stiegen Bruttoprämien, Policengebühren und Beiträge mit Anlagecharakter um 6% auf USD 27,7 Mrd. Der Anstieg war in erster Linie auf höheres Neugeschäft, insbesondere bei Einmal-Prämienprodukten, sowie weitere Verbesserungen beim Underwriting zurückzuführen. Global Life erzielte wie schon 2009 einen Business Operating Profit von USD 1,5 Mrd., der jedoch in 2009 von höheren ausserordentlichen Effekten begünstigt war. Corporate Life & Pensions erschlossen 2010 neue nationale Märkte und verzeichneten beachtliches Neugeschäft, insbesondere in Grossbritannien und Lateinamerika. Die optimierte Produktstrategie im Bankvertrieb entsprach noch besser den Bedürfnissen

Die Leistungsfähigkeit unserer Organisation erhöhen

Wir legen weiterhin einen Schwerpunkt auf die Vereinfachung unserer Geschäftsstruktur, um operative und strukturelle Synergien zu erzielen, während wir zugleich unseren Geschäftsbereichen die Möglichkeit verschaffen, sich auf das zu konzentrieren, was sie am besten können: unseren Kunden zu helfen, Risiken zu verstehen und sich vor ihnen zu schützen.

Unser globales Versicherungsgeschäft wird durch drei Segmente abgewickelt.

Regional Chairmen konzentrieren sich in drei Regionen auf Geschäftsentwicklung und Stakeholder Management.

Kernprozesse werden auf globaler Ebene zusammengeführt, um die individuellen Geschäftsstrategien unserer Segmente zu unterstützen.

* Ab 2011 gehört der Bereich Africa zu der erweiterten Region Asia-Pacific & Middle East.

der Kunden nach der Krise, so dass wir in Spanien und in Deutschland stark wuchsen. Im Vertriebskanal IFA/Broker stiegen die Volumen und Margen.

Der Business Operating Profit von Farmers stieg um 8% auf USD 1,7 Mrd., was auf starke Ergebnisse bei Farmers Management Services und Farmers Re zurückzuführen ist. Die Akquisition von 21st Century leistete einen beträchtlichen Beitrag zum Ergebnis der Farmers Exchanges. Für sie erbringt die Farmers Group, Inc., eine 100-prozentige Tochtergesellschaft der Gruppe, Managementdienstleistungen, ohne sie jedoch zu besitzen. Die Mehrkanalvertriebsstrategie und die Entwicklung neuer Produkte der Farmers Exchanges zahlten sich auch 2010 aus. Das Produkt «Farmers Auto 2.0» war zum Jahresende in 27 Staaten erhältlich und verhalf den Agenten zu Wachstum im Neugeschäft. Zudem verbesserte es die Wettbewerbsfähigkeit von Farmers im Autoversicherungsgeschäft. Das neue Produkt von Farmers für Hauseigentümer, «Next Generation 2.0», das zum Jahresende in 17 Staaten erhältlich war, unterstützte Farmers bei der verstärkten Erschliessung von attraktiven Kundensegmenten.

Im Segment General Insurance betrug der Business Operating Profit USD 2,7 Mrd., was einem Rückgang von 23% gegenüber dem Vorjahr entspricht. Der Rückgang ist in erster Linie auf eine überdurchschnittliche Häufung von Schadenereignissen wie Erdbeben, wetterbedingte Schäden und gestiegene Grossschäden zurückzuführen. Prämienerhöhungen und gezielte Underwriting-Massnahmen führten zu einer Verbesserung beim zugrunde liegenden Schadensatz. General Insurance schloss darüber hinaus im Rahmen seiner umfassenden Re-Underwriting-Strategie die Analyse sämtlicher Portfolios ab. Es ist jedoch noch zu früh, abschliessende Ergebnisse zu berichten, doch die ersten Anzeichen sind ermutigend. Bis zum Jahresende wurden positive Anpassungen sowohl bei Global Corporate als auch bei North America Commercial vorgenommen, die im Rahmen unserer Erwartungen ausfielen.

Während des Jahres tätigten wir kleine, jedoch strategisch wichtige Akquisitionen in Indonesien und dem Nahen Osten, verstärkten unsere Präsenz in der Türkei und beteiligten uns zusammen mit anderen Aktionären an einer Kapitalerhöhung von New China Life. In den USA bot das Segment Global Life erstmals seit 2003 wieder Lebensversicherungsprodukte unter dem Markennamen Zurich an.

Wir möchten bei dieser Gelegenheit John Amore für seine langjährige, engagierte Arbeit für Zurich danken. Nach einer langen und ausserordentlichen Karriere in der Versicherungsbranche trat er per 31. Dezember von seiner Funktion in der Konzernleitung zurück. John Amore kam 1992 zur Zurich und wurde 2001 zum Mitglied der Konzernleitung ernannt. 2004 wurde er zum Chief Executive Officer des globalen Geschäftssegments General Insurance ernannt. Er spielte eine zentrale Rolle beim Auf- und Ausbau unserer US-amerikanischen und globalen Geschäftsbereiche und hinterlässt ein beeindruckendes Erbe.

Abschliessend möchten wir unseren mehr als 60’000 Mitarbeitenden danken, die diese Ergebnisse überhaupt erst ermöglicht haben. Auch 2010 waren sie für unsere Kunden da und haben nachhaltige Werte für unsere Aktionäre geschaffen.

Schliesslich möchten wir Ihnen, den Aktionären von Zurich, für Ihre anhaltende Unterstützung danken. Wir wissen Ihr Vertrauen sehr zu schätzen, das weiterhin eine wichtige Voraussetzung unseres Erfolges ist.

Dr. Manfred Gentz
Präsident des Verwaltungsrats

Martin Senn
Chief Executive Officer

Marktumfeld

Der Versicherungsmarkt verändert sich in einer bisher kaum dagewesenen Geschwindigkeit.

Der Versicherungsmarkt wurde durch geringe Anlagerenditen, verstärkten Wettbewerbsdruck, niedriges Wirtschaftswachstum und regulatorische Unsicherheiten erheblich beeinflusst. Wir haben unsere Strategie an diese Veränderungen angepasst mit dem Anspruch, nicht nur bezüglich der Rentabilität besser als der Markt abzuschneiden, sondern auch unser übergeordnetes Ziel zu erreichen, der beste Versicherer aus Sicht unserer Kunden, unserer Mitarbeitenden und unserer Aktionäre zu sein.

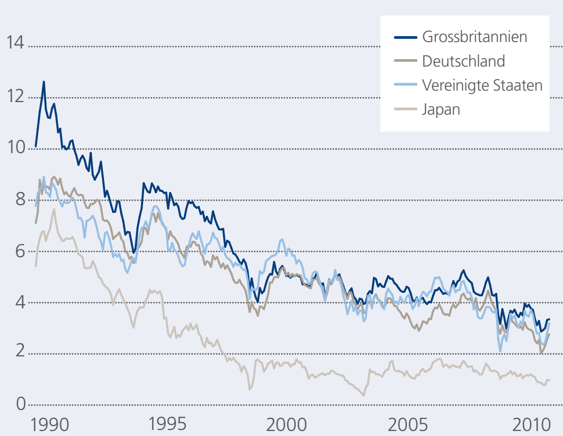
Der neuen Realität begegnen

Als erste weitreichende Veränderung ist der verbreitete Rückgang der erwarteten Anlagerenditen zu erwähnen (Grafik 1). Die vormals durch Kapitalanlagen verdienten Einnahmen müssen durch verbesserte Underwriting-Ergebnisse ersetzt werden.

Zurich gehörte zu den ersten Unternehmen, die auf diese Veränderungen reagierten. Zu Beginn der Krise stellten wir uns auf die niedrigen Zinssätze ein, die wir als Voraussetzung für eine Erholung betrachten – ein Zustand, der angesichts des Ausmasses der Krise wohl noch einige Zeit fortbestehen wird. Gestärkt wird unsere Organisation durch die Fokussierung, die Besten der Branche – Menschen mit massgeblichen Stärken in Kernbereichen wie Underwriting und Schadenbearbeitung – zu rekrutieren und weiterzuentwickeln. Die Kosteneffizienz, schon lange ein Markenzeichen des Management-Ansatzes von Zurich, wird jetzt von unserem Funktionsbereich Group Operations vorangetrieben, der bis 2013 eine Reduktion der laufenden Kosten von USD 500 Mio. anstrebt. Wir fokussieren unsere Wachstumsstrategien auf die Führungsrolle in profitablen Marktsegmenten, die weniger Kapital erfordern als andere – ein Ansatz, der gegenwärtig mit Nachdruck bei Global Life verfolgt wird. Dadurch stärken wir unsere Fähigkeit, die durch die niedrigen Anlagerenditen bedingten Herausforderungen zu meistern. Ein risikobasierter, auf den wirtschaftlichen Wert unserer Transaktionen ausgerichteter Entscheidungsprozess hilft uns, zu beurteilen, welche Geschäftsmöglichkeiten diesen Kriterien genügen.

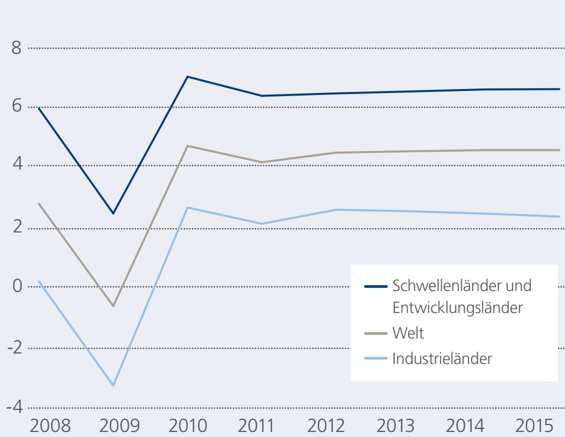
Die Fähigkeit, die Märkte klug zu wählen, ist doppelt wichtig, wenn wir einen anderen Aspekt der «neuen Realität» betrachten: eine Welt, in der schwaches Wirtschaftswachstum die Regel ist, insbesondere in gesättigten Märkten (Grafik 2). Deshalb wollen wir mit einer Kombination aus Disziplin und Geschwindigkeit die attraktivsten Versicherungssparten erschliessen. Wir konzentrieren uns dabei auf die Sparten, in denen wir unsere Stärken einsetzen können, wie beispielsweise bei den gewerblichen Versicherungen für mittelgrosse Unternehmen im Segment General Insurance und die Versicherung

Grafik 1: Anlagerenditen
Renditen für zehnjährige Staatsanleihen in %



Quelle: Thomson Datastream

Grafik 2: Globales BIP-Wachstum
in %, quartalsweise, auf Jahresbasis umgerechnet



Quelle: Internationaler Währungsfonds

kleinerer Unternehmen bei Farmers. In den Volkswirtschaften, in denen das Wachstum sich nicht verlangsamt hat, richten wir uns namentlich mit unserem internationalen Programmgeschäft an die dort tätigen Unternehmen sowie, insbesondere durch Global Life, an die wachsende Mittelklasse.

Das schwache Wirtschaftswachstum hat zu einer weiteren Herausforderung für unsere Branche geführt: Überkapazitäten. Die Versicherer konkurrieren um ein abnehmendes Volumen versicherbarer Werte. Die wirtschaftliche Aktivität wurde durch den Abschwung in ihrer ganzen Breite – von Löhnen über Autoverkäufe bis hin zu Forschung und Entwicklung – gedämpft. Dadurch geraten zwangsläufig das Prämienvolumen der Versicherer und somit deren Gewinne unter Druck.

Unsere Stärken ausspielen

Während der rechtzeitig erkannten Niedrigzinsphase konzentrierten wir uns darauf, durch ausreichend hohe Prämien unsere Rentabilität zu erhalten. Wir sind überzeugt, dass diese langfristige Ausrichtung der Kern unserer Vertrauensbeziehung zu unseren Aktionären ist. Ausserdem stellt sie in den Augen unserer Kunden, die sich um Stabilität und das Ausfallrisiko der Geschäftspartner sorgen, eine Stärke dar. So haben sich die Umsatzerlöse des Jahres 2010 im Vergleich zu 2009 gut gehalten, trotz unserer entschiedenen und oft unnachgiebigen Haltung in Märkten, in denen wir keinen Trend zur nachhaltigen Preisentwicklung sehen.

Datenanalyse
Durch eine kluge Datenanalyse können wir Wachstum im abnehmenden Privatkundengeschäft erzielen.

> «Durch unsere fundierten Geschäftspraktiken und die solide Marke Zurich sind wir heute und in Zukunft gut positioniert.»

Eine weitere Herausforderung in unseren Märkten ergibt sich aus der regulatorischen Unsicherheit. Wir erleben gegenwärtig die umfassendsten Reformen der Finanzmärkte seit mehreren Jahrzehnten. Zwar gehen viele Veränderungen in eine ermutigende Richtung (z. B. der Ruf nach stärkerer internationaler Koordination), doch ist die definitive Fassung des globalen Regulierungssystems, in dem Zurich arbeiten wird, immer noch unzureichend definiert. Diese Unsicherheit stellt bestenfalls eine anhaltende operative Herausforderung dar. Im schlimmsten Fall jedoch werden die Kapitalanforderungen der Versicherer mit denjenigen der Banken verbunden und es wird sich die starke Zunahme neuer regulatorischer und quasiregulatorischer Vorschriften und Behörden unvermindert fortsetzen.

Zurich ist dieser Herausforderung auf unterschiedliche Weise begegnet. Erstens hat Zurich als Schweizer Versicherungsunternehmen einen Vorsprung bei der Erfüllung der Anforderungen eines wirtschaftlichen, risikobasierten Regulierungsansatzes. Im Schweizer Solvenztest (SST) sind viele der in Solvency II enthaltenen Massnahmen bereits vorweggenommen. Unser internes Kapitalmodell wurde für 2011 von der Schweizer Regulierungsbehörde FINMA bereits vorläufig genehmigt, die Prüfung für eine vollständige Genehmigung des Modells läuft. 2010 meldeten wir der FINMA eine SST-Kapitalisierungsquote von mehr als 200%. Wir suchen das Gespräch mit Regulierungsbehörden und anderen Unternehmen der Branche auch auf einer breiteren Ebene; wir sind bestrebt, die Debatte, wie Versicherer der Gesellschaft dienen können, voranzutreiben. Wir führen unser Geschäft unter regulatorischen Unsicherheiten und Marktverwerfungen weiter und vertrauen dabei auf unsere organisatorische Agilität – eine Stärke und ein strategischer Eckpfeiler des Ansatzes von Zurich.

Der Versicherungsmarkt ist zurzeit ausserordentlich volatil und verändert sich in einer bisher kaum dagewesenen Geschwindigkeit – eine Situation, wie es sie selbst in der langen Geschichte von Zurich kaum je gegeben hat. Aber in jedem Wandel liegt auch eine Chance. Als Versicherer mit globaler Reichweite sind wir überzeugt, dass wir der beste Versicherer aus Sicht unserer Aktionäre, Kunden und Mitarbeitenden werden können.

Unsere Werte

Unser Bekenntnis zu Integrität und Offenheit stärkt Vertrauen, baut Loyalität auf und fördert Innovationen.

Unsere Werte formen die Unternehmenskultur und definieren, wer wir sind. Sie sind auch ein wichtiges Differenzierungsmerkmal in einer zunehmend wettbewerbsorientierten Branche.

Unser Engagement für Integrität, Kundenorientierung, nachhaltige Wertschöpfung, Exzellenz und Teamgeist trägt dazu bei, dass uns unsere Aktionäre und Kunden vertrauen. Dieses Engagement ermöglicht es uns, hochkarätige Persönlichkeiten als Mitarbeitende zu gewinnen und zu halten, und fördert den für Innovation und Wachstum erforderlichen Dialog. Es fördert Talente und mindert interne Risiken durch Offenheit und Transparenz. Es hilft uns, die Unterstützung der Regulierungsbehörden und der Investoren zu gewinnen.

Deshalb sind unsere Werte wesentlicher Bestandteil unseres Erfolgs. Sie haben uns seit mehr als 135 Jahren gute Dienste geleistet und bieten ein solides Fundament für zukünftiges Wachstum, das die Stärke unserer Marke unterstreicht.

Wir sind überzeugt, dass sich dieser Fokus in unserem Ziel spiegelt, der beste Versicherer weltweit aus Sicht unserer Kunden, Aktionäre und Mitarbeitenden zu sein – und nicht nur in einem rein mathematischen Wert wie Marktkapitalisierung oder verkaufte Policen.

Unsere Werte sind nicht nur vage Zielsetzungen oder schöne Ideale. Sie sind jeden Tag deutlich sichtbar – in der Art, wie wir unser Geschäft führen, und in unserem Bestreben, ein verantwortungsvolles Mitglied der Gesellschaft zu sein. Sie spiegeln sich in unserem wirtschaftlichen Erfolg, der geringen Personalfluktuation, der Kundenbindung, der wachsenden Kundenbasis sowie in unserer Mitwirkung in Branchenverbänden und in der Gesellschaft.

Unsere Kernwerte sind:

Integrität
Sich allen gegenüber fair und ehrlich verhalten und sich an alle geltenden Gesetze, Vorschriften und internen Richtlinien halten.

Kundenorientierung
Den Kunden in den Mittelpunkt stellen. Unsere globale Reichweite nutzen, um Erkenntnisse und Beobachtungen in nützliche Ideen umzuwandeln und diese zum Vorteil unserer Kunden einzusetzen.

Exzellenz
Bei allem, was wir tun, nach höchster Qualität und kontinuierlicher Verbesserung streben und neue Wege der Problemlösung finden. Prüfen, ob das, was wir tun,

Unsere Mitarbeiterinnen und Mitarbeiter
Unsere Werte sind Voraussetzung, um das Beste in uns selbst und bei anderen optimal zur Geltung bringen.

Verantwortung
Eine verantwortungsbewusste Unternehmensführung ist bei Zurich Bestandteil eines guten Managements und ein wesentliches Element unserer Geschäftspraxis.

und die Art, wie wir es tun, die Kriterien der Fairness, der Diversität, des Vertrauens und des gegenseitigen Respekts erfüllen.

Teamgeist

Wir verstehen uns als ein grosses Team – «One Zurich». Durch Zusammenarbeit und Umsetzung unserer globalen Erkenntnisse das beste Ergebnis für unsere Stakeholder erzielen. Unseren Mitarbeitenden, die aus den unterschiedlichsten Bereichen kommen und sich durch die verschiedensten Talente auszeichnen, Wertschätzung entgegenbringen und sie so unterstützen, dass sie ihr Potenzial vollumfänglich entfalten können.

Nachhaltige Wertschöpfung

Werte für unsere Kunden, unsere Aktionäre, unsere Mitarbeitenden und die Gesellschaft schaffen und bewahren. Eine Kultur der Genauigkeit, Stabilität und Verlässlichkeit leben, die Vertrauen in unser Engagement ermöglicht. Damit wir für unsere Kunden da sind, wenn es darauf ankommt – heute und in Zukunft.

Ein wichtiger Bestandteil der nachhaltigen Wertschöpfung sowie aller unserer Werte ist unser Einsatz für einen hohen Standard hinsichtlich der Corporate Responsibility. Wir begegnen gesellschaftlichen, Umwelt- und Governance-Herausforderungen proaktiv. Wir setzen auf langfristigen Erfolg, nicht auf kurzfristige Gewinne und sind bestrebt, flexibel zu arbeiten und dabei Veränderungen reibungslos umzusetzen.

Unsere Einstellung zu Corporate Responsibility

Eine verantwortungsbewusste und nachhaltige Unternehmensführung ist bei Zurich Bestandteil guten Managements und ein wesentliches Element unserer Geschäftspraxis. Mit unseren Kerngeschäftspraktiken, unseren Lösungen und Dienstleistungen und mit unserem Engagement für die Gemeinschaften, in denen wir leben und arbeiten, gehen wir gesellschaftliche, Umwelt- und Governance-Herausforderungen, an denen unsere Stakeholder ein berechtigtes Interesse haben, proaktiv an. Die Priorisierung von Themen erfolgt nach drei Kriterien: der potenziellen Auswirkung auf unsere Geschäftstätigkeit, der gesellschaftlichen Bedeutung und danach, ob wir etwas Nachhaltiges bewirken können. Wir arbeiten kontinuierlich daran, zu nachhaltiger Entwicklung beizutragen und eine bessere Zukunft für unsere Gruppe, unsere Mitarbeitenden und die Gesellschaft zu gestalten.

In Zurich Basics fassen wir unsere Grundwerte und die wichtigsten Verhaltensregeln zusammen, die unsere Verpflichtung zu höchsten ethischen, gesetzlichen und professionellen Standards skizzieren. Unsere Werte Integrität, Kundenorientierung, Exzellenz, Teamgeist und nachhaltige Wertschöpfung, bilden die Leitlinie für unser Handeln und tragen dazu bei, dass uns unsere Stakeholder vertrauen und wir ihre Erwartungen erfüllen oder gar übertreffen.

Für Zurich sind die Beziehung zu und der Dialog mit den verschiedenen Stakeholdern ausgesprochen wichtig, da wir mit dem Feedback im Rahmen von unserem Engagement bei FTSE4Good Index Series und durch die Dow-Jones-Nachhaltigkeitsindizes (Dow Jones Sustainability Indexes – DJSI) unsere Fortschritte messen und zukünftiges Handeln steuern können.

Beispiele für das, was wir erreicht haben, finden Sie im Bericht zur Geschäftsentwicklung 2010 oder auf unserer Webseite unter **www.zurich.com/corporateresponsibility.**

Unsere Strategie

Eine auf sechs Eckpfeilern beruhende Strategie, um unsere globale Stärke einzusetzen und den Unternehmenswert (Shareholder Value) zu steigern.

Profitables Wachstum

Kundenorientierung

Operative Verbesserungen

Mitarbeiterführung

Organisatorische Agilität

Finanzielle Disziplin

Im Jahr 2010 nahmen wir eine strategische Prüfung der gesamten Gruppe vor, mit dem Ziel, nachhaltiges Gewinnwachstum zu erzielen, die Wettbewerbsfähigkeit unseres kundenbezogenen Geschäfts zu verbessern und die Prioritäten für die Zeit von 2011 bis 2013 zu setzen.

Am Ende dieser Prüfung sahen wir unsere Ansicht bestätigt, dass der optimale Weg zum Wachstum im gegenwärtigen Umfeld darin besteht, den Aufbau globaler Fähigkeiten durch die Einführung eines beweglichen organisatorischen und operativen Modells fortzusetzen und «The Zurich Way», unser unternehmensübergreifendes Programm zur Erreichung einer Top-Performance, weiterzuentwickeln. Zusätzlich sahen wir Möglichkeiten, unsere globale Stärke zu nutzen, indem wir die Ressourcenverteilung in unserer Unternehmensorganisation optimieren, eine starke Marke schaffen und sicherstellen, dass wir im Einklang mit unseren Fähigkeiten und unserer Gesamtrisikotoleranz höchste Standards und Disziplin wahren.

Unsere Vorgehensweise baut auf sechs Eckpfeilern auf, die so gestaltet sind, dass sie Synergien innerhalb unserer Segmente und über die Segmentgrenzen hinweg nutzen und die Profitabilität unserer Kerngeschäftssegmente vorantreiben.

Profitables Wachstum

Der erste Eckpfeiler ist die Erzielung nachhaltigen Gewinnwachstums. Der direkteste Weg, um dies zu erreichen, besteht darin, unsere globale Stärke und unsere fachliche Kompetenz zum Einsatz zu bringen. Ein Beispiel ist das erfolgreiche internationale Programmgeschäft (IPZ) – es bietet Firmenkunden integrierte, konforme Lösungen, die in Märkten, in denen sie tätig sind, funktionieren. Ähnlich bedeutend war für uns die Zurich Fleet Intelligence (ZFI) – ein weiterer Bereich, in dem wir unser Fachwissen global einsetzen können. ZFI ist ein neuartiges Produkt der Branche, das Unternehmen die Möglichkeit bietet, das Management ihres Fuhrparks zu revolutionieren. ZFI integriert Telematik – fahrzeugbasierte Systeme, die GPS-Sensoren verwenden, um den Flotteneigentümern und -betreibern umfangreiche Informationen zum Fahrerverhalten, Fahrzeugstandort und zur Leistung zur Verfügung zu stellen. Werden diese Geräte mit einem umfassenden Risikomanagementprogramm für die Flotte kombiniert, wird Verkehrssicherheit zur Selbstverständlichkeit. ZFI wird gegenwärtig in den USA, in Grossbritannien und Australien eingeführt, die Einführung in weiteren Märkten ist in Planung.

Zusätzlich möchten wir Wachstum durch die verstärkte Präsenz in neuen Wachstumsmärkten erzielen – wobei dies sowohl neue geografische Gebiete als auch neue Versicherungszweige sein können. Im Dezember 2010 haben wir den Erwerb der Compagnie Libanaise D'Assurances SAL (CLA), eines libanesischen Versicherungsunternehmens im Privatbesitz mit Niederlassungen in den Vereinigten Arabischen Emiraten (VAE), Kuwait und Oman, abgeschlossen. In Indonesien erwarben wir 80% von PT Mayapada Life, um in einem der am schnellsten wachsenden Lebensversicherungsmärkte in Asien Fuss zu fassen.

Kundenorientierung

Der Kunde steht bei uns im Mittelpunkt. Das bedeutet, dass wir alles daran setzen, die Bedürfnisse unserer Privat-, Firmen- und Unternehmenskunden zu verstehen und ihnen gerecht zu werden.

Durch unsere Marketingaktivitäten – nicht nur in Printmedien, Online- und TV-Werbung, sondern auch an Veranstaltungen und durch Sponsoring – führen wir den Dialog mit unseren aktuellen und zukünftigen Kunden zum Thema Kundenorientierung. Wir führen regelmässig eigene Untersuchungen in Fokusgruppen und Umfragen durch, um unsere Aktivitäten auf ihre Wirksamkeit hin zu überprüfen. Unsere Ergebnisse wurden vor kurzem auch durch das führende Markenbewertungsunternehmen Interbrand bestätigt, indem es Zurich als eine der 100 weltweit besten globalen Marken mit einem geschätzten Markenwert von USD 3,5 Mrd. bewertete.

«Zurich ist für Sie da, wenn es darauf ankommt» lautet das Versprechen, das unserer Marke zugrunde liegt. Nach schweren Regenfällen im Juni konnte ein Autohändler in Kansas City, Missouri, erfahren, was dieses Versprechen bedeutet, nachdem sein Anwesen überschwemmt und sein Wagenbestand fast völlig zerstört worden war. Innerhalb von zehn Stunden nach seinem Anruf hatten die Schadenspezialisten von Zurich den Schaden aufgenommen und ein Bergungsteam hatte den Abtransport aller 59 vom Wasser beschädigten Fahrzeuge organisiert. Dadurch hatten wir für unseren Kunden organisiert, dass bereits Platz für die Lieferung neuer Autos geschaffen wurde. Zudem wurde innerhalb von zwei Tagen die Schadensforderung in Höhe von USD 1,6 Mio. behandelt, sodass der Kunde seine Geschäftsaktivitäten umgehend wieder aufnehmen konnte.

Neben der Abwicklung von Schadensfällen konzentrieren wir uns auf deren Verhütung. Ebenfalls in Nordamerika, als schwere Schneestürme wüteten, drohten Dächer unter der erdrückenden Schneelast einzubrechen. Unser Risk-Engineering-Team vor Ort arbeitete rund um die Uhr; es vermittelte Dachspezialisten, Kräne und Helfer, um sicherzustellen, dass die Räumungsarbeiten mit dem Schneefall Schritt hielten. Für einen Kunden aus Delaware, wo an einem Wochenende knapp 70 Zentimeter Schnee fielen, war es ein Wettlauf gegen die Zeit, das Dach zu räumen, bevor ein zweiter Schneesturm nur wenige Stunden später hereinbrach. Durch unsere schnelle Bereitschaft und die Fähigkeit – selbst während dieser ausserordentlichen Schneefälle –, auf ein Netzwerk von Experten zurückgreifen zu können, boten wir diesem Kunden den benötigten Service, um im Geschäft zu bleiben.

Operative Verbesserungen

Die Schaffung der Organisationseinheit Group Operations in diesem Jahr ist ein weiterer Beweis unseres Fokus auf fortlaufende operative Verbesserungen. Mehr als 6'000 Mitarbeitende zusammen mit weiteren 6'000 Personen, die für unsere strategischen Lieferanten tätig sind, sorgen von nun an gemeinsam für Prozessverbesserungen auf globaler Ebene. Group Operations nimmt sich auch der Initiativen an, die unter «The Zurich Way» zusammengefasst sind. Dieses wird zum übergreifenden Programm für den Ausbau unserer globalen Fähigkeiten erweitert werden und so Zurich dabei unterstützen, das Ziel zu erreichen, der weltweit beste Versicherer aus Sicht unserer Aktionäre, Kunden und Mitarbeitenden zu werden.

Grösstenteils werden Verbesserungen durch die weitere Zusammenfassung der Back-Office-Funktionen erreicht werden, was den Wert unserer Produkte und Dienstleistungen steigern wird, ohne den Kundenservice zu beeinträchtigen.

Der so erzielte Nutzen geht weit über Kosteneinsparungen und Effizienzsteigerungen hinaus. Vielmehr haben wir uns das Ziel gesetzt, unsere Geschäftsbereiche schneller und flexibler zu gestalten, um einen gleichbleibenden Kundenservice bieten zu können. Auch intern bezwecken wir, mit den operativen Verbesserungen die Karrieremöglichkeiten unserer Mitarbeitenden zu erweitern. Oder anders ausgedrückt: Die operativen Verbesserungen sind darauf ausgelegt, mit zwei weiteren strategischen Eckpfeilern – der organisatorischen Agilität und der Mitarbeiterführung – optimal zusammenzuwirken.

Mitarbeiterführung

Unser Ziel ist es, der beste Versicherer aus Sicht unserer Kunden, Aktionäre und – was entscheidend ist – Mitarbeitenden zu sein. Zurich ist bestrebt, der bevorzugte Arbeitgeber zu sein. Die Mitarbeiterführung als ein Eckpfeiler unserer Unternehmensstrategie konzentriert sich auf den optimalen Einsatz und die Förderung der wertvollsten Ressource unseres Unternehmens.

Jede Mitarbeiterin und jeder Mitarbeiter sollte sich fähig und befähigt fühlen, die Aufgaben innerhalb seiner oder ihrer klar definierten Rolle fachgerecht auszuführen. Erfolgreiche Einführungsprozesse und globale Mitarbeiterführungssysteme bieten die Infrastruktur, um dieses Ziel zu erreichen. Den Mitarbeitenden und ihren Vorgesetzten geben wir Werkzeuge an die Hand, um Leistung transparent zu messen und diese fair zu belohnen und anzuerkennen.

Mitarbeitende bleiben motiviert, wenn sie unsere Ziele verstehen und wissen, wie ihre Arbeit dazu beiträgt, sie zu erreichen. Wir verlassen uns auf unsere Führungskräfte, um dieses Verständnis zu generieren, und investieren deshalb in erheblichem Masse in Coaching und Schulungen. Um die Ambitionen aller Mitarbeitenden zu fördern, bieten wir eine individuelle Mitarbeiterentwicklungsplanung sowie gute Weiterbildungsmöglichkeiten an und erstellen Nachfolgepläne, damit unsere grössten Talente in umfassendere Aufgaben hineinwachsen können. Wir führen jedes Jahr Mitarbeiterbefragungen durch, um unseren Fortschritt im Bereich Mitarbeiterführung zu messen, und handeln entsprechend den Ergebnissen.

Organisatorische Agilität

Unsere Märkte verändern sich – manchmal auf drastische Weise – ebenso wie die regulatorischen Bestimmungen, die wir erfüllen müssen, um in ihnen tätig zu sein. Angesichts der Herausforderungen, die sich uns in diesen beiden Belangen stellen, und der Geschwindigkeit, mit der wir uns anpassen müssen, haben wir die organisatorische Agilität nach der diesjährigen strategischen Analyse als kritische Fähigkeit und wichtigen strategischen Eckpfeiler erkannt. Unsere erste Massnahme war die konsequente Entlastung unserer Segmente – die Zusammenfassung aller Back-Office-Aufgaben (wie z. B. Beschaffungswesen und IT) unter Group Operations –, damit diese sich vollumfänglich auf typische Frontaufgaben, wie z. B. Vertrieb und Kundendienst, konzentrieren können.

Organisatorische Agilität ist einer der wichtigsten Faktoren, der uns dabei hilft, unsere globale Stärke zu nutzen. Eines der besten Beispiele hierfür in diesem Jahr ist unsere vertiefte Beziehung mit der Computer Sciences Corporation (CSC). CSC ist einer der wichtigsten Kunden unserer Abteilung Global Corporate und beschäftigt 94'000 Mitarbeitende in mehr als 90 Ländern. Anfang des Jahres erkundigte sich CSC, ob wir ihren Mitarbeitenden über ihre firmeneigenen Mitarbeitervergünstigungsportale Versicherungsprodukte für Privatkunden anbieten könnten. Wir nutzten die vereinte Stärke unserer drei Segmente und konnten eine kombinierte globale Affinity-Produktlösung für CSC-Mitarbeitende in aller Welt anbieten. Dies ist Kundenorientierung – von einem flexiblen Unternehmen gelebt und auf globaler Ebene umgesetzt.

Finanzielle Disziplin

Finanzielle Disziplin ist seit langem Bestandteil unserer Unternehmensphilosophie. In diesem Jahr jedoch haben wir diese Eigenschaft zu einem strategischen Eckpfeiler erhoben, um zu betonen, wie wichtig es ist, die Kosten gruppenweit zu senken und so die historischen Chancen, die sich uns bieten, zu ergreifen. Jedes Segment setzt spezifische Pläne um, und stellt so sicher, dass wir weiterhin Kosten einsparen. Zusammen haben wir im Rahmen des Programms «The Zurich Way 2010» mehr als USD 900 Mio. an Effizienzsteigerungen erzielt (gemessen am wirtschaftlichen Wert nach Steuern) und wir erwarten für die Zukunft noch bessere Zahlen. Die Vielfalt der unterschiedlichen Initiativen an den verschiedensten Standorten ist überwältigend, doch sie verfolgen alle ein gemeinsames Ziel: unsere Fähigkeit zu steigern, nachhaltiges, profitables Wachstum zu erreichen.

Weitere Informationen finden Sie unter **www.zurich.com/sixcornerstones**

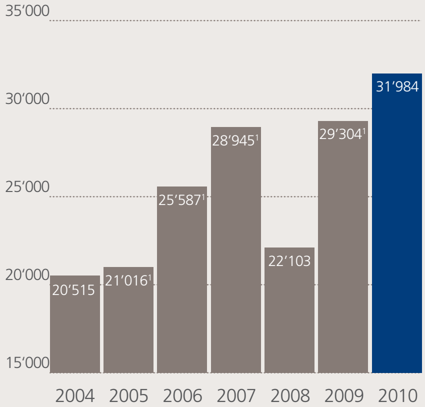
Unsere Strategie

Unsere Performance messen

Wir erfassen unseren Fortschritt in Bezug auf die Steigerung unseres Unternehmenswerts (Shareholder Value) sowie die Umsetzung unserer Strategie.

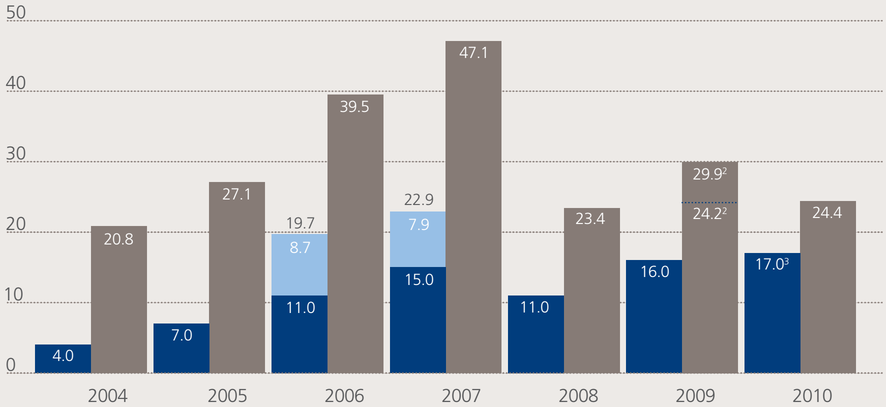
Schaffung von Shareholder Value

Den Aktionären zurechenbares Eigenkapital
(USD Mio.)



[1]Angepasst.

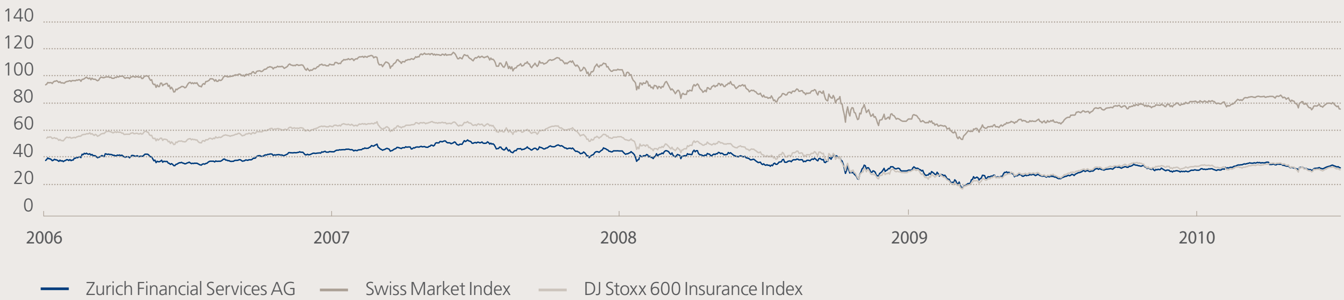
Vorgeschlagene Dividende von CHF 17[3] pro Aktie für 2010, was einer Auszahlungsquote von 70% entspricht
Dividenden/EPS in Bezug auf das Geschäftsjahr (in CHF)[1]



Dividende[1]
Aktienrückkauf pro Aktie
Verwässerter Gewinn je Aktie

[1] Dividende beinhaltet Bruttodividende und Auszahlung der Nennwertverringerung pro eingetragene Aktie.
[2] CHF 29.9 wie angepasst; CHF 24.2 wie 2009 berichtet.
[3] Dividende, die der Verwaltungsrat der am 31. März 2011 stattfindenden ordentlichen Generalversammlung vorschlägt.

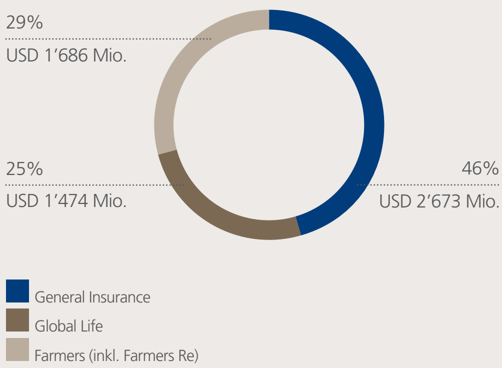
Kursverlauf (indexiert) der Zurich-Aktie in den vergangenen fünf Jahren
in %



Quelle: Thomson Datastream

Profitables Wachstum

Business Operating Profit 2010 nach Segmenten[1]

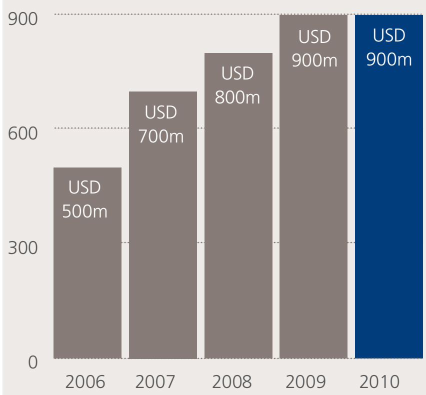


[1] Ausgenommen Other Operating Businesses und Non-Core Businesses.

Operative Verbesserungen

The Zurich Way

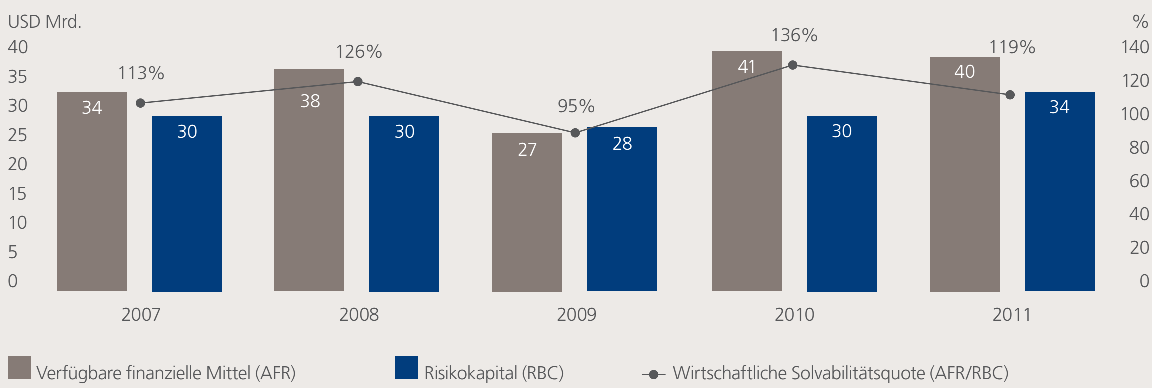
Das Ziel für 2010 von USD 900 Mio. Effizienzsteigerungen (gemessen am wirtschaftlichen Wert nach Steuern) wurde erreicht.



Beibehaltung der finanziellen Stärke

Analyse der verfügbaren finanziellen Mittel (AFR), und des Risikokapitals (RBC) der Gruppe

(in USD Mrd., Stand 1. Januar)



Unsere Leistung

Ergebnisse, die aufzeigen, dass wir erfolgreich sein können, selbst in einem schwierigen Marktumfeld.

Unsere Gruppe erzielte 2010 einen Business Operating Profit von USD 4,9 Mrd.

Dies zeigt, dass jedes unserer drei Geschäftssegmente – General Insurance, Global Life und Farmers – gut aufgestellt ist und jedes von ihnen in der Lage ist, auch unter schwierigen Rahmenbedingungen eine solide Performance zu erzielen. Zur Stärkung dieser Position haben wir für jedes Segment einen Plan für die Zukunft erarbeitet. Des Weiteren haben wir die Fähigkeit der einzelnen Segmente, der globalen Reichweite der Gruppe gerecht zu werden, verbessert, indem wir gemeinsame Funktionen unter dem neu gebildeten Funktionsbereich Group Operations zusammengefasst haben.

General Insurance

Etwa zwei Drittel der Bruttoprämien bei General Insurance stammen von kleinen und mittleren Unternehmen sowie multinationalen Grossunternehmen, das restliche Drittel entfällt auf das Privatkundengeschäft. Unsere Firmen- und Unternehmenskunden verlangen massgeschneiderte, fokussierte Lösungen, die sich auf ein breites Spektrum von Fähigkeiten und Know-how stützen und einen weiten Bereich umfassen, von der Versicherung des Geschäfts multinationaler Unternehmen bis zur Unterstützung von kleinen und mittleren Unternehmen beim Management der Risiken für ihr Geschäft und für die Angestellten. Im Privatkundengeschäft sind die Produkte hingegen recht standardisiert; dem Vertrieb und dem Preis kommt hier eine erheblich grössere Bedeutung zu.

Allen gemein ist die Tatsache, dass Rentabilität letztlich von der Umsetzung der Kernkompetenzen im Versicherungsgeschäft abhängt. In dieser Hinsicht ist auch General Insurance von Zurichs Firmenphilosophie geprägt – der Konzentration auf Exzellenz, indem die Versicherungskompetenz an erste Stelle gesetzt wird. Unsere Kompetenzen helfen entscheidend im Konkurrenzkampf zu bestehen.

Basierend auf einer ausgeprägten Konzentration auf Exzellenz im Underwriting, befindet sich General Insurance auf dem Weg zur Maximierung der Rentabilität und der Vision zur Marktführerschaft. Wir sind auch weiterhin von unserem eingeschlagenen Weg überzeugt. Mit einer ganzen Reihe von Massnahmen wollen wir die Bedürfnisse unserer Kunden besser identifizieren und erfüllen, die Mitarbeiterfähigkeiten stärken, Kosten senken, die operative Exzellenz und Effizienz steigern und profitables

IPZ
Internationale Programme (IPZ) von Zurich unterstützt Unternehmen beim Risikomanagement rund um den Globus.

Corporate Life & Pensions bei Global Life bietet Arbeitgebern und deren Mitarbeitenden effiziente Sparlösungen.

Wachstum fördern. Zusätzlich vereinfachen wir die Organisationsstruktur und verkürzen die Distanz zwischen allen Mitarbeitern und dem Markt, den wir bedienen. Unser Ziel ist es, durch fortgesetzte Investition in unsere Mitarbeitenden und die Nutzung unserer globalen Stärken den Schaden-Kosten-Satz (Combined Ratio) bis 2013 im Vergleich zu unseren globalen Wettbewerbern um drei bis vier Prozentpunkte zu verbessern.

Global Life

Unser Erfolg bei Global Life beruht auf einer Kernstrategie der Globalisierung. Wir haben uns darauf ausgerichtet, die Bedürfnisse unserer Kunden und Vertriebspartner besser zu verstehen und entsprechend zu handeln. Durch die Errichtung globaler Hubs und gemeinsamer Kompetenzzentren konnten wir effektiver und effizienter arbeiten und dem Markt rascher bessere Produkte anbieten.

Diese Strategie hat sich in der Finanzkrise als robust erwiesen und wird uns auch in Zukunft von Nutzen sein. Global Life ergänzt unsere Segmente General Insurance und Farmers; es trägt zu einem besser ausgewogenen Gesamtportfolio bei und eröffnet Chancen für Cross-Selling und Kosteneinsparungen in allen drei Segmenten.

Vier längerfristige Trends vermitteln uns das Vertrauen, dass wir noch erfolgreicher werden können: die hohe Vermögensausstattung der «Baby-Boomers», die nach Lösungen für die Altersvorsorge und die Erbschaftsplanung suchen, der wachsende Bedarf an privaten Rücklagen für die Alters- und Gesundheitsvorsorge, da die Vorkeh-

Weitere Informationen finden Sie unter **www.zurich.com/aboutus**

iCON
Durch den Aufbau interner Beratungsstellen sparen wir Kosten und schaffen einen Pool an künftigen Führungskräften.

Unsere Leistung *fortgesetzt*

rungen des Staates eher abnehmen, die Übertragung des Rentenrisikos vom Arbeitgeber auf den Arbeitnehmer und die schnell wachsende Mittelklasse in Schwellenmärkten. Global Life ist gut positioniert, um von allen vier Trends zu profitieren.

Als Ausdruck der Bekräftigung der Strategie von Global Life konzentrieren wir uns nun auf deren rasche Umsetzung. Wir haben unsere Struktur vereinfacht, um unsere Privatkunden noch besser zu bedienen und die Effizienz in den Kundenbeziehungen zu erhöhen. In den Regionen Asien-Pazifik, Naher Osten und Lateinamerika sowie in den Vereinigten Staaten haben wir Wachstumsstrategien definiert, die wir jetzt umsetzen; in Europa nehmen wir selektiv Wachstumschancen wahr. Gleichzeitig mit der Umsetzung dieser Strategien kümmern wir uns um eine ausgewogene geografische Präsenz von Global Life in Märkten mit höherem Wachstumspotenzial und höherer Rentabilität. Wir sorgen für einen guten Produktemix und fokussieren auf Lösungen, die nur wenig Kapital erfordern und unseren internen risikobasierten Rentabilitätskriterien genügen.

Angesichts unserer starken Position und der grossen, vor uns liegenden Chancen sind wir zuversichtlich, dass wir mit unserer Strategie bei Global Life bis 2013, gemessen am Wert des Neugeschäfts, zu den Top Five der europäischen Versicherungsgesellschaften gehören werden.

Farmers

Farmers betreibt in den Vereinigten Staaten ein einzigartiges, auf Gebühren basierendes Modell. Es besteht aus Farmers Management Services und Farmers Re, die uns gehören, sowie den Farmers Exchanges, die sich im Besitz der Versicherungsnehmer befinden. Farmers Management Services erhält eine Gebühr für das Management nicht-schadensbezogener Dienstleistungen für Farmers Exchanges, die Versicherungen an Privatpersonen und kleinere Unternehmen verkaufen. Farmers Re ist Rückversicherer von Farmers Exchanges.

Im Rahmen dieser Struktur ist Farmers bestrebt, das Wachstum im Top-Quartil der vergleichbaren US-Versicherer zu halten, mit dem Fokus auf gezielte Massnahmen zur Kundenbindung, laufende Verbesserungen im Vertrieb und die geografische Expansion in den Osten der Vereinigten Staaten.

Angesichts der anhaltenden Schwäche im wichtigen Motorfahrzeug- und Eigenheimgeschäft in den USA mögen die ehrgeizigen Wachstumsziele von Farmers überraschen, doch kann das aus mehreren Marken bestehende Modell der Herausforderung gerecht werden. Bei 21st Century werden Kunden bedient, die es vorziehen, eine Motorfahrzeug-Versicherung abzuschliessen, ohne dazu einen Vertreter kontaktieren zu müssen. Bei Farmers Exchanges kümmern sich 17’000 Mitarbeitende um die Kunden, die eine persönliche Betreuung wünschen. Die Kunden von 21st Century eröffnen den Agenten von Farmers Chancen für Cross-Selling. Diese Dynamik ist für die Expansion von Farmers in den Osten der Vereinigten Staaten besonders wichtig, wo 21st Century den Weg ebnet. Die Expansion in die östlichen Staaten wird auch dadurch gefördert, dass für Farmers auf nationaler

Farmers Auto 2.0
Das neue Produkt bietet günstigere Preise und sorgt für eine Steigerung beim Neugeschäft sowie bei der Kundenbindung.

Ebene geworben wird. Dadurch können neue Kunden gewonnen werden und die Bindung zu bestehenden Kunden wird gestärkt. Farmers sucht ständig nach Möglichkeiten, die Kundenzufriedenheit zu verbessern. Anhand der Daten wird dann geprüft, ob diese Massnahmen die Loyalität auch wirklich erhöht und nicht vermindert haben.

Group Operations

In diesem Jahr haben wir wesentliche Kernprozesse, die in unseren drei Segmenten in vergleichbarer Form existierten, zusammengeführt und unter einer neuen Organisationseinheit mit dem Namen Group Operations vereint. Obschon wir bereits in den letzten Jahren einen gewissen Grad an Integration erreicht haben, liegt die Verantwortung für die Prozesse jetzt erstmals bei einer einzelnen Einheit.

Group Operations hat eine grosse Bedeutung für die ganze Gruppe. Die Organisationseinheit besteht aus mehr als 6’000 Mitarbeitenden von Zurich sowie ca. 6’000 weiteren Mitarbeitenden bei unseren strategischen Lieferanten. Mit einem Budget von USD 4,4 Mrd. verwaltet Group Operations ca. 40% der Gesamtausgaben der Gruppe, wovon USD 2,1 Mrd. auf die Informationstechnologie (IT) entfallen. Die Funktion unterstützt 70 Geschäftseinheiten in 40 Ländern.

Alle unsere Geschäftsbereiche erwarten fortgesetzte Einsparungen und Qualitätsverbesserungen im Hinblick auf gemeinsam genutzte Dienstleistungen – von Druckereidienstleistungen bis zum Beschaffungwesen. Wichtige Unterstützungsfunktionen wie IT und Projektmanagement werden kontinuierlich Verbesserungen hinsichtlich Flexibilität und Agilität erfahren, sodass die Segmente ihre ehrgeizigen Wachstums- und Kostensenkungspläne erfüllen können. Die unter dem Begriff «The Zurich Way» zusammengefassten Initiativen zur nachhaltigen Veränderung und Verbesserung von Strukturen und Prozessen liegen jetzt ebenfalls in den Händen von Group Operations. «The Zurich Way» wird auch in Zukunft das Programm sein, mit dem die Globalisierung von Wissen und Fertigkeiten vorangetrieben wird. Best Practices werden in der gesamten Organisation etabliert, wodurch alle Unternehmensteile vom Know-how der jeweiligen Experten profitieren können.

2010 erzielte Group Operations Einsparungen von mehr als USD 100 Mio. durch die Harmonisierung des Beschaffungsprozesses, wobei es hier zusätzlichen Raum für Verbesserungen in der Zukunft gibt. Zwei Shared-Service-Organisationen, die unabhängig voneinander in Europa und Nordamerika tätig waren, wurden zu einer neuen Organisation zusammengeführt. Im IT-Bereich erzielen wir erhebliche Einsparungen durch die Umstrukturierung von IT-Infrastrukturkosten in variable Kosten mittels eines globalen Outsourcings. Neben der Umsetzungen dieser Veränderungsprogramme bauen wir eine neue Group Operations-Organisation auf, die fähig ist, im Jahr 2011 und darüber hinaus noch umfangreichere Aufgaben wahrzunehmen.

Global Earthquake Model (GEM)
Zurich unterstützt die Entwicklung einer offenen Ressource, mit der das Erdbebenrisiko an einem beliebigen Ort weltweit geprüft werden kann.

Governance

Bericht über die Corporate Governance

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

Der vorliegende Bericht beschreibt die Praxis der Gruppe im Bereich Corporate Governance und veranschaulicht die für Zurich wichtigsten Elemente der Corporate Governance. Er enthält die erforderlichen Angaben gemäss der Richtlinie betreffend Informationen zur Corporate Governance der SIX Swiss Exchange (Stand 1. Januar 2007 in der Fassung vom 1. Juli 2009). Der Bericht erläutert auch, wie die Gruppe im Jahr 2010 den von economiesuisse 2002 veröffentlichten und im Oktober 2007 angepassten Swiss Code of Best Practice for Corporate Governance eingehalten hat. Darüber hinaus veröffentlicht die Gruppe weiterhin eine Erklärung zum Risikomanagement und zur internen Kontrolle (s. S. 44 und 45) entsprechend den Vorgaben der britischen Turnbull-Richtlinie.

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

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

Dieser Bericht folgt weitestgehend der in der Richtlinie für Informationen zur Corporate Governance der SIX Swiss Exchange empfohlenen Struktur. Das Kapitel über die Entschädigungen, Beteiligungen und Darlehen der Verwaltungsräte und der Mitglieder des GEC wird separat als «Bericht über Honorare und Entschädigungen» (s. S. 46-65) als Ergänzung zum Bericht über die Corporate Governance publiziert. Dieser Bericht enthält auch die Informationen, die laut dem von der Eidgenössischen Finanzmarktaufsicht (FINMA) am 21. Oktober 2009 veröffentlichten Rundschreiben 2010/1 «Mindeststandards für Vergütungssysteme bei Finanzinstituten», erforderlich sind.

Konzernstruktur und Aktionäre

Operative Konzernstruktur

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

Die Gruppe verfolgt eine kundenorientierte Strategie und wird als eine auf Geschäftssegmenten und Regionen basierende Matrixorganisation geführt. Die Verantwortungsbereiche der Mitglieder des GEC reflektieren diese Matrixstruktur. An der Spitze des GEC steht der Group CEO. Zu den weiteren Mitgliedern gehören die CEOs der Geschäftssegmente, der Chief Financial Officer, der Chief Investment Officer, der Chief Risk Officer, der Chief Administrative Officer und der Group Head of Operations. Die geografischen Regionen Europe & Africa, Americas und Asia-Pacific & Middle East werden durch Regional Chairmen vertreten, die sich auf Stakeholder-Management und die Geschäftsentwicklung in ihren Regionen konzentrieren. Weitere Informationen zum GEC finden Sie auf S. 29 sowie S. 36-40.

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

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

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

- Farmers erbringt über Farmers Group, Inc. und ihre Tochtergesellschaften (FGI) nicht schadenbezogene Managementdienstleistungen für Farmers Exchanges. FGI erzielt Einnahmen für die Erbringung von Dienstleistungen für die Farmers Exchanges. Farmers Group, Inc. – eine 100%ige Tochtergesellschaft der Gruppe – erbringt Managementdienstleistungen für die Farmers

Exchanges, besitzt diese aber nicht. Dieses Segment umfasst auch das Geschäft von Farmers Re, welches alle Rückversicherungen enthält, die die Gruppe den Farmers Exchanges stellt. Farmers Exchanges zeichnen vor allem Versicherungsverträge für Privatkunden und kleine Firmenkunden in den Vereinigten Staaten.

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

- Non-Core Businesses umfasst Versicherungsgeschäfte, die die Gruppe als nicht zum Kerngeschäft gehörend betrachtet und die vor allem im Hinblick auf eine rentable Abwicklung verwaltet werden. Zudem enthält Non-Core Businesses auch die Bankgeschäftsaktivitäten der Gruppe.

Das sekundäre Format der Berichterstattung der Gruppe folgte auch 2010 einer geografischen Struktur und umfasste die folgenden Bereiche: Americas (Nord-, Mittel- und Südamerika), Europe & Africa, Asia-Pacific & Middle East und Central Region. Ab 2011 gehört der Bereich Africa zu einer erweiterten Region Asia-Pacific & Middle East.

Detailliertere Informationen zu den Segmenten der Gruppe und ihrer geografischen Struktur finden Sie in Note 30 zu den Consolidated Financial Statements ab S. 234. Ein detaillierter Bericht zu den Ergebnissen und Aktivitäten der jeweiligen Segmente und Geschäftsbereiche im Jahr 2010 befindet sich im Operating and Financial Review der Gruppe ab S. 68. Weiter ist ein Überblick über die Aktivitäten und Stärken der Gruppe im Bericht zur Geschäftsentwicklung enthalten, der auch auf der Webseite von Zurich unter www.zurich.com (http://zdownload.zurich.com/main/reports/annual_review_2010_de.pdf) abrufbar ist.

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

Eine Aufstellung der wichtigsten Tochterunternehmen der Gruppe sowie weitere Informationen über kotierte Aktien von wichtigen Tochterunternehmen finden sich in diesem Geschäftsbericht auf S. 256–258. Weitere Informationen über die Kotierungen der Aktien von Zurich Financial Services AG sind den Aktionärsinformationen auf S. 312–316 zu entnehmen.

Bedeutende Aktionäre

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

Zurich Financial Services AG ist verpflichtet, Aktienbeteiligungen Dritter zu melden, sobald die entsprechende Drittpartei mitteilt, dass ein bestimmter Schwellenwert überschritten wurde. 2010 wurde der Gruppe mehrmals von Drittparteien gemeldet, dass diese die Schwelle von 3% mit Kauf- oder Verkaufspositionen über- oder unterschritten hatten. Zurich Financial Services AG ist ausser BlackRock, Inc. und Norges Bank keine Person oder Institution bekannt, die als wirtschaftlich Berechtigte per 31. Dezember 2010 direkt oder indirekt mit Aktien, Optionsrechten und/oder Umwandlungsrechten mehr als 3% der Aktien von Zurich Financial Services AG hielt. Die entsprechenden Veröffentlichungen sind über die Suchfunktion auf der Plattform der Offenlegungsstelle der SIX Swiss Exchange abrufbar: http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_de.html.

Ferner ist Zurich Financial Services AG nicht bekannt, dass per 31. Dezember 2010 irgendwelche Personen oder Institution direkt oder indirekt, gemeinsam oder allein, Kontrolle über Zurich Financial Services AG ausübten oder aufgrund einer Vereinbarung ausüben konnten.

Kreuzbeteiligungen

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

Bericht über die Corporate Governance *fortgesetzt*

Kapitalstruktur

Aktienkapital

Per 31. Dezember 2010 betrug das ordentliche Aktienkapital der Zurich Financial Services AG CHF 14'658'689.60, aufgeteilt in 146'586'896 voll liberierte Namenaktien mit einem Nennwert von je CHF 0.10. Der Verwaltungsrat wird den Aktionären bei der ordentlichen Generalversammlung am 31. März 2011 eine Dividende von CHF 17.00 je Aktie vorschlagen. Da die diesjährige Dividendenzahlung aus den Reserven aus Kapitaleinlagen geleistet werden soll, ist sie in der Schweiz nicht verrechnungssteuerpflichtig.

Genehmigtes und bedingtes Aktienkapital

Per 31. Dezember 2010 ist der Verwaltungsrat von Zurich Financial Services AG gemäss Artikel 5^{bis} (1) der Statuten ermächtigt, das Aktienkapital bis zum 30. März 2012 um CHF 1'000'000.00 zu erhöhen, was 10'000'000 Namenaktien zu nominal CHF 0.10 entspricht. Zurich Financial Services AG kann überdies das bedingte Aktienkapital gemäss Artikel 5^{ter} (1a) der Statuten um höchstens CHF 1'000'000.00 durch Ausgabe von bis zu 10'000'000 voll zu liberierenden Namenaktien zu nominal CHF 0.10 erhöhen, und zwar (1.) durch Ausübung von Wandel- und/oder Optionsrechten, die in Verbindung mit auf nationalen oder internationalen Kapitalmärkten begebenen Anleihen oder ähnlichen Obligationen der Gesellschaft oder einer ihrer Konzerngesellschaften eingeräumt werden, und/oder (2.) durch Ausübung von Optionsrechten, die den Aktionären eingeräumt werden. Das Unternehmen verfügt gemäss Artikel 5^{ter} (2a) der Statuten über ein weiteres bedingtes Aktienkapital in Höhe von CHF 470'836.30 bzw. über 4'708'363 voll zu liberierende Namenaktien mit einem Nennwert von je CHF 0.10, die an Mitarbeitende der Gruppe ausgegeben werden können. Weitere Informationen über die Kapitalstruktur sowie über das genehmigte und bedingte Aktienkapital finden Sie in Note 23 auf S. 207–210 der Consolidated Financial Statements.

Änderungen des Aktienkapitals im Verlauf des Jahres 2009

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

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

2009 wurden 550'448 Aktien aus dem bedingten Aktienkapital an Mitarbeitende ausgegeben. Somit belief sich das Aktienkapital am 31. Dezember 2009 auf CHF 14'747'306.80 (147'473'068 Aktien). Das genehmigte Kapital und das bedingte Aktienkapital (gemäss Artikel 5^{bis} (1) bzw. Artikel 5^{ter} (1a) der Statuten) beliefen sich jeweils auf CHF 1'000'000.00 (10'000'000 Aktien), das andere bedingte Aktienkapital (gemäss Artikel 5^{ter} (2a) der Statuten) belief sich auf CHF 264'383.10 (2'643'831 Aktien).

Änderungen des Aktienkapitals im Verlauf des Jahres 2010

Bei der ordentlichen Generalversammlung vom 30. März 2010 stimmten die Aktionäre einer Reduktion des Aktienkapitals um CHF 183'640.40 von CHF 14'747'306.80 auf CHF 14'563'666.40 durch die Vernichtung von 1'836'404 Namenaktien zu. Die Kapitalreduktion erfolgte per 15. Juni 2010. Darüber hinaus stimmten die Aktionäre einer Erhöhung des genehmigten Aktienkapitals auf ein neues Maximum von CHF 1'000'000.00 zu, um dem Unternehmen eine grössere finanzielle Flexibilität im Rahmen des zukünftigen Kapitalmanagements zu ermöglichen, ebenso wie einer Erhöhung des bedingten Aktienkapitals auf ein neues Maximum von CHF 500'000.00, welches in Form von Aktien an Mitarbeitende von Zurich Financial Services AG und deren Tochtergesellschaften im Rahmen von Mitarbeiterbeteiligungsplänen ausgegeben werden kann.

2010 wurden 950’232 Aktien aus dem bedingten Aktienkapital an Mitarbeitende ausgegeben. Somit belief sich das Aktienkapital am 31. Dezember 2010 auf CHF 14'658'689.60 (146'586'896 Aktien). Das genehmigte Kapital und das bedingte Aktienkapital (gemäss Artikel 5^{bis} (1) bzw. Artikel 5^{ter} (1a) der Statuten) beliefen sich auf CHF 1'000'000.00 (10'000'000 Aktien), das andere bedingte Aktienkapital (gemäss Artikel 5^{ter} (2a) der Statuten) belief sich auf CHF 470'836.30 (4'708'363 Aktien).

Veränderung des ordentlichen Aktienkapitals während der letzten zwei Jahre

	Aktienkapital in CHF	Anzahl Aktien	Nennwert in CHF
Per 31. Dezember 2008	14’212’262.00	142’122’620	0.10
Neu ausgegebene Aktien aus genehmigtem Kapital	480’000.00	4’800’000	0.10
Neu ausgegebene Aktien aus bedingtem Kapital	55’044.80	550’448	0.10
Per 31. Dezember 2009	14’747’306.80	147’473’068	0.10
Kapitalreduktion durch Vernichtung von Aktien, die im Rahmen des am 13. Februar 2008 angekündigten Aktienrückkaufprogramms zurückgekauft wurden	183’640.40	1’836’404	0.10
Neu ausgegebene Aktien aus bedingtem Kapital	95’023.20	950’232	0.10
Per 31. Dezember 2010	14’658’689.60	146’586’896	0.10

Informationen zu Aktienkapitalveränderungen im Jahr 2008 sind im Geschäftsbericht 2009, Jahresbericht, von Zurich Financial Services AG, S. 26–27, 146–147 sowie 219–222, enthalten.

Aktien und Partizipationsscheine

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

Einige Anteile werden von den Anlegern in Form von CREST Depository Interests (CDIs)[1] oder American Depositary Receipts (ADRs)[2] gehalten. Per 31. Dezember 2010 hielten Anleger 190'104 CDIs (dies entspricht 190'104 Aktien von Zurich Financial Services AG) und 22'544'200 ADRs (dies entspricht 2'254'420 Aktien von Zurich Financial Services AG).

Genussscheine

Zurich Financial Services AG hat keine Genussscheine emittiert.

Übertragungsbeschränkungen und Nominee-Registrierungen

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

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

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

Wandelanleihen und Optionen

Zurich Financial Services AG verfügte per 31. Dezember 2010 über keine ausstehenden öffentlich gehandelten Wandelanleihen oder Optionen. Informationen über die Aktienoptionspläne für Mitarbeitende finden Sie in Note 25 der Consolidated Financial Statements auf S. 216-218.

[1] CREST ist das System für die papierlose Abwicklung von Wertpapiergeschäften und den Besitz von Wertpapieren in unverbriefter Form in Grossbritannien. CREST hält die Aktien treuhänderisch und gibt dematerialisierte Depository Interests – bekannt als CDIs – aus, die Ansprüche an den Aktien der Zurich Financial Services AG darstellen. Da CDI-Inhaber nicht die rechtmässigen Eigentümer der durch die CDIs vertretenen Aktien sind, sind sie nicht in der Lage, die gleichen Rechte wie ein Aktionär direkt durchzusetzen oder auszuüben. CDI-Inhaber sind jedoch bezüglich der durch die CDIs vertretenen Aktien wirtschaftlich berechtigt und haben somit ein Anrecht auf die wirtschaftlichen Rechte, die mit den Aktien verbunden sind. Jedes CDI steht für eine Aktie der Zurich Financial Services AG.

[2] Die Zurich Financial Services AG hat ein American-Depositary-Share-(ADS-)Level-1-Programm in den Vereinigten Staaten eingeführt. Im Rahmen des Programms gibt die Bank of New York Mellon die ADSs aus. Jede ADS repräsentiert das Recht auf den Erhalt eines Zehntels einer Aktie der Zurich Financial Services AG. Jede ADS steht darüber hinaus auch für Wertpapiere, flüssige Mittel oder sonstige Vermögenswerte, die bei der Bank of New York Mellon hinterlegt sind, jedoch nicht an ADS-Inhaber ausgeschüttet werden. Zurich ADSs werden ausserbörslich (OTC) gehandelt und durch American Depositary Receipts (ADRs) nachgewiesen. Seit dem 1. Juli 2010 werden Zurich ADRs unter dem Kürzel ZFSVY an der «OTCQX», einer elektronischen Plattform, die von OTC Markets Group Inc. (vormals « Pink OTC Markets Inc.») betrieben wird, gehandelt. ADS-Inhaber werden nicht als Aktionäre der Zurich Financial Services AG behandelt und sind nicht in der Lage, Aktionärsrechte direkt durchzusetzen oder auszuüben. Nur die Bank of New York Mellon als Depositary kann Stimmrechte gemäss Weisungen ausüben, die sie von den wirtschaftlich Berechtigten der ADRs erhält.

Verwaltungsrat

Das Verhältnis zwischen Verwaltungsrat und Management ist so strukturiert, dass es beiden Organen möglich ist, ihre Leistungsversprechen einzulösen. Diese Struktur sorgt für gegenseitige Kontrolle und soll die institutionelle Unabhängigkeit des Verwaltungsrats vom Chief Executive Officer (CEO) und der Konzernleitung (Group Executive Committee – GEC) gewährleisten.

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

2 Josef Ackermann
Vizepräsident des Verwaltungsrats,
Mitglied des Governance- und Nominationsausschusses,
Mitglied des Entschädigungsausschusses

3 Susan Bies
Mitglied des Verwaltungsrats,
Mitglied des Risikoausschusses

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

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

6 Fred Kindle
Mitglied des Verwaltungsrats,
Mitglied des Prüfungsausschusses

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

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

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

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

11 Rolf Watter
Mitglied des Verwaltungsrats,
Mitglied des Prüfungsausschusses

Konzernleitung (Group Executive Committee – GEC)

Es ist Zurichs Ziel, der beste Versicherungskonzern aus Sicht der Aktionäre, Kunden und Mitarbeitenden zu werden. Die Konzernleitung strebt danach, dieses Ziel zu verwirklichen.

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
Chairman of the Board of Farmers Group, Inc. & Regional Chairman of the Americas

7 Axel P. Lehmann
Chief Risk Officer

8 Christian Orator
Chief Administrative Officer

9 Cecilia Reyes
Chief Investment Officer

10 Geoff Riddell
Regional Chairman of
Asia-Pacific & Middle East

11 Kristof Terryn
Group Head of Operations

12 Dieter Wemmer
Chief Financial Officer & Regional Chairman of Europe & Africa

[1] Trat am 31. Dezember 2010 als Senior Advisor des GEC zurück.

Bericht über die Corporate Governance *fortgesetzt*

Verwaltungsrat

Mitglieder des Verwaltungsrats, per 31. Dezember 2010

Name	Nationalität	Jahrgang	Position	Jahr der ersten Ernennung	Ablauf der derzeitigen Amtszeit
Manfred Gentz	Deutschland	1942	Präsident des Verwaltungsrats Präsident des Governance- und Nominationsausschusses Mitglied des Entschädigungsausschusses	2005	2011
Josef Ackermann	Schweiz	1948	Vizepräsident des Verwaltungsrats Mitglied des Governance- und Nominationsausschusses Mitglied des Entschädigungsausschusses	2010	2012
Susan Bies	USA	1947	Mitglied des Verwaltungsrats Mitglied des Risikoausschusses	2008	2013
Victor Chu	Grossbritannien	1957	Mitglied des Verwaltungsrats Mitglied des Governance- und Nominationsausschusses	2008	2013
Thomas Escher	Schweiz	1949	Mitglied des Verwaltungsrats Mitglied des Entschädigungsausschusses	2004	2012
Fred Kindle	Schweiz	1959	Mitglied des Verwaltungsrats Mitglied des Prüfungsausschusses	2006	2011
Armin Meyer	Schweiz	1949	Mitglied des Verwaltungsrats Mitglied des Governance- und Nominationsausschusses Mitglied des Risikoausschusses	2001	2013
Don Nicolaisen	USA	1944	Mitglied des Verwaltungsrats Vorsitzender des Prüfungsausschusses Mitglied des Risikoausschusses	2006	2012
Vernon Sankey	Grossbritannien	1949	Mitglied des Verwaltungsrats Vorsitzender des Entschädigungsausschusses	1998[1]	2012
Tom de Swaan	Niederlande	1946	Mitglied des Verwaltungsrats Vorsitzender des Risikoausschusses Mitglied des Prüfungsausschusses	2006	2011
Rolf Watter	Schweiz	1958	Mitglied des Verwaltungsrats Mitglied des Prüfungsausschusses	2002	2013

[1] Herr Sankey war Mitglied verschiedener Verwaltungsräte innerhalb der Holdingstruktur der Gruppe, welche 1998 durch die Fusion von B.A.T. Financial Services und der Zürich Versicherungs-Gesellschaft AG etabliert wurde. Die Holdingstruktur der Gruppe bestand ursprünglich aus der Zurich Group Holding (später Zurich Financial Services genannt), Allied Zurich p.l.c. und Zurich Allied AG und wurde im Oktober 2000 reorganisiert. Seit dieser Vereinheitlichung ist Herr Sankey im Verwaltungsrat von Zurich Financial Services AG tätig.

Mit Ausnahme von Herrn Ackermann, der im April 2010 in sein Amt gewählt wurde, waren alle derzeitigen Verwaltungsratsmitglieder während des gesamten Jahres 2010 im Verwaltungsrat tätig. Herr Pidoux trat an der Generalversammlung 2010 in den Ruhestand. Alle Verwaltungsräte von Zurich Financial Services AG sind auch Mitglieder des Verwaltungsrats der Zürich Versicherungs-Gesellschaft AG. Herr Gentz ist ebenfalls Präsident des Verwaltungsrats dieser Gesellschaft. Weiter ist Herr de Swaan Mitglied im Verwaltungsrat von Zurich Insurance plc und Zurich Life Assurance plc; er ist ferner Vorsitzender des Prüfungsausschusses beider Verwaltungsräte. Herr Nicolaisen und Frau Bies sind Mitglieder des Verwaltungsrats von Zurich Holding Company of America, Inc. (ZHCA) und sind dort auch Mitglieder des Prüfungsausschusses. Abgesehen von Frau Bies, Herrn Nicolaisen und Herrn de Swaan nehmen die Mitglieder des Verwaltungsrats keine weiteren Verwaltungsratsmandate innerhalb der Gruppe wahr.

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

Biografien

Manfred Gentz, 1942, studierte Rechtswissenschaften an den Universitäten von Berlin und Lausanne und schloss sein Studium an der Freien Universität Berlin mit einer Promotion ab. 1970 stiess er zur Daimler-Benz AG, wo er in verschiedenen Positionen tätig war. 1983 wurde er zum Vorstandsmitglied der Daimler-Benz AG gewählt, wo er zunächst für den Bereich Human Resources zuständig war. Von 1990 bis 1995 hatte er die Position des Chief Executive Officer von Daimler-Benz Interservices (debis) in Berlin inne, 1995 wurde er Chief Financial Officer der Daimler-Benz AG. Im Dezember 1998 wurde Herr Gentz in den Vorstand der DaimlerChrysler AG gewählt, wo er bis Dezember 2004 den

Bereich Finanzen und Controlling leitete. Er war Aufsichtsratsmitglied der Agrippina Versicherung AG von 1987 bis 1995 und der Zürich Beteiligungs-Aktiengesellschaft (Deutschland) von 1996 bis 2005. Von 1985 bis 2005 war Herr Gentz im Aufsichtsrat der Hannoverschen Lebensversicherung (ab 1990 als stellvertretender Aufsichtsratspräsident). Von Mai 2005 bis März 2006 war er Präsident des Aufsichtsrats der Eurohypo AG. Für die adidas AG war er von 2004 bis Mai 2009 und für die DWS Investment GmbH von Dezember 1995 bis April 2009 im Aufsichtsrat tätig. Ferner wurde Herr Gentz im Mai 2003 in den Aufsichtsrat der Deutsche Börse AG gewählt, dessen Vorsitz er im Dezember 2008 übernahm. Herr Gentz ist ferner Mitglied der Geschäftsleitung der Internationalen Handelskammer (ICC), Paris, und Präsident von ICC Deutschland. Darüber hinaus ist er Mitglied zahlreicher wissenschaftlicher und kultureller Institutionen.

Josef Ackermann, 1948, studierte Volkswirtschaft und Sozialwissenschaften an der Universität St. Gallen und trat nach Abschluss seiner Promotion im Jahr 1977 in die Schweizerische Kreditanstalt (SKA) ein. 1990 wurde Herr Ackermann in das Executive Board der SKA berufen und 1993 zu dessen Präsidenten ernannt. 1996 trat er in den Vorstand der Deutschen Bank AG ein, wo er für den Bereich Investment Banking zuständig war. 2002 wurde er Sprecher des Vorstands und Vorsitzender der Konzernleitung. Am 1. Februar 2006 wurde Herr Ackermann zum Vorstandsvorsitzenden ernannt. Herr Ackermann ist Mitglied im Aufsichtsrat der Siemens AG (zweiter stellvertretender Vorsitzender), Deutschland, nichtgeschäftsführendes Mitglied des Verwaltungsrats der Royal Dutch Shell plc, Niederlande, und Vizepräsident der Geschäftsleitung der Belenos Clean Power Holding Ltd., Biel. Er engagiert sich zudem u. a. massgeblich im Rahmen der Initiative Finanzstandort Deutschland (Mitglied des Initiatorenkreises), im Institute of International Finance (Präsident des Verwaltungsrats), im Weltwirtschaftsforum (stellvertretender Vorsitzender des Stiftungsrats), in der St. Gallen Stiftung für Internationale Studien (Präsident), im Ehrensenat der Stiftung Lindauer Nobelpreisträgertreffen und in der Metropolitan Opera New York (Advisory Director). 2007 nahm Herr Ackermann eine Ernennung als Gastprofessor im Fachbereich Finance an der London School of Economics an. Im Juli 2008 wurde er zum Honorarprofessor der Johann Wolfgang Goethe-Universität in Frankfurt am Main ernannt. Daneben ist er Honorary Fellow der London Business School und trägt den Ehrendoktortitel der griechischen Demokrit-Universität Thrakien.

Susan Bies, 1947, verfügt über einen BS des State University College at Buffalo, New York, sowie über einen MA der Northwestern University in Evanston, Illinois, wo sie später auch den Doktortitel erlangte. Sie begann ihre Karriere 1970 als Ökonomin bei der Federal Reserve Bank von St. Louis, Missouri, und wurde zwei Jahre später Assistenzprofessorin für Wirtschaftswissenschaften an der Wayne State University in Detroit, Michigan. 1977 ging sie in einer ähnlichen Position an das Rhodes College in Memphis, Tennessee; 1979 wechselte sie zur First Tennessee National Corporation in Memphis, wo sie bis 2001 tätig war. Während der ersten Jahre war sie dort unter anderem für taktische Planung und Unternehmensentwicklung verantwortlich. 1984 wurde sie Chief Financial Officer und Präsidentin des Asset/Liability-Ausschusses. 1995 wurde sie Executive Vice President des Risikomanagements sowie Revisorin und Präsidentin des Exekutivausschusses für Risikomanagement, setzte jedoch ihre Aufgaben im Rahmen des Asset/Liability-Ausschusses fort. Von 2001 bis 2007 war sie Mitglied des Direktoriums des US-Zentralbankensystems (Federal Reserve System). Zwischen 1996 und 2001 war Frau Bies Mitglied der Emerging Issues Task Force des Financial Accounting Standards Board (FASB). Von 2007 bis 2008 war sie Mitglied des Beratungsausschusses der US-Börsenaufsicht (SEC), der sich mit Fragen zur Verbesserung der Jahresberichterstattung beschäftigt, und Präsidentin des Unterausschusses für substanzielle Komplexität. Im Juni 2009 wurde Frau Bies zum Verwaltungsratsmitglied der Bank of America Corporation ernannt.

Victor L.L. Chu, 1957, schloss das Studium am University College London im Jahr 1979 mit einem LL.B. ab. Er ist als Anwalt in Grossbritannien und Hongkong zugelassen. Seit 1982 ist er auf dem Gebiet des Unternehmens-, Handels- und Wertpapierrechts tätig, mit besonderem Schwerpunkt auf China und regionalen Anlagegeschäften. Von 1995 bis 2000 war Herr Chu Deputy Secretary-General der International Bar Association. Seit 1988 ist er als Vorsitzender der First Eastern Investment Group tätig, einem führenden Direktanlageunternehmen, das sich auf China konzentriert. Er ist zudem Vorsitzender der First Eastern Investment Bank Limited und der FE Securities Limited. Während der letzten 20 Jahre war er zu verschiedenen Zeiten Direktor und Ratsmitglied der Hongkonger Börse, Mitglied des Hong Kong Takeovers and Mergers Panel, Mitglied des Beratungsausschusses der Hong Kong Securities and Futures Commission und zeitweise Mitglied der Central Policy Unit der Regierung von Hongkong. Derzeit ist er Mitglied des Stiftungsrats des Weltwirtschaftsforums und Vizepräsident von dessen International Business Council. Zudem ist er bei der Internationalen Handelskammer Vorsitzender der Kommission für Finanzdienstleistungen und Versicherungen sowie Vizepräsident des Asia House in London. Herr Chu ist Treuhänder des in London ansässigen International Business Leaders Forum und des WWF in Hongkong. Ferner ist er Mitglied des Mayor of London's International Business Advisory Council. Zu seinen weiteren Aktivitäten in gemeinnützigen Verbänden zählt sein Einsatz im Rahmen der Beratungsgremien der International Crisis Group, Chatham House, der Beijing Music Festival Foundation und des Atlantic Council der USA.

Thomas Konrad Escher, 1949, schloss sein Studium an der Eidgenössischen Technischen Hochschule (ETH) als Elektroingenieur und Betriebsingenieur ab und kam im Anschluss daran 1974 zu IBM. In den folgenden Jahren hatte er verschiedene Führungspositionen inne – mit Verantwortung für Märkte und Kundenbeziehungen in Übersee, mehreren Ländern Europas und der Schweiz. Von 1996 an war er als Mitglied der Geschäftsleitung des Schweizerischen Bankvereins Chief Executive Officer für die bedeutenden Marktbereiche in der Schweiz und für den Geschäftsbereich Information Technology. 1998, nach der Fusion des Schweizerischen Bankvereins mit der Schweizerischen Bankgesellschaft zur UBS AG, leitete er als Mitglied des Group Managing Board bis Mitte 2005 den IT-Bereich der Sparte Privat- und Firmenkunden der UBS AG. Zum 1. Juli 2005 übernahm er die Funktion des Vice Chairman in der Business Group Global Wealth Management & Business Banking der

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UBS AG. Ferner ist Herr Escher Mitglied des Stiftungsrats der Stiftung Greater Zurich Area, die sich mit dem aktiven Marketing der Stadt Zürich und ihrer Umgebung zwecks Ansiedlung ausländischer Unternehmen befasst.

Fred Kindle, 1959, schloss sein Maschinenbaustudium an der Eidgenössischen Technischen Hochschule (ETH) in Zürich mit einem Master ab. Von 1984 bis 1986 arbeitete er als Marketing-Projektmanager bei der Hilti AG in Liechtenstein. Dann schrieb er sich an der Northwestern University in Evanston, Illinois, USA, ein, wo er einen MBA erlangte. Von 1988 bis 1992 war er Berater bei McKinsey & Company in New York und Zürich. Danach trat er in die Sulzer Chemtech AG in der Schweiz ein, wo er zunächst als Leiter des Profit Center Stoffaustausch und ab 1996 als Leiter der Product Division fungierte. 1999 wurde Herr Kindle zum Chief Executive Officer von Sulzer Industries ernannt, einer der beiden operativen Einheiten der Sulzer AG. Zwei Jahre später wurde er Chief Executive Officer der Sulzer AG, wo er auch als Mitglied des Verwaltungsrats fungierte. Nach seinem Wechsel zu ABB Ltd. im Jahr 2004 wurde Herr Kindle im Januar 2005 zum Chief Executive Officer der ABB Group ernannt; diese Funktion hatte er bis Februar 2008 inne. Danach wurde er Partner der Private-Equity-Unternehmens CD & R mit Sitz in New York und London. In seiner Funktion als Partner dieser Firma ist er auch als Verwaltungsratspräsident der Exova Ltd., Schottland, der BCA Group, Grossbritannien, und als Mitglied des Verwaltungsrats der Rexel SA, Frankreich, tätig. Darüber hinaus ist er Mitglied im Verwaltungsrat der VZ Holding Ltd., Zürich, und der Stadler Rail AG in Bussnang.

Armin Meyer, 1949, erwarb einen Doktortitel in Elektrotechnik an der Eidgenössischen Technischen Hochschule (ETH) in Zürich, bevor er 1976 als Entwicklungsingenieur zur damaligen BBC Brown Boveri AG kam. 1980 wurde er Leiter des Bereichs Forschung und Entwicklung von Industriemotoren und 1984 Leiter der internationalen Geschäftseinheit für elektrische Generatoren. 1988 wurde er Präsident der ABB Drives AG und 1992 Präsident der ABB Kraftwerke AG. Von 1995 bis 2000 war er Executive Vice President der ABB AG und Mitglied der Konzernleitung. Herr Meyer wurde in den Verwaltungsrat der Ciba Spezialitätenchemie gewählt, als sich dieses Unternehmen 1997 von Novartis abspaltete. Im Herbst 2000 wurde er zum Verwaltungsratspräsidenten von Ciba Spezialitätenchemie ernannt; bis April 2009 war er in dieser Funktion tätig. Vom 1. Januar 2001 bis zum 31. Dezember 2007 war er darüber hinaus als Chief Executive Officer dieses Unternehmens tätig. Im April 2010 wurde er Mitglied des Verwaltungsrats von Amcor Limited in Melbourne, Australien. Herr Meyer ist Mitglied der Konzernleitung und des Stiftungsrats des International Institute for Management Development (IMD) in Lausanne, Schweiz. Von 2001 bis 2008 war er Mitglied des European Chemical Industry Council (Cefic) in Brüssel, Belgien.

Don Nicolaisen, 1944, schloss sein Studium an der University of Wisconsin-Whitewater mit einem BBA ab und kam daraufhin zu Price Waterhouse (in der Folge PricewaterhouseCoopers), wo er 1978 Partner wurde. Er war in verschiedenen Funktionen tätig, unter anderem als Wirtschaftsprüfer und Präsident der Financial Services Practices von PricewaterhouseCoopers. Von 1988 bis 1994 leitete er bei PwC die US-amerikanische Abteilung für Rechnungslegung und SEC-Dienstleistungen und war von 1994 bis 2001 Mitglied des US-amerikanischen sowie des internationalen Verwaltungsrats. Von September 2003 bis November 2005 fungierte Herr Nicolaisen als Chefbuchhalter der US-Börsenaufsicht (SEC); zudem war er leitender Berater der Kommission für Rechnungslegungs- und Revisionsangelegenheiten. Er ist Verwaltungsratsmitglied von Verizon Communications Inc., Morgan Stanley und MGIC Investment Corporation. Ferner ist er Mitglied des Beirats der University of Southern California Leventhal School of Accounting.

Vernon Louis Sankey, 1949, erwarb einen MA am Oriel College in Oxford und trat 1971 in die Firma Reckitt & Colman in Grossbritannien ein, für die er in Frankreich, Dänemark, Grossbritannien und in den USA arbeitete. 1989 wurde er zum Verwaltungsratsmitglied ernannt und hatte von 1991 bis 1999 die Position des Chief Executive Officer im Unternehmen inne. Von 2000 bis September 2007 war er Präsident des Verwaltungsrats von Photo-Me International plc. Herr Sankey war Verwaltungsratsmitglied bei der Cofra AG in der Schweiz von 2001 bis Juni 2007 und bei Taylor Woodrow plc von 2004 bis Juli 2007. Von 2005 bis 2008 war er im Aufsichtsrat der Vividas Group plc. vertreten. Seit 1. Januar 2006 ist er Mitglied des Aufsichtsrats von Atos Origin SA, Paris, und seit Oktober 2006 Mitglied des Verwaltungsrats von Firmenich SA, Genf, wo er im Oktober 2008 zum Verwaltungsratspräsidenten ernannt wurde. Er war Präsident des Verwaltungsrats von Thompson Travel Group plc bis August 2000, von Gala Group Holdings plc bis Februar 2003 und von The Really Effective Development Company Ltd bis März 2006. Ferner war er bis April 2006 Mitglied des Verwaltungsrats von Pearson plc und ist ehemaliger Verwaltungsrat des britischen Instituts für Lebensmittelstandards (UK Food Standards Agency). Zusätzlich zu seinen Verwaltungsratsmandaten ist Herr Sankey auch für verschiedene Unternehmen als Berater tätig.

Tom de Swaan, 1946, schloss sein Studium der Wirtschaftswissenschaften an der Universität von Amsterdam mit einem Master ab. 1972 kam er zur De Nederlandsche Bank N.V., wo er von 1986 bis 1998 Mitglied des Direktoriums war. Im Januar 1999 wurde er Mitglied der erweiterten Geschäftsleitung und Chief Financial Officer der ABN AMRO Bank. Er verliess ABN AMRO am 1. Mai 2006, stand der erweiterten Geschäftsleitung aber in beratender Funktion bis Juni 2007 weiterhin zur Verfügung. Herr de Swaan ist nicht geschäftsführendes Mitglied des Verwaltungsrats von GlaxoSmithKline sowie Vorsitzender des Prüfungsausschusses dieses Unternehmens. Er ist Mitglied des Aufsichtsrats des niederländischen Chemiekonzerns Royal DSM. Seit dem 3. Mai 2007 ist er ferner Vizepräsident des Aufsichtsrats von Royal Ahold, einem weltweit tätigen Einzelhandelsunternehmen, und seit dem 10. Mai 2008 auch Präsident des Aufsichtsrats von Van Lanschot NV, der Holdinggesellschaft von F. van Lanschot Bankiers, einer unabhängigen niederländischen Bank. Seit dem 1. Oktober 2010 ist er Mitglied des Public Interest Committee von KPMG ELLP. Von 1987 bis 1988 war Herr de Swaan Vorsitzender des Amsterdam Financial Center und von 1995 bis 1997 Vorsitzender des Unterausschusses der Bankenaufsicht des Euroäischen Währungsinstituts. Überdies war er Mitglied (1991-1996) und Vorsitzender (1997–1998) des Basler Ausschusses für Bankenaufsicht. Herr de Swaan war zudem von Januar 2001 bis Ende 2006 nicht geschäftsführendes Mitglied des Board der Financial Services

Authority in Grossbritannien. Er ist ausserdem Direktor mehrerer Non-Profit-Organisationen. Unter anderem ist Tom de Swaan Treasurer des Verwaltungsrats des Royal Concertgebouw Orchestra, des Netherlands Cancer Institute sowie der International Franz Liszt Piano Competition. Darüber hinaus ist er Vorsitzender des Advisory Board der Rotterdam School of Management.

Rolf Urs Watter, 1958, schloss sein Jurastudium mit Promotion an der Universität Zürich ab und verfügt über einen Master of Laws der Georgetown University in den USA. Er ist im Kanton Zürich als Rechtsanwalt zugelassen. Seit 1994 ist er Partner der Anwaltskanzlei Bär & Karrer in Zürich und war ab 2000 Mitglied der Geschäftsleitung. Seit der Gründung der Bär & Karrer AG im Jahr 2007 war er bis September 2009 geschäftsführendes Mitglied des Verwaltungsrats. Weiter ist er ein nicht geschäftsführendes Verwaltungsratsmitglied der Nobel Biocare Holding AG (seit 2007), der Syngenta AG (seit 2000), der UBS Alternative Portfolio AG (seit 2000) und der A.W. Faber-Castell (Holding) AG (seit 1997). Zuvor war er nicht geschäftsführender Präsident des Verwaltungsrats der Cablecom Holding AG (2004–2008) sowie nichtgeschäftsführendes Verwaltungsratsmitglied der Centerpulse AG (2002–2003), der Forbo Holding AG (1999–2005) und der Feldschlösschen Getränke AG (2001–2004). Zudem unterrichtet Herr Watter nebenamtlich als Professor für Rechtswissenschaften an der Universität Zürich. Darüber hinaus ist er Mitglied des Regulatory Board und der Fachkommission der Offenlegungsstelle der SIX Swiss Exchange. Ferner ist er Verwaltungsratspräsident von zwei Wohltätigkeitsorganisationen.

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

Wahlen und Amtszeiten

Gemäss den Statuten besteht der Verwaltungsrat aus mindestens sieben und maximal 13 Mitgliedern. Die ordentliche Amtsdauer beträgt drei Jahre. Nach Ablauf ihrer Amtszeit können sich die Verwaltungsräte zur Wiederwahl stellen. Die Statuten verlangen, dass die Wahlen so organisiert werden, dass bei einer ordentlichen Generalversammlung nie mehr als vier Verwaltungsratsmandate gleichzeitig enden. Die Verwaltungsratsmitglieder werden einzeln und durch Mehrheitsbeschluss gewählt. Das Organisationsreglement von Zurich Financial Services AG bestimmt, dass keine Person, die älter als 70 Jahre ist, in den Verwaltungsrat gewählt werden oder als Verwaltungsrat tätig sein kann. Unter speziellen Umständen sind jedoch Ausnahmen von dieser Regel zulässig.

Bei der ordentlichen Generalversammlung am 30. März 2010 wurde Herr Ackermann für eine Amtsdauer von zwei Jahren als neues Mitglied in den Verwaltungsrat gewählt. Frau Bies und die Herren Meyer, Chu und Watter wurden vom Verwaltungsrat für eine Amtsdauer von drei Jahren wiedergewählt. Zur ordentlichen Generalversammlung vom 31. März 2011 enden die Verwaltungsratsmandate der Herren Gentz, de Swaan und Kindle. Alle drei Mitglieder des Verwaltungsrates wurden vom Verwaltungsrat zur Wiederwahl vorgeschlagen. Herr Gentz wurde für eine weitere Amtszeit von einem Jahr und die Herren de Swaan und Kindle für eine weitere Amtszeit von drei Jahren vorgeschlagen.

Interne Organisationsstruktur

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

Die Verwaltungsratsmitglieder gehören sämtlich nicht dem Management an, sind vom Management unabhängig und hatten nie eine Managementfunktion in der Gruppe inne. Der Governance- und Nominationsausschuss überprüft jährlich die Unabhängigkeit der Verwaltungsratsmitglieder und teilt seine Erkenntnisse dem Verwaltungsrat mit, der für die definitiven Entscheidungen zuständig ist. Für die Verwaltungsratsmitglieder gelten zudem die Vorschriften und Regeln zur Vermeidung von Interessenkonflikten und zur Verwendung von Insider-Informationen. Einmal jährlich erfolgt eine Selbstbeurteilung des gesamten Verwaltungsrats. 2010 erfolgte diese auf der Basis eines umfassenden Fragebogens. Ein detaillierter Bericht wurde für den Verwaltungsrat verfasst und von diesem erörtert.

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

Der Chief Executive Officer nimmt ex officio an den Verwaltungsratssitzungen teil. Die Mitglieder der Konzernleitung nehmen regelmässig auf Einladung an den Verwaltungsratssitzungen teil. Andere Führungskräfte sind hin und wieder auf Einladung des Verwaltungsrats bei dessen Sitzungen anwesend. Die meisten Verwaltungsratssitzungen enthalten nicht öffentliche Beratungen, bei denen die Geschäftsleitung nicht anwesend ist.

Der Verwaltungsrat bestimmt unter seinen Mitgliedern den Präsidenten sowie den Vizepräsidenten und ernennt seine(n) Sekretär(in).

Der Verwaltungsrat ist verpflichtet, sich mindestens sechsmal pro Jahr zu treffen; im Jahr 2010 wurden 13 Sitzungen abgehalten (bei fünf dieser Sitzungen waren einzelne Teilnehmende via Telefon zugeschaltet, und zwei Sitzungen erstreckten sich über einen Zeitraum von zwei Tagen). Eine Sitzung war ausschliesslich strategischen Themen gewidmet. Sieben Sitzungen dauerten zwischen vier und acht Stunden pro Tag, die übrigen fünf Sitzungen nahmen je rund zwei Stunden in Anspruch. Darüber hinaus hat der Verwaltungsrat einstimmig drei Zirkulationsbeschlüsse getroffen.

2010 nahmen durchschnittlich 88% der Verwaltungsratsmitglieder an den Sitzungen teil. Um ihre Pflichten zu erfüllen, wenden die Verwaltungsratsmitglieder zusätzlich Zeit auf für die Teilnahme an Sitzungen der Verwaltungsratsausschüsse und für die Vorbereitung der Sitzungen.

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Der Verwaltungsrat kann für spezifische Bereiche aus Verwaltungsratsmitgliedern bestehende Ausschüsse ernennen und Regeln hinsichtlich der Kompetenzen sowie der Berichterstattung der entsprechenden Ausschüsse festlegen. Die Ausschüsse unterstützen den Verwaltungsrat bei der Erfüllung seiner Aufgaben und Pflichten. Soweit die Ausschüsse nicht zur Beschlussfassung ermächtigt sind, diskutieren sie die betreffenden Angelegenheiten, bevor diese dem Verwaltungsrat unterbreitet werden, und machen dem Verwaltungsrat Vorschläge bezüglich der anstehenden Massnahmen und Beschlüsse. Im Durchschnitt dauerten die Sitzungen der Ausschüsse im Jahr 2010 zwischen zwei und drei Stunden. Der Verwaltungsrat verfügt über die nachfolgend erwähnten ständigen Ausschüsse, die regelmässig Bericht erstatten und dem Verwaltungsrat Anträge zur Entscheidung vorlegen.

Der **Governance- und Nominationsausschuss** besteht aus vier Verwaltungsratsmitgliedern. Der Ausschuss überwacht die Governance der Gruppe und bewertet sie anhand von Best-Practice-Ansätzen, wobei sichergestellt wird, dass die Rechte der Aktionäre in vollem Umfang geschützt werden. Weiter entwickelt er Richtlinien zur Corporate Governance, schlägt sie dem Verwaltungsrat vor und überprüft sie in regelmässigen Abständen. Der Governance- und Nominationsausschuss ist ferner mit der Nachfolgeplanung des Verwaltungsrats und des Chief Executive Officer sowie der Mitglieder der Konzernleitung und des Group Management Board (GMB) betraut. Er schlägt die Grundsätze für die Ernennung und die kontinuierliche Qualifikation der Verwaltungsratsmitglieder vor und unterbreitet dem Verwaltungsrat Vorschläge zu dessen Zusammensetzung und zur Ernennung des Präsidenten und Vizepräsidenten des Verwaltungsrats sowie des Chief Executive Officer und der übrigen Mitglieder der Konzernleitung und des GMB. Der Ausschuss überwacht des Weiteren die Ausbildung des Führungsnachwuchses und überprüft die erzielten Fortschritte bei der Nachfolgeplanung. Abschliessende Entscheidungen über Nominationen und Ernennungen werden vom Verwaltungsrat getroffen, vorbehaltlich der Zustimmung der Aktionäre, sofern diese erforderlich ist. Der Governance- und Nominationsausschuss tagte 2010 viermal (einmal zusammen mit dem Entschädigungsausschuss und dem Risikoausschuss). Insbesondere wurden dabei die Ernennung und die laufende Überprüfung der Qualifikationen der Verwaltungsratsmitglieder sowie die Nachfolgeplanung der Mitglieder der Unternehmensführung behandelt. Durchschnittlich nahmen 94% der Mitglieder des Governance- und Nominationsausschusses an den Sitzungen teil.

Der **Entschädigungsausschuss** besteht aus vier Verwaltungsratsmitgliedern. Er bewertet regelmässig das Vergütungssystem sowie die Vergütungsgrundsätze der Gruppe und schlägt dem Verwaltungsrat ggf. entsprechende Änderungen vor. Ferner schlägt er dem Verwaltungsrat das Honorar der Mitglieder zur Genehmigung vor. Gestützt auf die Vergütungsgrundsätze, verhandelt der Entschädigungsausschuss die Anstellungsbedingungen des Chief Executive Officer und prüft die der Mitglieder der Konzernleitung – die durch den Chief Executive Officer ausgehandelt werden –, bevor er sie dem Verwaltungsrat zur Genehmigung unterbreitet. Der Entschädigungsausschuss genehmigt die durch den Chief Executive Officer ausgehandelten Anstellungsvereinbarungen für die zusätzlichen Mitglieder des GMB und arbeitet mit ihm bei wichtigen Fragen hinsichtlich Anstellung, Entlohnung und Zusatzleistungen zusammen. Im Übrigen überprüft der Ausschuss die Performance im Zusammenhang mit den kurz- und langfristigen Incentive-Programmen für Führungskräfte. Um sicherzustellen, dass bei Vergütungsfragen auch Unternehmensrisiken angemessen berücksichtigt werden, gibt Group Risk Management eine Überblick über die Risikofaktoren, die in die Gesamtbetrachtung der Gesamtleistung im Hinblick auf zu gewährende Anreize einzubeziehen sind. Der Chief Risk Officer steht dem Entschädigungsausschuss und dem Verwaltungsrat zur Erörterung dieser Risikoanalyse zur Verfügung. Zur Unterstützung bei der Überprüfung der Kompensationssysteme und Vorgehensweisen verfügt der Entschädigungsausschuss mit Meridian und Aon Hewitt über einen eigenen unabhängigen Berater. Der Entschädigungsausschuss tagte 2010 viermal (einmal zusammen mit dem Governance- und Nominationsausschuss sowie dem Risikoausschuss), wobei im Durchschnitt 88% der Mitglieder anwesend waren. Einzelheiten zu den Vergütungsgrundsätzen der Gruppe finden Sie im Bericht über Honorare und Entschädigungen, S. 46–65.

Der **Prüfungsausschuss** setzt sich aus vier Mitgliedern zusammen, die bestimmte Voraussetzungen hinsichtlich Unabhängigkeit und Qualifikation erfüllen müssen. Gemäss den internen Richtlinien des Prüfungsausschusses muss der Prüfungsausschuss als Gremium: (i) Verständnis der International Financial Reporting Standards (IFRS) und der Jahresrechnung besitzen, (ii) über die Fähigkeit verfügen, die allgemeine Anwendung dieser Standards im Hinblick auf Schätzungen, Abgrenzungen und Rückstellungen zu beurteilen, (iii) Erfahrung in der Vorbereitung, Prüfung, Analyse und Bewertung von Jahresrechnungen aufweisen, die bezüglich Umfang und Komplexität der Rechnungslegungsfragen mit denjenigen von Zurich Financial Services AG und der Gruppe vergleichbar sind, oder Erfahrung besitzen in der aktiven Überwachung einer oder mehrerer Personen, die in diesen Bereichen tätig sind, (iv) die internen Kontrollmechanismen und Verfahren im Rahmen der finanziellen Berichterstattung sowie (v) die Funktionen des Prüfungsausschusses verstehen. Der Prüfungsausschuss tagte 2010 siebenmal. Durchschnittlich nahmen 96% der Mitglieder an den Sitzungen teil.

Der Prüfungsausschuss ist die zentrale Anlaufstelle für die Kommunikation und Beaufsichtigung in Bezug auf Rechnungslegung und Berichterstattung, interne Kontrolle, Versicherungsmathematik und Compliance innerhalb des Managements. Der Ausschuss ist verantwortlich für die Kontrolle des Prüfungsprozesses der Gruppe (einschliesslich der Festlegung der Grundsätze und der Unterbreitung von Vorschlägen für die Rechnungsprüfung von Zurich Financial Services AG und der Gruppe). Der Ausschuss überprüft ferner die internen Kontrollsysteme. An Sitzungen zur Besprechung der Revisionsberichte, zur Überprüfung und Auswertung des Prüfungskonzepts und des Prüfungsablaufs sowie zur Beurteilung der Tätigkeiten von externen und internen Revisoren nehmen die externen Revisoren, die Vertreter der internen Revision und die zuständigen Mitglieder von Konzernleitung und GMB sowie weitere Führungskräfte teil. Weitere Informationen zur Überwachung und Kontrolle des externen Prüfungsprozesses finden sich auf S. 43. Der Prüfungsausschuss überprüft die internen Kontrollstandards mindestens einmal jährlich, einschliesslich der Tätigkeit, Planung, Organisation und Qualität der internen Revision und von Group Compliance.

Der Prüfungsausschuss kontrolliert ebenfalls die Jahres-, Halbjahres- und Quartalsergebnisse des Konzerns, bevor sie dem Verwaltungsrat vorgelegt werden. Die meisten Sitzungen des Prüfungsausschusses sind als separate Treffen mit externen und internen Revisoren vorgesehen, um Diskussionen in Abwesenheit der Konzernleitung zu ermöglichen.

Erläuterungen zur internen Kontrolle und zu den bestehenden internen Kontrollmechanismen gemäss der britischen Turnbull-Richtlinie finden sich auf S. 44–45.

Der **Risikoausschuss** setzt sich aus vier Mitgliedern zusammen. 2010 tagte er sechsmal (einmal zusammen mit dem Governance- und Nominationsausschuss sowie dem Risikoausschuss), wobei im Durchschnitt 100% der Mitglieder anwesend waren. Der Risikoausschuss überwacht das Risikomanagement der Gruppe, insbesondere deren Risikotoleranz. Dazu gehören festgelegte Obergrenzen, die vom Verwaltungsrat als für Zurich tragbar erachtet werden, ebenso wie die Aggregation festgelegter Obergrenzen auf Gruppenebene, die Überwachung der Einhaltung festgesetzter Risikogrenzen sowie die Risikotoleranz der Gruppe in Bezug auf die erwartete Höhe des Risikokapitals. Darüber hinaus prüft er die gruppenweite Governance in diesem Bereich, einschliesslich Risikomanagement und Risikokontrolle, Risikopolitik und deren Umsetzung sowie Risikostrategie und Überwachung der operativen Risiken. Ferner kontrolliert der Risikoausschuss die bei der Risikobemessung angewendeten Methoden und die Einhaltung der Risikoobergrenzen der Gruppe; ebenso überprüft er die Performance der Risikomanagement-Funktion. Darüber hinaus prüft er zusammen mit der Geschäftsleitung und dem Group Risk Management die allgemeinen Richtlinien und Vorgehensweisen der Gruppe und überzeugt sich davon, dass ein funktionierendes Risikomanagementsystem besteht und aufrechterhalten wird. Der Risikoausschuss wird regelmässig vom Group Risk Management informiert und überwacht, ob wichtige Risikomanagement- und Kontrollfragen vom Management angemessen und rechtzeitig behandelt werden. Weitere Informationen zur Risk Governance finden Sie im Risk Review (S. 95–131).

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

Verantwortungsbereiche von Verwaltungsrat und Management

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

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

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

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

Die Gruppe verfügt über ein Informations- und Jahresberichterstattungssystem. Der Jahresplan der Gruppe, der gewisse finanzielle und operative Messgrössen umfasst, wird von der Konzernleitung im Detail geprüft und vom Verwaltungsrat verabschiedet. Monatlich werden Updates erstellt, um die tatsächliche mit der geplanten Performance zu vergleichen. Die Gesamtjahresprognosen werden bei Bedarf revidiert, um

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Veränderungen in sensitiven und risikoreichen Bereichen, die das Gruppenergebnis beeinflussen könnten, Rechnung zu tragen. Kommt es zu Abweichungen vom Plan, werden – wenn nötig – entsprechende Massnahmen eingeleitet. All diese Informationen werden von der Konzernleitung monatlich und vom Verwaltungsrat quartalsweise geprüft.

Ferner besitzt die Gruppe ein koordiniertes und formalisiertes Konzept für das Risikomanagement und die Risikokontrolle. Informationen zum Risikomanagementprozess der Gruppe sind im Risk Review ab S. 95 zu finden.

Das Verfahren und die Ergebnisse dieses Vorgehens werden nachstehend auf S. 44 und 45 unter dem Abschnitt «Erklärung zum Risikomanagement und zur internen Kontrolle» beschrieben.

Die interne Revision und die externen Revisoren sowie die Compliance-Funktion unterstützen den Verwaltungsrat bei der Wahrnehmung seiner Kontroll- und Überwachungsaufgaben. Informationen zu den wichtigsten Tätigkeiten dieser Funktionen finden sich auf S. 42–44.

Management Board
Konzernleitung

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

An der Spitze der Konzernleitung steht der Chief Executive Officer. Zu den weiteren Mitgliedern der Konzernleitung gehörten per 31. Dezember 2010 der Chief Financial Officer, der Chief Investment Officer, der Chief Risk Officer, der Chief Administrative Officer und der Group Head of Operations. Um sowohl die Geschäftsbereiche als auch die Regionen zu reflektieren, sind die Chief Executive Officers der Geschäftssegmente General Insurance, Global Life und Farmers sowie der Chief Executive Officer von North America Commercial und die Regional Chairmen von Europe & Africa, Americas und Asia-Pacific & Middle East ebenfalls in der Konzernleitung vertreten.

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

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

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

Darüber hinaus legt die Gruppe verstärkt Wert auf die Meinung externer Experten, um mögliche Herausforderungen und Risiken besser verstehen und beurteilen zu können. Ende 2010 verfügte die Gruppe über vier Gremien mit führenden Akademikern sowie Unternehmens- und Branchenexperten, die Feedback und Erkenntnisse lieferten. Dabei handelt es sich nicht um Organe der Gruppe. Ebenso verfügen die Gremien auch über keinerlei Entscheidungsbefugnisse. Sie stehen der Geschäftsleitung oder gewissen Funktionen der Gruppe lediglich mit Know-how oder beratend zur Seite. Der International Advisory Council hat die Aufgabe, dem Chief Executive Officer sowie den Mitgliedern der Konzernleitung (Group Executive Committee) und des Group Management Board seine Sicht und Expertenmeinung zu Wachstum und Public-Policy-Strategien der Gruppe darzulegen. Der Investment Management Advisory Council gibt Feedback zu den Anlageergebnissen und -strategien von Zurich und äussert sich zu der Frage, wie in Relation zu den Risiken der Verbindlichkeiten hochwertige risikobereinigte Anlagerenditen erzielt werden können. Der Natural Catastrophe Adivsory Council liefert Erkenntnisse zu Häufigkeit, Vorhersehbarkeit und Zerstörungskraft von Katastrophen und liefert Feedback zu den von Zurich in diesem Bereich getroffenen Massnahmen zur Verbesserung der Effizienz des Underwriting und des Erwerbs von Rückversicherungsdeckung. Der Climate Change Advisory Council der Gruppe informiert und berät bei Problemstellungen im Zusammenhang mit der Klimaveränderung.

Mitglieder der Konzernleitung, per 31. Dezember 2010

Name	Nationalität	Jahrgang	Position
Martin Senn	Schweiz	1957	Chief Executive Officer
John Amore	USA	1948	Senior Advisor
Mike Foley	USA	1962	Chief Executive Officer North America Commercial
Mario Greco	Italien	1959	Chief Executive Officer General Insurance
Kevin Hogan	USA	1962	Chief Executive Officer Global Life
Paul Hopkins	USA	1956	Chairman of the Board of Farmers Group, Inc. & Regional Chairman of the Americas
Axel Lehmann	Schweiz	1959	Chief Risk Officer
Christian Orator	Schweiz/Österreich	1963	Chief Administrative Officer
Cecilia Reyes	Schweiz/Philippinen	1959	Chief Investment Officer
Geoff Riddell	Grossbritannien	1956	Regional Chairman of Asia-Pacific & Middle East
Kristof Terryn	Belgien	1967	Group Head of Operations
Dieter Wemmer	Deutschland	1957	Chief Financial Officer & Regional Chairman of Europe & Africa

Mit Ausnahme von Cecilia Reyes, Kevin Hogan, Kristof Terryn und Christian Orator waren alle aktuellen Mitglieder im gesamten Jahr 2010 in der Konzernleitung tätig. Per April 2010 wurde Cecilia Reyes zum Chief Investment Officer und Mitglied der Konzernleitung ernannt. Per Juli 2010 wurden Kevin Hogan zum Chief Executive Officer Global Life und Kristof Terryn zum Group Head of Operations ernannt. Diese neue Position dient dazu, die gemeinsamen Dienstleistungen, IT und Procurement der Gruppe abzustimmen und fortlaufende Initiativen zur operativen Verbesserung voranzutreiben. Beide waren ab diesem Zeitpunkt als Mitglieder der Konzernleitung tätig. In Zusammenhang mit der Ernennung von Herrn Hogan übernahm Mario Greco die neue Position als Chief Executive Officer General Insurance. Per September 2010 wurde Christian Orator in die Konzernleitung gewählt und übernahm die Funktion des Chief Administrative Officer. John Amore trat Ende 2010 von seiner Funktion in der Konzernleitung zurück.

Informationen zu vertraglichen Abfindungen finden sich auf S. 42.

Biografien

Martin Senn, 1957, schloss eine Bankausbildung an der Handelsschule Basel, Schweiz, ab und absolvierte ein International Executive Program am INSEAD in Fontainebleau sowie ein Advanced Management Program an der Harvard Business School. Als Bankfachmann arbeitete er von 1976 bis 1994 beim damaligen Bankverein, unter anderem als Treasurer in Hongkong und Regional Treasurer für Asien und den pazifischen Raum in Singapur, bevor er schliesslich die Führung der Bankverein-Niederlassung in Tokio übernahm. 1994 wechselte er zu Credit Suisse, wo er Führungsaufgaben als Treasurer für den Hauptsitz und für Europa sowie als Chairman und Turnaround Manager der Credit-Suisse-Gruppe in Japan übernahm. Im Rahmen seines Mandats in Japan nahm er die Umstrukturierung und Neupositionierung der japanischen Tochtergesellschaften von Credit Suisse vor. Im Jahr 2001 wurde Martin Senn Mitglied der Geschäftsleitung von Credit Suisse und Leiter des Bereichs Trading and Investment Services. Von 2003 bis 2006 war er Chief Investment Officer und Mitglied der Geschäftsleitung der Swiss-Life-Gruppe. Herr Senn kam am 1. April 2006 als Chief Investment Officer zu Zurich und wurde gleichzeitig Mitglied der Konzernleitung. Per 1. Januar 2010 wurde er zum Chief Executive Officer von Zurich ernannt. Er ist Mitglied des Leitungsausschusses von Avenir Suisse und Treasurer der Zurich Association of Economics. Darüber hinaus ist er Honorarkonsul der Republik Korea in Zürich und Mitglied des Verwaltungsrats der Schweizerisch-Amerikanischen Handelskammer. Ausserdem ist er Mitglied des Verwaltungsrats der Genfer Vereinigung sowie des Institute of International Finance (IIF). Herr Senn ist Vertreter des Property and Casualty CEO Roundtable, Mitglied des Pan European Insurance Forum (PEIF), des European Financial Services Roundtable (EFR), des Beirats der Tsinghua School of Economics and Management und des Beirats des Lucerne Festival. Zuvor war er Verwaltungsrat bei verschiedenen Banken und Finanzdienstleistungsinstituten.

John J. Amore, 1948, hat einen Hochschulabschluss in Management der Embry-Riddle Aeronautical University, Daytona Beach, USA, und einen MBA in Finanzwissenschaft der New York University. Bevor er 1992 zu Zurich kam, war er Vizepräsident des Verwaltungsrats der Commerce and Industry Insurance Company, einer Tochtergesellschaft der American International Group (AIG). Später nahm er den Posten des Chief Executive Officer der US-Geschäftseinheit Specialities von Zurich ein und wurde im Dezember 2000 zum Chief Executive Officer von Zurich US ernannt. Im Juli 2001 wurde er zum Mitglied der Konzernleitung ernannt und übernahm gleichzeitig die Funktion des Chief Executive Officer des Geschäftsbereichs North America Corporate. Letztere Funktion übte er bis Ende August 2004 aus. Von April 2004 bis Juni 2010 war er Chief Executive Officer des Geschäftsbereichs General Insurance; im Juli 2010 wurde er zum Senior Advisor der Konzernleitung ernannt. Herr Amore war von 2001 bis März 2008 Mitglied im Verwaltungsrat der American Insurance Association, unter anderem als Verwaltungsratspräsident. Er ist als Direktor des Inspektorenvorstands der School of Risk Management, Insurance and Actuarial Science an der St. John's University in New York tätig. Von 2003 bis Dezember 2010 war er gewählter Partner innerhalb der Partnership for New York City, einer Organisation, die sich dem Erhalt der Stellung von New York als globalem Handels- und Innovationsstandort widmet. Weiterhin war Herr Amore von 2008 bis Dezember 2010 im Verwaltungsrats der US-Handelskammer tätig. Mit Wirkung vom 31. Dezember 2010 legte er sein Mandat als Mitglied der Konzernleitung der Zurich nieder.

Mike Foley, 1962, verfügt über einen Hochschulabschluss in Mathematik und Wirtschaftswissenschaften der Fairfield University, Connecticut. 1984 nahm er am Financial Manage-

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

Mario Greco, 1959, besitzt einen Wirtschaftsabschluss der Universität Rom sowie einen Master in International Economics and Monetary Theory der Universität Rochester, New York, USA. Herr Greco begann seine berufliche Laufbahn im Bereich Management Consulting. Von 1986 bis 1994 arbeitete er für McKinsey & Company in Mailand, wo er 1992 Partner und Partner Leader im Bereich Versicherung wurde. 1995 kam er zur RAS (Allianz-Gruppe) in Mailand als Chef des Schadenversicherungsgeschäfts. Im darauffolgenden Jahr wurde er zum General Manager für das gesamte Versicherungsgeschäft und im Jahr 1998 zum Managing Director ernannt. 2000 wurde er Chief Executive Officer des Unternehmens – eine Position, die er vier Jahre lang innehatte. 2004 wurde er zum Leiter des Life-Sustainability-Geschäfts der Allianz in München ernannt; im Laufe dieses Jahres berief man ihn zudem in die Geschäftsleitung der Allianz AG, wo ihm die Verantwortung für Frankreich, Italien, Spanien, Portugal, Griechenland und die Türkei übertragen wurde. Im April 2005 wechselte er zur Sanpaolo IMI Group in Mailand und arbeitete als Chief Executive Officer von Eurizon-Vita, ehemals Aip, mit an einem Projekt zum Aufbau des Versicherungs- und Vermögensverwaltungsgeschäfts der Gruppe. Im Oktober 2005 wurde er zum Chief Executive Officer von EFG ernannt, der Gesellschaft, die die Kapitalanlagen der Sanpaolo IMI Group an EurizonVita, Banca Fideuram und Eurizon Capital hält. Am 1. Oktober 2007 kam er als designierter Chief Executive Officer Global Life zu Zurich, wurde Mitglied der Konzernleitung und übernahm im April 2008 die Funktion des Chief Executive Officer Global Life. Seit Juli 2010 ist er als Chief Executive Officer General Insurance tätig. Herr Greco ist ebenfalls Mitglied des Verwaltungsrats von Gruppo Editoriale l'Espresso, Indesit und Saras.

Kevin Hogan, 1962, verfügt über einen Hochschulabschluss vom Dartmouth College in Hanover, New Hampshire. Er begann seine berufliche Laufbahn 1984 bei American International Underwriters (AIU) in New York, einer Tochtergesellschaft von AIG, und hatte anschliessend verschiedene Positionen im Bereich Underwriting Management in Chicago, Tokio, Hongkong und Singapur inne. 1998 wurde er zum Präsidenten des Unternehmensbereichs Accident & Health von AIG in New York ernannt und wurde 2001 zu einem AIG Vizepräsidenten ernannt. 2002 wurde er zudem Chief Operating Officer bei AIU. Herr Hogan zog 2003 nach Peking und war dort als Senior Executive von AIGs Partnerunternehmen People's Insurance Company of China tätig. 2005 wurde er Senior Executive für den Bereich Lebensversicherung von AIG für China und Taiwan; in dieser Funktion trug er die Verantwortung für AIA China und Nan-Shan. Im Jahr 2008 kehrte er als AIGs Chief Distribution Officer, Foreign Life and Retirement Services nach New York zurück. Kevin Hogan kam im Dezember 2008 als Chief Executive Officer Global Life Americas zu Zurich. In dieser Funktion leitete er das Lebensversicherungsgeschäft von Zurich in Nord- und Südamerika und trug die Verantwortung für Farmers Life, Zurich American Life Insurance Company (zuvor KILICO) und das Lebensversicherungsgeschäft von Zurich in Lateinamerika. Im Juli 2010 wurde er Chief Executive Officer Global Life und Mitglied der Konzernleitung.

Paul N. Hopkins, 1956, verfügt über einen Bachelor of Science in Business der Eastern Illinois University und hat das Advanced Executive Education Program der Wharton Business School absolviert. Er kam 1978 als Agent zu Farmers, wurde in der Folge zum festen Mitarbeiter und hatte Positionen mit zunehmender Verantwortung im Sales- und Marketing-Bereich inne. 1992 wechselte er zur Niederlassung in Los Angeles, wo er als Assistant Vice President Regional Operations tätig war. 1995 wurde er zum Vice President Agencies und zwei Jahre später zum Senior Vice President Agencies ernannt. Im Jahr 1998 wurde er Senior Vice President und Chief Marketing Officer – eine Position, die er bekleidete, bis er zum 1. Januar 2000 zum Senior Vice President of State Operations ernannt wurde. Im April 2001 wurde er zum Senior Vice President of Strategic Alliances und im August 2002 zum Executive Vice President Market Management befördert; zwei Jahre später wurde er schliesslich Präsident von Farmers Group, Inc. Im Dezember 2004 wurde Herr Hopkins zum Mitglied des Group Management Board von Zurich ernannt. Von April 2005 bis Dezember 2008 war er Chief Executive Officer von Farmers Group, Inc. und Mitglied der Konzernleitung von Zurich. 2006 wurde er zum Verwaltungsratspräsidenten von ZFUS Services, LLC, dem gemeinsamen Servicecenter von Zurich in den USA, ernannt. Per 1. Januar 2009 wurde er zum Chief Executive Officer Americas und im Februar 2009 zum Chairman von Farmers Group, Inc. ernannt. Im April 2009 wurde sein Aufgabengebiet um die Kontrolle der globalen Wachstumsaktivitäten erweitert; 2010 wurde er zum Verwaltungsratspräsidenten und Chief Executive Officer von Zurich Holding Company of America gewählt. Im Juli desselben Jahres übernahm er die neu geschaffene Funktion des Regional Chairman of the Americas. Herr Hopkins ist ferner Mitglied des Beirats des American Institute for Chartered Property Casualty Underwriters, heute bekannt als «the Institutes», sowie Mitglied des Verwaltungsrats des Insurance Information Institute und der American Insurance Association (AIA). Per März 2010 wurde er zum Mitglied des Executive Committee der AIA gewählt.

Axel P. Lehmann, 1959, besitzt einen MBA sowie einen Doktortitel der Wirtschaftswissenschaften der Universität St. Gallen in der Schweiz. Nach verschiedenen Studien- und Forschungsaufenthalten in den Vereinigten Staaten habilitierte er sich an der Universität St. Gallen und schloss zudem das Wharton Advanced Management Program ab. Er war Dozent an diversen Universitäten und Instituten und wurde zum Vizedirektor des Instituts für Versicherungswirtschaft an der Universität St. Gallen sowie des Europäischen Zentrums ernannt, wo er für die Bereiche Consulting und Management Development zuständig war. Bevor er 1996 zu Zurich Schweiz stiess und dort verschiedene Funktionen in den Bereichen Unternehmensentwicklung und Firmenkundengeschäft bekleidete, war er für Corporate Planning und Corporate Controlling bei Swiss Life zuständig. Im November 2000 wurde er Mitglied des Group Management Board und war für konzernweite Geschäftsentwicklungsbereiche der Gruppe verantwortlich. Im September 2001 erfolgte seine Ernennung zum Chief Executive Officer der früheren Region Nordeuropa und danach zum Chief Executive Officer der Zurich-Gruppe Deutschland. Im März 2002 wurde er zum Chief Executive Officer des Geschäftsbereichs Kontinentaleuropa und Mitglied der Konzernleitung ernannt. 2004 war Herr Lehmann für die Integration der Geschäftsbereiche Grossbritannien und Irland in den Geschäftsbereich Kontinentaleuropa sowie für die Leitung des neu integrierten Geschäftsbereichs Europe General Insurance verantwortlich. Im September 2004 wurde er Chief Executive Officer von Zurich North America Commercial in Schaumburg, Chicago. Im Januar 2008 trat er seine derzeitige Funktion als Chief Risk Officer an, in der er zusätzlich für Group IT verantwortlich ist. Herr Lehmann ist Titularprofessor für Betriebswirtschaftslehre und Dienstleistungsmanagement sowie Verwaltungsratspräsident des Instituts für Versicherungswirtschaft an der Universität St. Gallen in der Schweiz. Zudem ist er Verwaltungsratsmitglied der UBS AG und Präsident des Chief Risk Officer Forum (CRO Forum).

Christian Orator, 1963, verfügt über einen Master- und einen Doktortitel der Rechtswissenschaften der Universität Wien sowie über einen Master in Vergleichender Rechtswissenschaft der Dickinson School of Law, Pennsylvania. Er kam 1989 als Verkaufsvertreter in Österreich zu Zurich. Ein Jahr später wurde er Produktmanager für Zurich Kosmos AG. Von 1993 bis 2005 arbeitete er in verschiedenen Führungspositionen innerhalb der Zurich-Gruppe in Österreich, den USA und Deutschland in den Bereichen Underwriting, Distribution und Market Management. Im Zeitraum Januar 2005 und Juli 2007 war er Head of Special Projects im Büro des Chief Administrative Officer in Zurich. Von August 2007 bis August 2010 war er als Global Chief Claims Officer im Geschäftsbereich General Insurance tätig. Im September 2010 übernahm er seine gegenwärtige Position als Chief Administrative Officer und Mitglied der Konzernleitung.

Cecilia Reyes, 1959, besitzt einen Doktortitel in Finance von der London Business School sowie einen MBA von der University of Hawaii. Von 1990 bis 1995 arbeitete sie in verschiedenen Positionen für Credit Suisse in Zürich in den Bereichen Credit Suisse Asset Management, Global Treasury und Securities Trading. 1995 kam sie zu ING Barings in London und wurde 1997 Director und Head of Trading Risk Analytics. Im Jahr 2000 ging sie als Head of Risk Analytics für ING Asset Management nach Amsterdam, wo sie Methoden zum Risikomanagement für den Bereich Asset Management entwickelte. Frau Reyes stiess im Januar 2001 als Regional Manager North America im Bereich Group Investments zu Zurich und war ab Juli 2004 als Regional Manager für Europa und International Businesses tätig. Von April 2006 bis März 2010 war sie Head of Investment Strategy Implementation. Im April 2010 trat sie ihre aktuelle Position als Chief Investment Officer an und wurde Mitglied der Konzernleitung.

Geoffrey (Geoff) Riddell, 1956, schloss sein Studium der Naturwissenschaften (Chemie) mit einem Master vom Queen's College in Oxford ab und qualifizierte sich später als Wirtschaftsprüfer. Er begann seine Laufbahn 1978 bei Price Waterhouse und wechselte vier Jahre später zu AIG, wo er in verschiedenen Positionen tätig war, einschliesslich als verantwortlicher Manager in Hongkong, Belgien und Frankreich. Während seines Aufenthalts in Hongkong war er für die Gründung der ersten ausländischen allgemeinen Versicherungsgesellschaft in China verantwortlich. Im Mai 2000 kam Herr Riddell zu Zurich, anfangs als Managing Director von Zurich Commercial in Grossbritannien; danach wurde er Managing Director der Geschäftsbereiche Corporate and Government in Grossbritannien. Im November 2002 wurde er Chief Executive Officer des Geschäftsbereichs General Insurance in Grossbritannien, Irland und Südafrika. Im April 2004 wurde er zum Chief Executive Officer des Geschäftsbereichs Global Corporate und im Oktober 2004 zum Mitglied der Konzernleitung ernannt. Seit dem 1. Januar 2009 ist er als Chief Executive Officer Asia-Pacific & Middle East (APME) tätig und dabei sowohl für Life als auch für General Insurance in dieser Region zuständig. Weiter ist er Vorsitzender von Global Corporate. Im Juli 2010 übernahm er die neu geschaffene Position des Regional Chairman of Asia Pacific & Middle East. Herr Riddell war Mitglied des General Insurance Council der Association of British Insurers und drei Jahre lang Leiter von dessen Liability Committee. Von 1990 bis 1995 war er Mitglied des Hong Kong Federation of Insurers Council. Von Februar 2005 bis August 2010 war er Verwaltungsratsmitglied von Pool Re, von 2007 bis Ende 2010 war er ebenfalls Verwaltungsratsmitglied des Forums für Global Health Protection. Ferner war er Mitglied der Confederation of British Industry's Chairmen's Committee und Vorsitzender des CBI Financial Services Council bis September 2010. Bis weit ins Jahr 2009 hinein war er zudem Mitglied des Stiftungsrats des IMD, Lausanne, des City of London EU Advisory Committee und des Lord Mayor of London's Advisory Committee.

Kristof Terryn, 1967, schloss sein Rechts- und Wirtschaftsstudium an der Universität von Leuven, Belgien, ab und erwarb einen MBA an der Universität von Michigan. Er begann seine berufliche Laufbahn 1993 im Bankgeschäft bei Dexia in Luxemburg, wo er in der Abteilung Kapitalmärkte und Strategische Planung tätig war. 1997 wechselte er zu McKinsey & Company Inc. und war dort in unterschiedlichen Positionen im Finanzdienstleistungssektor in den Niederlassungen Brüssel und Chicago tätig. 2004 kam er als Head of Planning and Performance Management zu Zurich. Im Jahr 2007 wurde er Chief Operating Officer für den Geschäftsbereich Global Corporate und übernahm im Januar 2009 die Position des Chief Operating Officer für General Insurance. Seit Juli 2010 ist er in seiner aktuellen Funktion als Group Head of Operations und Mitglied der Konzernleitung tätig.

Dieter Wemmer, 1957, besitzt einen Diplomabschluss und einen Doktortitel in Mathematik der Universität Köln. Von 1983

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bis 1986 war er auf dem Gebiet Reine Mathematik an den Universitäten von Köln und Oxford tätig. 1986 kam er als Versicherungsmathematiker im Bereich Rückversicherung Leben zu Zurich Re (Köln), der damaligen Rückversicherungstochter der Agrippina-Gruppe von Zurich in Deutschland. Er wurde Leiter des Bereichs Rückversicherung Leben und fünf Jahre später Chefmathematiker. Von 1992 bis 1996 hatte Herr Wemmer verschiedene Positionen bei der Agrippina inne. 1995 trat er in die Geschäftsleitung ein und war für die Bereiche Controlling/ Planung, Kommunikation und Liegenschaftenverwaltung verantwortlich. 1996 wurde er als Projektleiter für die Einführung der International Accounting Standards (IAS) und der US Generally Accepted Accounting Principles (US GAAP) an das Corporate Center von Zurich entsandt. Ein Jahr später wurde er zum Leiter Finanzcontrolling ernannt. Von 1999 bis Mai 2003 leitete er die Abteilung Mergers & Acquisitions mit zusätzlicher Verantwortung für das Kapitalmanagement und ab 2002 auch für das Aktuariat im Bereich Schaden und Leben. Im Mai 2003 wurde er zum Chief Operating Officer des Geschäftsbereichs Europe General Insurance befördert. Im November 2004 wurde er Chief Executive Officer des Geschäftsbereichs Europe General Insurance und Mitglied der Konzernleitung. Seit März 2007 ist er als Chief Financial Officer für Zurich Financial Services Group tätig und trägt seit Juli 2010 eine erweiterte Verantwortung in der neu geschaffenen Funktion des Regional Chairman Europe. Herr Wemmer ist Mitglied des Verwaltungsrats von economiesuisse. Im Oktober 2009 wurde er zum Vorsitzenden des European Insurance CFO Forum gewählt. Er ist ebenfalls Mitglied im Strategieausschuss des CEA (Europäischer Versicherungsverband).

Änderungen bei der Konzernleitung ab dem 1. Januar 2011

Seit dem 1. Januar 2011 sind keine Veränderungen innerhalb der Konzernleitung erfolgt.

Group Management Board

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

Zusätzliche Mitglieder des GMB, per 31. Dezember 2010

Name	Nationalität	Jahrgang	Position
Inga Beale	Grossbritannien	1963	Global Chief Underwriting Officer
Peter Goerke	Schweiz	1962	Group Head of Human Resources
Markus Hongler	Schweiz	1957	Chief Executive Officer Zurich Insurance plc & Chief Executive Officer Western Europe
Richard Kearns	USA	1950	Chief Administrative Officer (bis zum 31. August 2010)
Markus Nordlin	Finnland/USA	1963	Chief Information Technology Officer
Yannick Hausmann	Schweiz	1967	Group General Counsel
Mario Vitale	USA	1955	Chief Executive Officer Global Corporate
Robert Woudstra	USA	1945	Chief Executive Officer Farmers Group, Inc.

In der ersten Hälfte des Jahres 2010 hatte Inga Beale die Funktion des Head of Organizational Transformation inne und war für die Funktion Internal Consulting (iCON) verantwortlich. Per Juli 2010 wurden diese Verantwortungsbereiche auf die neu gegründete Funktion Group Operations unter der Leitung von Kristof Terryn übertragen, und Frau Beale konzentrierte sich voll auf ihre Rolle als Global Chief Underwriting Officer. Michael Paravicini trat als Chief Information Technology Officer zurück, sein Nachfolger war ab September 2010 Markus Nordlin. Patrick Manley übernahm ab Januar 2011 die Verantwortung für General Insurance in Europa. Markus Hongler wird das Unternehmen Ende März 2011 veranlassen. Richard P. Kearns hatte bis Ende August 2010 das Amt des Chief Administrative Officer inne; ab diesem Zeitpunkt übernahm Christian Orator diese Funktion. Herr Kearns bleibt bis zu seiner Pensionierung Ende März 2011 im Group Management Board, um den Übergabeprozess zu unterstützen. Peter Goerke verliess den Konzern im Januar 2011. Peter J. Wright wurde zum neuen Group Head Human Resources ernannt.

Managementverträge

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

Mitwirkungsrechte der Aktionäre

Stimmrechtsbeschränkungen und -vertretungen

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

Stimmberechtigte Aktionäre sind zur persönlichen Teilnahme an der Generalversammlung von Zurich Financial Services AG berechtigt. Ebenfalls dürfen sie durch schriftliche Vollmachtserteilung ihr Stimmrecht auf einen anderen stimmberechtigten Aktionär oder eine andere gemäss den Statuten und einer ausführlicheren Richtlinie des Verwaltungsrats zulässige Person übertragen, damit diese sie bei der Generalversammlung vertritt. Nach Massgabe der Statuten können unmündige und bevormundete Personen durch ihre gesetzlichen Vertreter, verheiratete Aktionäre durch den Ehegatten und juristische Personen durch vertretungsberechtigte Personen vertreten werden, auch wenn diese Personen selbst keine Aktionäre sind. Darüber hinaus können Aktionäre den unabhängigen Stimmrechtsvertreter, einen statutarischen Bevollmächtigten oder einen Vertreter eines Kreditinstituts bevollmächtigen, auch wenn diese selbst keine Aktionäre sind.

Unter bestimmten Umständen kann Zurich Financial Services AG die wirtschaftlichen Eigentümer der Namenaktien, die von professionellen Dienstleistern als Nominees verwahrt werden (z. B. Treuhandgesellschaften, Banken, professionelle Vermögensverwalter, Clearingstellen, Investmentfonds und andere von Zurich Financial Services AG anerkannte Organisationen), zur Teilnahme an Generalversammlungen und zur Ausübung des Stimmrechts als Vertreter des jeweiligen Nominee bevollmächtigen. Weitere Einzelheiten finden Sie auf S. 27.

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

Statutarische Quoren

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

Einberufung der Generalversammlung

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

Tagesordnung

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

Eintragungen in das Aktienbuch

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

Informationspolitik

Zurich Financial Services AG hat rund 122'000 im Aktienbuch eingetragene Aktionäre – von privaten Aktionären bis zu grossen institutionellen Anlegern. Jeder eingetragene Aktionär erhält eine Einladung zur ordentlichen Generalversammlung. Der Brief an die Aktionäre, der einen Überblick über die Geschäftstätigkeit der Gruppe in der Berichtsperiode gibt und die finanzielle Performance darlegt, der umfassendere Bericht über die Geschäftsentwicklung, der Geschäftsbericht und der Halbjahresbericht sind auf der Webseite von Zurich – www.zurich.com (http://www.zurich.com/main/investors/resultsandreports/financialreports/introduction.htm) – abrufbar und werden darüber hinaus auch gedruckt. Die Aktionäre haben die Möglichkeit, die oben genannten Dokumente in gedruckter Form zu erhalten. Zu weiteren Dokumenten über die Ergebnisberichterstattung (vierteljährlich) haben die Aktionäre ebenfalls über die Webseite von Zurich Zugang.

Zurich Financial Services AG pflegt über die Abteilung Investor Relations einen regelmässigen Dialog mit den Investoren und steht institutionellen und privaten Aktionären bei Fragen und Anliegen zur Verfügung. Darüber hinaus organisiert Zurich Financial Services AG Investorentage für institutionelle Investoren, an denen ausführlich über die Geschäftsentwicklung und die strategische Ausrichtung informiert wird. Solche Präsentationen können live via Webcast oder via Telefonkonferenz mitverfolgt werden. Die Schwerpunkte des Investorentags 2010, der am 22. Juni und am 2. Dezember in Zürich stattfand, waren das Strategie- und Kapitalmanagement-Update der Gruppe sowie Updates der Geschäftsbereiche. Weitere Investorentage mit anlegerrelevanten Themen sind für 2011 geplant. Zahlreiche Informationen zur Gruppe und zu ihren Geschäftsbereichen – einschliesslich der oben genannten Dokumente zur Berichterstattung über die Ergebnisse und der gesamten im Rahmen der Investorentage zur Verfügung gestellten Unterlagen – finden sich auch im Bereich Investor Relations der Webseite von Zurich: www.zurich.com (http://www.zurich.com/main/investors/introduction.htm).

Die nächste ordentliche Generalversammlung von Zurich Financial Services AG findet am 31. März 2011 statt. Auf der Tagesordnung steht die zusammenfassende Präsentation des Präsidenten des Verwaltungsrats und des Chief Executive Officer sowie des Chief Financial Officer über den Geschäftsgang der Gruppe im Jahr 2010. Die Generalversammlung findet im Hallenstadion in Zürich-Oerlikon statt. Die entsprechende Einladung mit der Traktandenliste und den Erläuterungen zu den Anträgen wird den Aktionären von Zurich Financial Services AG mindestens 20 Tage vor der Generalversammlung zugestellt.

Adressen und weitere wichtige Informationen finden Sie unter den Aktionärsinformationen ab S. 312 (siehe insbesondere «Wichtige Daten» auf S. 316).

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Mitarbeitende

Die Rekrutierungs- und Förderungspolitik der Gruppe ist darauf ausgerichtet, Mitarbeitenden Chancengleichheit zu bieten, wobei Fähigkeiten, Erfahrung, Know-how und Vielfalt im Mittelpunkt stehen. Die Gruppe fördert die Einbeziehung der Mitarbeitenden in die Unternehmensprozesse, unter anderem mittels Print- und Online-Publikationen, Teamsitzungen und regelmässigen Treffen mit den Mitarbeitervertretern. Weitere Informationen zu Aktivitäten der Gruppe im Bereich Mitarbeiterführung finden Sie im Bericht über die Geschäftsentwicklung auf S. 20 und 21. Dieser ist auch auf der Webseite von Zurich – www.zurich.com (http://zdownload.zurich.com/main/reports/annual_review_2010_de.pdf) – abrufbar.

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

Kontrollwechsel und Abwehrmassnahmen

Pflicht zur Unterbreitung eines Angebots

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

Change-of-Control-Klauseln

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

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

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

Externe Revision

Dauer des Mandats und Amtsdauer des leitenden Revisors

PricewaterhouseCoopers AG, Birchstrasse 160, 8050 Zürich, (PwC) ist die externe Revisionsstelle von Zurich Financial Services AG. PwC übernimmt sämtliche Prüfungen, die vom Gesetz und von den Statuten von Zurich Financial Services AG vorgeschrieben sind. Die Revisionsstelle wird von den Aktionären von Zurich Financial Services AG jährlich neu gewählt. Bei der ordentlichen Generalversammlung vom 30. März 2010 wurde PwC von den Aktionären von Zurich Financial Services AG wiedergewählt. Der Verwaltungsrat beantragt bei der nächsten ordentlichen Generalversammlung, PwC als externe Revisionsstelle und Konzernprüferin für das Geschäftsjahr 2011 wiederzuwählen. PwC erfüllt alle Anforderungen des neuen Bundesgesetzes für die Zulassung und Beaufsichtigung der Revisorinnen und Revisoren (Revisionsaufsichtsgesetz – RAG) und wurde nach diesem Gesetz von der Schweizerischen Revisionsaufsichtsbehörde als eingetragenes Revisionsunternehmen zugelassen.

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

Herr Ray Kunz von PricewaterhouseCoopers AG war als leitender Revisor für das Geschäftsjahr 2010 der Nachfolger von Patrick Shouvlin, der zuvor seit dem 1. Januar 2008 in dieser Funktion tätig war. Herr Shouvlin wird den Revisionsbericht als Global Relationship Partner mitunterzeichnen. Gemäss Zurichs Rotationsprinzipien wird Herr Kunz, nach fünf Jahren als leitender Revisor für Zurich (hiervon ein Jahr auf Gruppenstufe), ab dem Geschäftsjahr 2011 von Herrn Richard Burger als leitender Revisor abgelöst.

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

Revisionshonorar

Insgesamt beliefen sich die vom Konzernprüfer im Jahr 2010 in Rechnung gestellten Revisionshonorare (einschliesslich Auslagen und Mehrwertsteuer) auf USD 33,6 Mio. (USD 32,9 Mio. im Jahr 2009).

Zusätzliche Honorare

Insgesamt beliefen sich die Honorare (einschliesslich Auslagen und Mehrwertsteuer) für zusätzliche Dienstleistungen (z. B. Steuerdienstleistungen, Transaktionsberatungsdienste oder notwendige Sonderprüfungen aufgrund von Erfordernissen lokaler Gesetze oder behördlicher Organe), die im Jahr 2010 vom Konzernprüfer und den mit ihm verbundenen Unternehmen für Zurich Financial Services AG bzw. für Unternehmen der Gruppe erbracht wurden, auf USD 5,8 Mio. (USD 4,2 Mio. im Jahr 2009). Die einzelnen Komponenten der zusätzlichen Gebühren sind in der nachstehenden Tabelle angegeben.

Revisionshonorar und zusätzliche Honorare

in USD Mio. für die per 31. Dezember abgeschlossenen Geschäftsjahre	2010	2009
Total Revisionshonorare	**33,6**	**32,9**
Total zusätzliche Honorare	**5,8**	**4,2**
– Beratung in Steuerangelegenheiten	0,5	0,4
– Rechtsberatung	0,0	0,0
– Transaktionsberatung (einschl. due diligence)	0,6	0,5
– Revisionsbezogene Beratung	2,3	1,7
– Sonstige	2,4	1,6

Überwachung und Kontrolle des externen Prüfungsprozesses

Der Prüfungsausschuss des Verwaltungsrats trifft sich regelmässig, mindestens viermal jährlich, mit den externen Revisoren. Im Jahr 2010 fanden sieben solcher Treffen statt. Die externen Revisoren treffen sich regelmässig mit dem Prüfungsausschuss ohne das Beisein der Konzernleitung. Auf der Grundlage schriftlicher Berichte erörtert der Prüfungsausschuss mit den externen Revisoren die Qualität des Finanz- und Rechnungswesens der Gruppe und nimmt Vorschläge der externen Revisoren entgegen. Diskutiert werden dabei unter anderem eine Verstärkung der internen Finanzkontrollen, die massgeblichen Rechnungslegungsgrundsätze und die Management-Reporting-Systeme. Im Zusammenhang mit der Rechnungsprüfung erhält der Prüfungsausschuss von den externen Revisoren rechtzeitig einen Bericht zur geprüften Jahresrechnung von Zurich Financial Services AG und der Gruppe.

Der Prüfungsausschuss überwacht die Arbeit der externen Revisoren. Mindestens einmal jährlich überprüft er Qualifikation, Leistung und Unabhängigkeit der externen Revisoren sowie alle Umstände, die ihre Objektivität und Unabhängigkeit belasten könnten, und zwar auf der Grundlage eines von den externen Revisoren erstellten schriftlichen Berichts, in dem ihre internen Qualitätskontrollprozesse, wichtige auftretende Fragen und Anliegen sowie sämtliche Beziehungen zwischen den externen Revisoren und der Gruppe und/oder ihren Mitarbeitenden erläutert werden, welche die Unabhängigkeit der externen Revisoren beeinträchtigen könnten. Der Prüfungsausschuss bewertet die Zusammenarbeit mit den externen Revisoren im Zuge der Revision. Er eruiert die Einschätzungen des Managements bezüglich der Leistung (basierend auf Kriterien wie dem Verständnis des Geschäfts von Zurich, des technischen Know-how, der Erfahrung etc.) und der Qualität der Arbeitsbeziehung (Reaktionsfreudig- und -schnelligkeit seitens der externen Revisoren in Bezug auf die Bedürfnisse von Zurich Financial Services AG und der Gruppe, Klarheit der Kommunikation). Vor Beginn der jährlichen Revision kontrolliert der Prüfungsausschuss den Umfang und das Ausmass der externen Prüfung und weist auf Bereiche hin, die besonderer Aufmerksamkeit bedürfen.

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

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

Group Audit

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

Prüfungsausschuss und Chief Executive Officer werden regelmässig über wesentliche Revisionsergebnisse informiert, einschliesslich der

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von Group Audit erkannten Unzulänglichkeiten und Kontrollprobleme sowie der entsprechenden Korrekturmassnahmen und deren Umsetzung durch das verantwortliche Management. Group Audit hat uneingeschränkten Zugang zu allen Zahlen, Aufzeichnungen und Dokumenten und muss mit allen benötigten Daten und Informationen beliefert werden, damit es seine Pflichten erfüllen kann. Group Audit arbeitet eng mit den externen Revisoren zusammen und tauscht mit diesen Risikobeurteilungen, Arbeitspläne, Revisionsberichte und Informationen zu Fortschritten bei der Umsetzung von Korrekturmassnahmen aus. Group Audit und die externe Revision treffen sich regelmässig auf allen Organisationsebenen, um den Revisionsprozess und dessen Effizienz zu optimieren. Der Leiter von Group Audit nimmt an jedem Treffen des Prüfungsausschusses teil.

Der Prüfungsausschuss kontrolliert die Unabhängigkeit von Group Audit und überprüft dessen Aktivitäten, Pläne, Organisation und Qualität sowie die Zusammenarbeit mit den externen Revisoren. Im Jahr 2007 beauftragte die Gruppe eine unabhängige Drittpartei, um die Effektivität von Group Audit zu überprüfen. Der Bericht ergab, dass Prozesse und Abläufe von Group Audit die Anforderungen des Institute of Internal Audit (IIA) erfüllen oder sogar übertreffen und dass sie in der Mehrzahl der Fälle den Prozessen und Abläufen entsprechen, die weltweit anerkannt sind. Ungeachtet dieses erfreulichen Resultats überprüft Group Audit weiterhin kontinuierlich seine Prozesse und Abläufe, um einen effektiven, effizienten und wertsteigernden Beitrag zu gewährleisten. So hat Group Audit im Januar 2010 seine Organisationsstruktur weiter so ausgerichtet, dass sie die funktionale Geschäftsstruktur reflektiert und der Funktionsbereich effektiver und reaktionsfähiger wird; eine flachere Struktur und klarere Rollen, Verantwortlichkeiten und Rechenschaftsstrukturen sollen allen Revisionsfachleuten bessere Arbeitsbedingungen ermöglichen.

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

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

Group Compliance

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

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

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

Der Compliance-Funktion der Gruppe, der Compliance-Spezialisten auf der ganzen Welt angehören, steht der Group Compliance Officer vor, der dem Group General Counsel und auch regelmässig dem Prüfungsausschuss des Verwaltungsrats berichtet. Ausserdem trifft er sich regelmässig mit dem Verwaltungsratspräsidenten.

Erklärung zum Risikomanagement und zur internen Kontrolle

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

- der Risikoausschuss, der für die Überwachung des Risikomanagements zuständig ist, und
- der Prüfungsausschuss, der für interne Kontrollfragen verantwortlich zeichnet.

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

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

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

Das interne Kontrollsystem ist auf wichtige Kontrollen im finanziellen, operativen und Compliance-Bereich ausgerichtet. Das System umfasst die Grundsätze, Prozesse und Aktivitäten, die zu erhöhter Zuverlässigkeit der Finanzberichterstattung sowie zur Effektivität und Effizienz der Geschäftstätigkeit und zur Einhaltung der gesetzlichen Vorschriften und Richtlinien beitragen. Im Jahr 2010 wurden zusätzliche Fortschritte bei der Weiterentwicklung und Verbesserung des internen Kontrollsystems der Gruppe erzielt, während gleichzeitig die Effektivität des gesamten internen Kontrollwesens im Fokus blieb.

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

Management, Group Audit, Group Compliance und Group Risk Management nehmen risikobasierte Überprüfungen der Prozesse und Kontrollen innerhalb der Organisation vor. Die Kontrollen des Managements umfassen die effektive Umsetzung von versicherungsmathematischen, Schadenbearbeitungs-, Anlage-, Underwriting-, Treasury-, Rechnungslegungs- und Berichterstattungsgrundsätzen sowie Kontrolltätigkeiten in Bezug auf wichtige Standorte und die IT-Systeme der Gruppe. Verwaltungsrat, Prüfungs- und Risikoausschuss erhalten vom Chief Risk Officer, Group General Counsel, Head of Group Compliance, Chief Financial Officer und Group Controller, Head of Group Audit sowie vom oberen Management regelmässig Berichte und – falls erforderlich – zusätzlich Sonderberichte über die Angemessenheit der bestehenden Kontrollstruktur. Weiter teilen die externen Revisoren regelmässig die aus ihrem unabhängigen Prüfungsprozess resultierenden Schlussfolgerungen, Beobachtungen und Empfehlungen mit.

Diese Berichte enthalten Erläuterungen zu Themen wie: a) signifikante Veränderungen in Bezug auf Risiken sowie das unternehmerische und das externe Umfeld; b) die Überwachungs- und Kontrollsysteme der Unternehmensleitung; c) gegebenenfalls vorhandene bedeutende Kontrollprobleme; d) die Effektivität des Prozesses der externen Berichterstattung der Gruppe.

Für den Zeitraum vom 1. Januar 2010 bis zum Datum der Erstellung dieses Geschäftsberichts hat der Risikoausschuss die Risikotoleranz der Gruppe und die gruppenweite Governance in diesem Bereich geprüft, und der Prüfungsausschuss hat die internen Kontrollsysteme der Gruppe auf ihre Effektivität hin untersucht. Beide Ausschüsse haben dem Verwaltungsrat entsprechend darüber berichtet. Der Verwaltungsrat hat mit Befriedigung zur Kenntnis genommen, dass die Prüfungen in Übereinstimmung mit der britischen Turnbull-Richtlinie (gemäss Anpassung vom Oktober 2005) durchgeführt wurden. Die Beurteilung umfasste Überlegungen zur Effektivität des fortlaufenden Prozesses zu Identifikation, Evaluation, Kontrolle und Management der Risiken, die mit der Geschäftstätigkeit verbunden sind; des Weiteren enthielt sie Überlegungen zu Umfang und Häufigkeit der Risiko- und Kontrollberichte, die der Risiko- und der Kontrollausschuss sowie der Verwaltungsrat im Laufe des Jahres erhalten und diskutiert hat, sowie zu den wichtigen diskutierten Punkten der internen Prüfung und den Massnahmen, die von der Geschäftsleitung in diesem Zusammenhang ergriffen wurden. Die im Rahmen dieses Prozesses identifizierten Fragen und Probleme wurden dem Verwaltungsrat gemeldet und wurden bzw. werden von der Gruppe in Angriff genommen.

Unternehmensfortführung

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

Bericht über Honorare und Entschädigungen

Dieser Bericht über Honorare und Entschädigungen enthält alle Informationen gemäss Kapitel 5 der Richtlinie über die Informationen zur Corporate Governance der SIX Swiss Exchange (Stand 1. Juli 2009; SIX-Richtlinie) und dem Swiss Code of Best Practice (Stand 15. Oktober 2007). Des Weiteren sind alle Informationen gemäss den Artikeln 663b^{bis} und 663c Absatz 3 des Schweizerischen Obligationenrechts und des Rundschreibens 2010/1 «Mindeststandard für Vergütungssysteme bei Finanzinstituten», herausgegeben am 21. Oktober 2009 von der Eidgenössischen Finanzmarktaufsicht FINMA (FINMA-Rundschreiben zu Vergütungssystemen), enthalten.

Die Struktur des Berichts über Honorare und Entschädigungen entspricht den Anforderungen des Schweizerischen Obligationenrechts, der SIX-Richtlinie, des Swiss Code of Best Practice und dem von der FINMA veröffentlichten Rundschreiben zu Vergütungssystemen.

Der erste Teil des Berichts beschreibt das Governance-System und die allgemeinen Vergütungsgrundsätze. Der zweite Teil enthält Einzelheiten zu den einzelnen Vergütungselementen. Da die Verwaltungsratsmitglieder unabhängig sind und nicht der Konzernleitung von Zurich Financial Services AG angehören, werden die Einzelheiten zur Entschädigung des Verwaltungsrats und der Konzernleitung (Group Executive Committee, GEC) je in einem gesonderten Abschnitt erläutert. Daran anschliessend folgt ein Abschnitt mit den von der FINMA in ihrem Rundschreiben zu Vergütungssystemen geforderten Informationen für alle Mitarbeitenden.

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

Alle anderen, gemäss der SIX-Richtlinie offenzulegenden Informationen sind im vorstehenden Bericht über die Corporate Governance enthalten.

Governance der Festlegung von Vergütungen

Vergütungstruktur

Der Verwaltungsrat ist verantwortlich für die Gestaltung und Umsetzung der Vergütungsgrundsätze und -regeln (zusammen das «Vergütungsreglement»). Um den Verwaltungsrat bei der Durchführung dieser Aufgaben zu unterstützen, wurde ein Entschädigungsausschuss eingerichtet. Dem Entschädigungsausschuss gehören vier Verwaltungsratsmitglieder an, die alle Erfahrung aus dem Bereich Vergütungen mitbringen. Er bewertet jährlich die Vergütungsstruktur und die Vergütungsgrundsätze und schlägt dem Verwaltungsrat, soweit dies zweckmässig ist, entsprechende Änderungen vor.

Der Verwaltungsrat hat 2010 die Vergütungsstruktur überprüft und dazu auch gemeinsam mit dem Entschädigungsausschuss und dem Risikoausschuss getagt. Der Verwaltungsrat ist der festen Überzeugung, dass die bestehende Vergütungsstruktur die derzeitig bestehenden internationalen Best Practices hinsichtlich Risikoausrichtung, Governance, Design der Vergütungsinstrumente und Offenlegung spiegelt. Unter Berücksichtigung sich abzeichnender Trends hat der Verwaltungsrat jedoch beschlossen, folgende Änderungen an der Vergütungsstruktur vorzunehmen, die 2011 in Kraft treten sollen:

- Der Entschädigungsausschuss und der Risikoausschuss treffen sich einmal jährlich, um eine Riskoeinschätzung der Vergütungsstruktur und des Vergütungs-Governance-System zu erörtern. Das Risikomanagement der Gruppe wird für diese gemeinsame Sitzung die Vergütungsstruktur jährlich bewerten und die dahingehenden Erkenntnisse erläutern, ob die Vergütungsstruktur mit einem effektiven Risikomanagement vereinbar ist und keine Anreize setzt, unangemessene Risiken einzugehen, welche die von der Gruppe tolerierten Risiken übersteigen.
- Hinsichtlich der operativen Umsetzung der Vergütungsstruktur innerhalb der gesamten Gruppe wird die interne Revision (Group Audit) ihre Beurteilung erweitern und in regelmässigen Abständen dem Verwaltungsrat Bericht erstatten.
- Zur Vermeidung von Interessenkonflikten sind weitere Schritte unternommen worden, um die Vergütung der Kontrollfunktionen zu strukturieren, indem sichergestellt wurde, dass sich die leistungsbezogenen Vergütungen für alle Personen in den Kontrollfunktionen an der Profitabilität der Gruppe orientieren anstatt an der Profitabilität des Geschäftsbereiches, der von dieser Funktion kontrolliert wird.
- Langfristige Incentive-Zuteilungen werden ausschliesslich in Form von leistungsbezogenen Aktien vorgenommen; 2011 werden keine weiteren leistungsbezogenen Aktienoptionen gewährt. Damit wird Marktentwicklungen Rechnung getragen. Der Verwaltungsrat ist zudem der Ansicht, dass durch leistungsbezogene Aktienzuteilungen die endgültige individuelle Vergütung besser an die tatsächlich erreichten Leistungen angepasst werden kann. Des Weiteren werden durch die Abschaffung der Aktienoptionen das Risiko und der Leveragefaktor innerhalb der derzeitigen Vergütungsstruktur reduziert. Gleichzeitig verringert sich die Anzahl der Aktien, die zur Stützung des Programms erforderlich sind. Im Zusammenhang mit dieser Anpassung ergeben sich keine Änderungen bei den leistungsbezogenen Aktienoptionen, die bis und mit 2010 zugeteilt wurden und die entsprechend der Bedingungen dieser Optionen weiterhin ausgezahlt werden.
- Während des jährlich stattfindenden Prozesses zur Bestimmung der variablen Vergütungssumme berät sich das Risikomanagement der Gruppe mit anderen Kontroll-, Governance- und Assurancefunktionen und legt dem Chief Executive Officer eine Auswertung über

die Risikofaktoren vor, welche bei der Beurteilung der Gesamtleistung berücksichtigt wird, die wiederum einen Einfluss auf die Finanzierung des Bonuspools hat. Der Chief Risk Officer steht zur Verfügung, um diese Ergebnisse mit dem Entschädigungsausschuss und dem Verwaltungsrat zu erörtern. Neben anderen Faktoren berücksichtigt der Chief Executive Officer die Bewertung des Risikomanagements der Gruppe, wenn er dem Entschädigungsausschuss seine Vorschläge zur Finanzierung des kurz- und langfristigen Incentive-Pools präsentiert, damit dieser eine Empfehlung an den Verwaltungsrat zur endgültigen Genehmigung aussprechen kann.

Im Rahmen dieser Überprüfung der Vergütungsstruktur im Jahr 2010 wurde zudem eine Liste mit ca. 100 wichtigen Personen definiert, deren Tätigkeit bedeutenden Einfluss auf das Risikoprofil des Unternehmens haben («Key Risk Takers»). Sämtliche dieser Funktionsinhaber partizipieren sowohl an kurz – als auch an langfristigen Incentive-Plänen, wobei den langfristigen Plänen, und somit der aufgeschobenen Vergütungskomponente, grössere Bedeutung zukommt.

Verfahren zur Genehmigung der Vergütung

Gemäss dem Vergütungsreglement ist es Aufgabe des Entschädigungsausschusses, dem Verwaltungsrat jährlich Vorschläge für die Entschädigung der Verwaltungsratsmitglieder, des Chief Executive Officer und der übrigen Mitglieder der Konzernleitung zu unterbreiten. Für die anderen Mitglieder der Konzernleitung basieren diese Empfehlungen des Entschädigungsausschusses auf Vorschlägen des Chief Executive Officer. Die Vergütungen müssen vom Verwaltungsrat genehmigt werden.

Werden in den Sitzungen des Entschädigungsausschusses des Verwaltungsrats und des Verwaltungsrats selbst Entscheidungen hinsichtlich der Vergütung des Verwaltungsratspräsidenten getroffen, nimmt dieser nicht an der Sitzung teil. Werden Entscheidungen zur Vergütung des Chief Executive Officer getroffen, ist dieser nicht anwesend. Wird über die Vergütung der anderen Mitglieder der Konzernleitung entschieden, nehmen auch diese Mitglieder nicht an der Sitzung teil. Dem Entschädigungsausschuss des Verwaltungsrats gehören keine Mitglieder an, die in einer Kreuzverflechtung stehen. Für weitere Einzelheiten zum Verantwortungsbereich des Entschädigungsausschusses des Verwaltungsrats, siehe S. 34 des Berichts über die Corporate Governance. Die Genehmigungsstruktur lässt sich wie folgt zusammenfassen:

Genehmigungsstruktur

Gegenstand	Empfehlung vom	Endgültige Genehmigung durch
Gesamtvergütungsstruktur	Entschädigungsausschuss und Risikoausschuss, basierend auf Vorschlägen des Chief Executive Officer	Verwaltungsrat
Vergütungsregeln (Vergütungsreglement)	Für Mitglieder des Verwaltungsrats: Entschädigungsausschuss Für alle Mitarbeitenden: Entschädigungsausschuss, basierend auf Vorschlägen des Chief Executive Officer	Verwaltungsrat
Honorare der Verwaltungsratsmitglieder (inklusive Präsident und Vizepräsident)	Entschädigungsausschuss	Verwaltungsrat
Vergütung des Chief Executive Officer	Entschädigungsausschuss	Verwaltungsrat
Vergütung der Konzernleitung (ohne Chief Executive Officer)	Entschädigungsausschuss, basierend auf Vorschlägen des Chief Executive Officer	Verwaltungsrat
Short Term Incentive Plan (STIP)-Finanzierungspools	Vergütungsausschuss, basierend auf Vorschlägen des Chief Executive Officer, unter Berücksichtigung einer Risikoeinschätzung durch das Group Risk Management	Verwaltungsrat
Levels für die definitive Zuteilung im Rahmen des Long-Term Incentive Plan (LTIP)	Vergütungsausschuss, basierend auf Vorschlägen des Chief Executive Officer, unter Berücksichtigung einer Risikoeinschätzung durch das Group Risk Management	Verwaltungsrat

Bericht über Honorare und Entschädigungen *fortgesetzt*

Zusätzlich zu den vorstehenden Ausführungen und in Übereinstimmung mit den Anforderungen des FINMA-Rundschreibens zu Vergütungssystemen genehmigt der Verwaltungsrat ebenfalls die Gesamtsumme der variablen Vergütungen für das Leistungsjahr («Gesamtpool der variablen Vergütungen») unter Berücksichtigung des langfristigen wirtschaftlichen Erfolgs der Gruppe. Weitere Einzelheiten zur Berechnung des Gesamtpools der variablen Vergütungen finden Sie auf S. 64.

Benchmark-Studien und externe Berater des Verwaltungsrats

Um die Entscheidungsfindung zur Vergütung des Verwaltungsrats und der Konzernleitung zu unterstützen, werden regelmässig Benchmark-Studien durchgeführt. Zur Beurteilung der Marktpraktiken und der marktüblichen Höhe der Vergütung werden die Vergütungsstrukturen und -praktiken der grössten Versicherungsunternehmen analysiert. Hierfür werden die im Dow Jones Titan Insurance Index erfassten Unternehmen als Beurteilungsgrundlage herangezogen. Dieser Index umfasst die weltweit grössten Versicherungsgesellschaften, vorwiegend mit Sitz in Europa und in den Vereinigten Staaten. Falls sinnvoll, wird diese Analyse durch weitere Benchmark-Studien ergänzt, z. B. durch eine Analyse der Vergütungspraktiken der grossen im Swiss Market Index (SMI) geführten Unternehmen in der Schweiz oder von Unternehmen ähnlicher Grösse in anderen Ländern. Die branchenspezifische Vergleichsgruppe umfasst auch Unternehmen wie AXA, Allianz, AIG, Munich Re, Aviva, ING Group, Prudential Plc, Met Life, Aegon, Ace, Travelers Cos. Inc., Manulife Financial Corp., Prudential Financial Inc. und Swiss Re. Die Ergebnisse der Benchmark-Studien werden bei der Festsetzung der Honorare der Mitglieder des Verwaltungsrats sowie der Vergütungsstrukturen und Vergütungsbeträge der Mitglieder der Konzernleitung berücksichtigt. Zu den Faktoren, die bei der Analyse der Ergebnisse mit berücksichtigt werden, gehören die Marktpraktiken in den verschiedenen Ländern und interne Vergleiche der einzelnen Funktionen. Die Gesamtausrichtung der Entschädigungsstrukturen orientiert sich an den Medianwerten.

Bei der regelmässigen Überprüfung der Vergütungsstrukturen und -praktiken werden der Entschädigungsausschuss und der Verwaltungsrat von der Executive-Compensation-Abteilung von Hewitt Associates beraten. Diese Berater wurden vom Entschädigungsausschuss beauftragt und sind diesem rechenschaftspflichtig. In der ersten Hälfte des Jahres 2010 spaltete sich ein Teil der US-Executive-Compensation-Abteilung von Hewitt Associates ab, um das unabhängige Unternehmen Meridian Compensation Partners LLC (Meridian) zu gründen. In der zweiten Jahreshälfte wurde Hewitt Associates von der Aon Corp erworben. Sowohl Meridian als auch Aon Hewitt beraten den Verwaltungsrat, wobei der leitende Berater bei Meridian beschäftigt ist. Meridian erbringt keine weiteren Leistungen für die Gruppe. Obwohl Aon Hewitt ein grosses internationales Makler- und Personalberatungsunternehmen ist und es als solches über andere Abteilungen innerhalb von Aon Hewitt von Zeit zu Zeit Arbeiten für die Gruppe erbringt, wird nach Einschätzung des Entschädigungsausschusses die Unabhängigkeit und die Integrität der Beratung, die er von Aon Hewitt erhält, durch diese separaten Aufträge nicht beeinträchtigt. Das Management wird durch mehrere Beratungsunternehmen unterstützt, die im Bereich der Ausgestaltung von Entschädigungssystemen für internationale Führungskräfte tätig sind.

Richtlinien zum Aktienbesitz von Mitgliedern des Verwaltungsrats und des Group Management Board

Um die Interessen des Verwaltungsrats und des Group Management Board (GMB) mit denen der Aktionäre in Übereinstimmung zu bringen, sind die Mitglieder dieser Gremien gehalten, eigene Aktienpositionen an Zurich Financial Services AG aufzubauen. Die Verwaltungsratsmitglieder erreichen dies dadurch, dass ein Teil ihrer Honorarzahlungen in Aktien geleistet wird, sowie über Zukäufe auf dem freien Markt. Die Mitglieder des Group Management Board erreichen dies über ihre Beteiligung an langfristigen Incentive-Programmen und über Zukäufe am freien Markt. Für den Aufbau der verlangten Aktienposition gilt eine Frist von fünf Jahren. Die Einhaltung dieser Richtlinie wird durch den Entschädigungsausschuss jährlich überprüft. Um den Aufbau der Aktienpositionen zu fördern, unterliegen alle den Verwaltungsratsmitgliedern im Rahmen ihres Jahreshonorars gewährten Aktien sowie die Hälfte der den Mitgliedern des Group Management Board definitiv zugeteilten Aktien einer Veräusserungsbeschränkung von drei Jahren.

Beteiligung der Aktionäre

An der ordentlichen Generalversammlung vom 31. März 2011 werden die Aktionäre, wie letztes Jahr, konsultativ über die Vergütungssystem abstimmen können. Da die endgültige Entscheidung über die Vergütung der Befugnis des Verwaltungsrats unterliegt, ist eine solche Abstimmung unverbindlich.

Vergütungsphilosphie

Mitglieder des Verwaltungsrats

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

Die Höhe des Honorars wird für jedes Verwaltungsratsmitglied von Zurich Financial Services AG aufgrund von dessen Position im Verwaltungsrat und entsprechend der auf S. 53 beschriebenen Vergütungsstruktur festgelegt. Die Honorare werden in bar und in Aktien ausbezahlt, wobei etwa ein Drittel des Honorars in Aktien von Zurich Financial Services AG mit einer dreijährigen Veräusserungsbeschränkung geleistet wird.

Die an die Verwaltungsratsmitglieder zu entrichtenden Honorare (einschliesslich des in veräusserungsbeschränkten Aktien entrichteten Anteils) sind nicht an das Erreichen spezifischer Leistungsziele gebunden.

Konzernleitung und alle anderen Mitarbeitenden

Für die Mitglieder der Konzernleitung und alle anderen Mitarbeitenden der Gruppe wurden mehrere Schlüsselelemente hinsichtlich einer ausgewogenen und effektiv gestalteten Vergütungsstruktur eingeführt. Diese Elemente beinhalten eine konzernweite Vergütungsphilosophie, solide kurz- und langfristige Incentive-Programme, eine effektive Governance sowie eine enge Anbindung an die Geschäftsplanung und die Risikopolitik der Gruppe.

Die wichtigsten Elemente der Vergütungsphilosophie werden nachstehend beschrieben.

Zurich ist bestrebt, konkurrenzfähige Gesamtvergütungspakete anzubieten, um Mitarbeitende zu gewinnen, zu halten und so zu motivieren und zu entschädigen, dass sie hervorragende Leistungen erbringen. Diese Vergütungsphilosophie ist ein wesentlicher Bestandteil des Gesamtangebots an die Mitarbeitenden. Zurich verfügt über einen klar definierten weltweiten Prozess hinsichtlich des Leistungsmanagements, der die Erreichung der Gesamtstrategie und der operativen Pläne des Unternehmens unterstützt und die individuelle Vergütung an die Performance des Unternehmens und die persönliche Leistung koppelt. Dies erfolgt über ein Vergütungssystem, das von der Konzernleitung, dem Entschädigungsausschuss des Verwaltungsrats und dem Verwaltungsrat selbst überwacht wird.

Leitsätze der Vergütungsphilosophie

Es gelten die folgenden Leitsätze gemäss dem für 2011 anwendbaren Vergütungsreglement:

- Die Vergütungsstruktur der Gruppe ist einfach, transparent und umsetzbar. Für Personen, die einen wesentlichen Einfluss auf das Risikoprofil der Gruppe haben, ist sie langfristig orientiert.

- Die Struktur und die Höhe der Gesamtvergütung sind auf die Risikopolitik der Gruppe und auf ihre Fähigkeit zur Übernahme von Risiken abgestimmt.

- Die Gruppe fördert eine leistungsorientierte Unternehmenskultur durch die Abstimmung der Gesamtvergütung auf die Performance des entsprechenden Geschäftsbereichs und des einzelnen Mitarbeitenden.

- Die Gruppe legt die erwartete Leistung anhand eines strukturierten Leistungsmanagementsystems klar fest und verwendet dieses als Entscheidungsgrundlage mit Bezug auf die Vergütung.

- Die Gruppe berücksichtigt bei den variablen Vergütungen relevante Schlüssel-Leistungsfaktoren. Hierzu können die Leistung der Gruppe, der Unternehmenssegmente, der Geschäftsbereiche, der Geschäftseinheiten, der Funktionen sowie individuelle Leistungen gehören.

- Die kurz- und langfristigen Incentive-Programme der Gruppe, die für die variable Vergütung Anwendung finden, berücksichtigen geeignete Leistungskennzahlen und bei der Festlegung des Gesamtfinanzierungsbetrages für variable Vergütungskomponenten wird der langfristige wirtschaftliche Erfolg der Gruppe miteinbezogen.

- Durch die Gestaltung der langfristigen Incentive-Programme wird dieser Teil der variablen Vergütung an die zukünftige Entwicklung der Leistung und der Risiken gebunden, indem Mechanismen zum Aufschieben der Vergütung genutzt werden.

- Die Gruppe gewährt ihren Mitarbeitenden nach Massgabe der gängigen lokalen Marktpraxis eine Reihe von zusätzlichen Leistungen, unter Berücksichtigung der Risikofähigkeit der Gruppe im Hinblick auf die Finanzierung von Pensionsverpflichtungen und Kapitalanlagen.

Gesamtvergütung

Die Höhe der Gesamtvergütung eines Mitarbeitenden hängt von mehreren Faktoren ab, wie z. B. dem Kompetenzbereich und der Komplexität der Funktion, dem Geschäftsverlauf, der wirtschaftlichen Situation der Gruppe, der persönlichen Leistung, dem Grundsatz der Gleichbehandlung sowie den rechtlichen Anforderungen. Wie auf S. 48 beschrieben, werden die in den Zielvereinbarungen festgelegten Aufgaben anhand von Medianwerten in klar definierten Märkten bewertet und berücksichtigen interne Überlegungen zur Gleichbehandlung. Abhängig von der jeweiligen Postition wird der globale, der regionale oder der lokale Markt für das Benchmarking verwendet. Die Zusammensetzung der Vergütung aus Grundgehalt und variablem Gehalt wird zudem der gängigen Marktpraxis und den internen Verhältnissen angepasst. Zurich kommuniziert transparent, wie die Entschädigungsstruktur festgelegt wird und welche Verfahren für die Entscheidungsfindung Anwendung finden. Die Gesamtvergütung setzt sich aus den folgenden Elementen zusammen.

Bericht über Honorare und Entschädigungen *fortgesetzt*

Elemente der Gesamtvergütung

Element		Art	Beschreibung
Grundgehalt		Fixe Barvergütung	Fixe Vergütung, nach Anforderungsprofil und Komplexität der Funktion In der Regel in der Bandbreite von 80% bis 120% des jeweiligen Marktmedians
Variable Vergütung	Kurzfristige Incentives (STIP – ein Jahr)	Leistungsbezogene Barvergütung	Für Direktionsmitglieder, oberes Management und eine breitere Gruppe von Mitarbeitenden, jährliche Auszahlung Leistungsmessung anhand der erzielten Geschäftsergebnisse und des Erreichens der strategischen Ziele Leistungsbezogene Elemente hängen von der Geschäfts- und der Einzelleistung ab
	Langfristige Incentives (LTIP – drei Jahre) (mit Wirkung vom 1. Januar 2011 werden alle LTIP-Zuteilungen zu 100% in Form von leistungsbezogenen Aktien vorgenommen)	Leistungsbezogene Aktien (50% im Jahr 2010) Leistungsbezogene Aktienoptionen (50% im Jahr 2010)	Für eine bestimmte Gruppe von Führungskräften Jährliche bedingte Zuteilungen, wobei jede jährliche bedingte Zuteilung in drei gleiche Tranchen aufgeteilt wird Die erste Tranche steht für das Jahr zur definitiven Zuteilung zur Verfügung, das auf das Jahr der bedingten Zuteilung folgt, die zweite Tranche im zweiten Jahr und die dritte Tranche im dritten Jahr, das auf das Jahr der bedingten Zuteilung folgt Die Bestimmung der definitiven Zuteilung erfolgt auf der Basis des erreichten TSR und des ROE der Gruppe über die drei dem Datum der definitiven Zuteilung vorangehenden Kalenderjahre Die Hälfte der definitiv zugeteilten Aktien unterliegt einer Veräusserungsbeschränkung von drei Jahren Optionen werden nur den obersten Führungskräften zugeteilt; die Optionszuteilung wird im Jahr 2011 nicht fortgeführt
Vorsorgeleistungen für Mitarbeitende		Fixum	Vorsorgeleistungen im Rahmen der gängigen lokalen Marktpraxis Pensionspläne (de-risked gemäss den Gruppenrichtlinien) Ausrichtung der Vorsorgeleistungen an Medianwerten

Grundgehalt

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

Variable Vergütung

Die Incentive-Programme ermöglichen die Berücksichtigung einer Reihe von Entschädigungsfaktoren, die an das Leistungsniveau gekoppelt sind. Bei überdurchschnittlicher Performance können Geschäftsverlauf und persönliche Leistung der Mitarbeitenden zu hohen, über den Zielgrössen liegenden variablen Gehaltszahlungen führen. Liegt die Performance unter den Erwartungen, kann die variable Entschädigung geringer als die Zielgrösse ausfallen. Variable Gehälter werden in Märkten, in denen sie die Norm sind, gewährt, um die Mitarbeitenden zu motivieren, wichtige kurz- und langfristige Geschäftsziele zur Steigerung des Shareholder Value zu erreichen. Die variablen Gehaltskomponenten können sowohl kurzfristige als auch langfristige Incentives umfassen.

Kurzfristige Incentive-Programme (ein Jahr) sind leistungsabhängig und wie folgt strukturiert:

- Kurzfristige Incentives werden bar ausgezahlt.

- Für jeden Teilnehmer wird für jedes Leistungsjahr ein Zielbonus festgesetzt.

- Es wurden eine Reihe von verschiedenen kurzfristigen Incentive-Pools eingerichtet, um die verschiedenen Geschäftsbereiche abzudecken, zum Beispiel für die Gruppe der obersten Führungskräfte, die Geschäftssegmente, für Operations, für die Funktionen und das Corporate Center. Die Pool-Struktur wird jedes Jahr überprüft. Jeder Teilnehmer wird einem Finanzierungspool im Rahmen des kurzfristigen Incentive-Programms (STIP) zugeordnet.

- Bei jedem STIP-Pool entspricht die Zielfinanzierung des Pools (Zielpool) der Summe der individuellen Zielboni der Poolteilnehmer.

- Die tatsächliche Finanzausstattung des STIP-Pools als Prozentsatz des Zielpools wird am Ende des Leistungsjahres bemessen. Der Verwaltungsrat hat ein STIP-Leistungsraster genehmigt, das die Unternehmensleistung mit der potenziellen Grösse des tatsächlichen Finanzierungspools verbindet. Basierend darauf und unter Berücksichtigung des massgeblichen Unternehmenserfolges und der Risikoerwägungen unterbreitet der Group Chief Executive Officer Empfehlungen für die Finanzierungslevel der verschiedenen STIP-Pools dem Entschädigungsausschuss, der diese im Anschluss erörtert und dem Verwaltungsrats zur Genehmigung vorlegt.

- Der massgebliche Unternehmenserfolg wird anhand des Businessplans beurteilt, der vom Verwaltungsrat im Dezember des vor dem Leistungsjahr liegenden Jahres genehmigt wurde. Zu den Finanzkennzahlen für die Finanzierung der Pools gehören typischerweise der Reingewinn der Gruppe für die obersten Führungskräfte und der massgebliche Business Operating Profit (BOP) für die Geschäftssegmente. Abhängig von den tatsächlichen Erfolgen können die STIP-Finanzierungspools zwischen 0% und 175% der Zielpools schwanken. Bei der Bewertung der Geschäftsergebnisse wird sowohl die finanzielle Performance des Geschäftsbereichs als auch eine Überprüfung der Risikoerwägungen durch den Chief Risk Officer berücksichtigt.

- Die Aufteilung des STIP-Pools auf die einzelnen Teilnehmer basiert dann auf der Grösse des verfügbaren Finanzierungspools, den Ergebnissen der Geschäftseinheit, in der die betreffende Person arbeitet, und den während des Jahres vom jeweiligen Teilnehmer erreichten Leistungen. Etwaige Verletzungen interner Regeln oder externer Bestimmungen durch den betreffenden Teilnehmer finden bei der Bewertung der individuellen Leistung Berücksichtigung. Die individuell erzielten Leistungen werden über das Leistungsgmanagementsystem und -verfahren der Gruppe bewertet. Das Leistungsmanagementsystem der Gruppe verwendet eine individuelle Bewertungsskala von 1 bis 5 (wobei 5 die höchste Bewertung ist) sowie eine Zielverteilungsrichtlinie für jede der Bewertungen.

- Abhängig von der Grösse des STIP-Pools und der individuellen Leistungsbewertung können die kurzfristigen Bonuszahlungen zwischen 0% und 200% des individuellen Zielbonuslevels schwanken.

- Auf diese Weise werden die kurzfristigen Bonuszahlungen auf der Grundlage der erzielten Leistungen des Unternehmens und des Einzelnen differenziert.

Kurzfristige Incentives werden über ein Gruppenprogramm sowie über lokale Länderprogramme ausgerichtet. Das Gruppenprogramm wird im gesamten Unternehmen verwendet und ist in vielen Ländern für alle Mitarbeitenden des entsprechenden Landes, die für die Teilnahme ausgewählt werden, gültig. In anderen Ländern nimmt nur das oberste Management am Gruppenprogramm teil. In diesen Ländern können für die restlichen Mitarbeitenden lokale Pläne verwendet werden, welche im Wesentlichen nach den gleichen Prinzipien wie das Gruppenprogramm ausgestaltet sind.

In Zukunft werden die lokalen Länderprogramme stärker in das Gruppenprogramm integriert.

Langfristige Incentive-Programme (drei Jahre) fördern das Erreichen der längerfristigen finanziellen Ziele der Gruppe und sind für eine bestimmte Gruppe von Führungskräften und das oberste Management bestimmt, deren Aufgaben sich auf die Leistungsfaktoren für die langfristige Entwicklung des Shareholder Value konzentrieren. Zu dieser Gruppe gehören die Personen mit den höchsten Gesamtvergütungen sowie solche Personen, deren Tätigkeiten einen wesentlichen Einfluss auf das Risikoprofil der Gruppe haben. In Abstimmung mit dem Risikoprofil und der Geschäftsstrategie der Gruppe werden die langfristigen Incentives mit aufgeschobener Wirkung ausgerichtet, unter Berücksichtigung der wesentlichen Risiken und des zeitlichen Horizonts. Eine solche aufgeschobene Vergütung ist derart strukturiert, dass sie das Risikobewusstsein der Teilnehmer fördert und die Teilnehmer ermutigt, das Geschäft auf nachhaltige Weise zu führen.

Bericht über Honorare und Entschädigungen *fortgesetzt*

Der Aufschub der langfristigen Incentives wird erreicht durch:

- anteilige definitive Zuteilung der bedingt zugeteilten langfristigen Incentives in Drittelraten über die drei auf das Jahr der bedingten Zuteilung folgenden Jahre und
- ausserdem ist die Hälfte der definitiv zugeteilten Aktien mit einer Veräusserungsbeschränkung von drei Jahren belegt.

Die von der Gruppe eingesetzten langfristigen Incentive-Programme können i) leistungsbezogene Aktien, ii) leistungsbezogene Aktienoptionen oder iii) Aktien mit Veräusserungsbeschränkungen bzw. eine Kombination dieser Instrumente umfassen. Mit Wirkung vom 1. Januar 2011 werden die regulären langfristigen Incentive-Zuteilungen nur noch in Form von leistungsbezogenen Aktien vorgenommen. Die wichtigsten Gestaltungsmerkmale der langfristigen Incentive-Programme der Gruppe sind:

- Für jeden Teilnehmer wird jährlich eine Zielgrösse für die bedingte Zuteilung festgesetzt.
- Die bedingte Zuteilung basiert auf einem Modell, bei dem die bedingt zugeteilte Aktien oder Aktienoptionen in drei gleiche Tranchen aufgeteilt werden und jede Tranche für ihre definitive Zuteilung in den drei auf das Datum der bedingten Zuteilung folgenden Jahren bemessen wird. Dies wird in der folgenden Tabelle illustriert:

Bedingte Zuteilung im Jahr 2010

	Jahr der definitiven Zuteilung und Jahr, in dem die für 50% der definitiv zugeteilten Aktien bestehenden Veräusserungsbeschränkungen ablaufen					
	2011	2012	2013	2014	2015	2016
Tranche 1 [10 bedingte Zuteilung]	Bemessung der definitiven Zuteilung			Veräusserungsbeschränkungen laufen ab		
Tranche 2 [10 bedingte Zuteilung]		Bemessung der definitiven Zuteilung			Veräusserungsbeschränkungen laufen ab	
Tranche 3 [10 bedingte Zuteilung]			Bemessung der definitiven Zuteilung			Veräusserungsbeschränkungen laufen ab

Die folgende Tabelle zeigt, wie die Tranchen nach den jeweiligen jährlichen bedingten Zuteilungen über die verschiedenen Kalenderjahre zugeteilt werden. Es gibt somit stets drei Tranchen aus drei früheren bedingten Zuteilungen, die in jedem Kalenderjahr bewertet und definitiv zugeteilt werden.

Jahr der definitiven Zuteilung für jede Tranche		
2011	2012	2013
Tranche 1 [10 bedingte Zuteilung]	Tranche 1 [11 bedingte Zuteilung]	Tranche 1 [12 bedingte Zuteilung]
Tranche 2 [09 bedingte Zuteilung]	Tranche 2 [10 bedingte Zuteilung]	Tranche 2 [11 bedingte Zuteilung]
Tranche 3 [08 bedingte Zuteilung]	Tranche 3 [09 bedingte Zuteilung]	Tranche 3 [10 bedingte Zuteilung]

- Von der Performance abhängige, bedingt zugeteilte Incentives werden nur dann definitiv zugeteilt, wenn die Performance der Gruppe bestimmte Bedingungen erfüllt, die anhand der den Aktionären zurechenbaren Eigenkapitalrendite ohne Vorzugspapiere (ROE) der Gruppe und der Gesamtrendite für die Aktionäre (TSR = Total Shareholder Return) im Vergleich mit einer weltweiten Gruppe von im Dow Jones Titan Insurance Index enthaltenen Versicherungsgesellschaften gemessen werden. Die Performance wird über einen Zeitraum von drei Kalenderjahren vor dem Datum der definitiven Zuteilung gemessen, der zugeteilte Prozentsatz kann, auf der Grundlage des tatsächlich erreichten ROE bzw. TSR, zwischen 0% und 175% der bedingten Zuteilungen schwanken. Wenn die Mindestgrenzen für die Performance nicht erreicht werden, erfolgt keine definitive Zuteilung der bedingt zugeteilten Aktien und Aktienoptionen. Der Prozentsatz für die definitive Zuteilung wird dem Entschädigungsausschuss vom Chief Executive Officer vorgeschlagen, und der Entschädigungsausschuss unterbreitet dem Verwaltungsrat eine Empfehlung, welche dieser dann abschliessend genehmigt. Die Matrix für die endgültige Zuteilung ist wie folgt aufgebaut:

Long-Term Incentive Plan Vesting Matrix

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

Wenn der tatsächliche ROE der Gruppe zwischen den in der Tabelle angegebenen Werten liegt, wird der Prozentsatz für die endgültige Zuteilung durch Interpolieren der Zahlen in der obigen Matrix ermittelt. Bei einem relativen TSR im Top-Quartil und einem durchschnittlichen ROE von 14% im Dreijahreszeitraum läge die prozentuale definitive Zuteilung beispielsweise bei 142% der bedingt zugeteilten Aktien und Aktienoptionen.

- Das Recht, das Level der definitiven Zuteilung für Individuen zu ändern, um besonderen Umständen des Einzelfalls gerecht zu werden, ist dem Chief Executive Officer vorbehalten, mit Ausnahme von Änderungen, welche die Mitglieder der Konzernleitung und des Group Management Board betreffen, bei denen dieses Recht dem Entschädigungsausschuss des Verwaltungsrats und dem Verwaltungsrat selber vorbehalten ist. Vor der definitiven Ausrichtung kann eine Anpassung des regulären Levels von +/–25% für die definitive Zuteilung vorgenommen werden. Wenn die Umstände es rechtfertigen, können Ausnahmen von der +/–25% Regel gemacht werden, jedoch sind sämtliche derartigen Anpassungen ausschliesslich dem Vergütungsausschuss und dem Verwaltungsrat vorbehalten.

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

Vorsorgeleistungen

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

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

Per 31. Dezember 2010 gehörte kein Verwaltungsratsmitglied der Zurich Financial Services AG der erweiterten Konzernleitung an. Die Vergütung sowie der Aktienbesitz der Verwaltungsräte und der Mitglieder der Konzernleitung werden daher separat offengelegt.

Mitglieder des Verwaltungsrats

Verwaltungsratshonorare

Für ihre Mitgliedschaften im Verwaltungsrat der Zurich Financial Services AG und im Verwaltungsrat der Zürich Versicherungs-Gesellschaft AG erhalten alle Verwaltungsratsmitglieder eine Vergütung, die zum Teil bar und zum Teil in Aktien der Zurich Financial Services AG mit einer dreijährigen Veräusserungsbeschränkung ausbezahlt wird. Die Aktien bilden einen Bestandteil der Gesamtvergütung, deren Höhe nicht vom Erreichen spezifischer Leistungsziele abhängig ist. Die Vergütungsstruktur für 2010 wurde im Vergleich zu 2009 nicht geändert.

Mit Ausnahme des Präsidenten und des Vizepräsidenten erhalten alle Mitglieder des Verwaltungsrats ein Jahresgrundhonorar von USD 205’000. Davon wird ein Drittel, d. h. USD 68’500, in Form von veräusserungsbeschränkten Aktien der Zurich Financial Services AG zugeteilt. Bei Mitgliedern, die während des Jahres neu hinzukommen oder ausscheiden, wird der Betrag anteilig errechnet. Mitglieder von Verwaltungsratsausschüssen erhalten für ihre Arbeit in den Ausschüssen, in denen sie Einsitz haben, unabhängig von der Anzahl der Ausschüsse, in denen sie einsitzen, eine zusätzliche Barvergütung in Höhe von insgesamt USD 40’000 pro Jahr. Darüber hinaus erhält der jeweilige Präsident jedes Ausschusses eine Zusatzvergütung von USD 20’000 und der Präsident des Prüfungsausschusses erhält zudem ein zusätzliches Honorar in Höhe von USD 10’000 pro Jahr. Verwaltungsratsmitglieder mit Wohnsitz in den Vereinigten Staaten erhalten zusätzlich einen Betrag von USD 10’000 pro Jahr. Informationen darüber, in welchen Ausschüssen die Mitglieder tätig sind, finden Sie im Bericht über die Corporate Governance auf S. 30. Ist ein Verwaltungsrat gleichzeitig Mitglied des Verwaltungsrats einer oder mehrerer Tochtergesellschaften der Zurich Financial Services Group, hat der Verwaltungsrat darüber hinaus Anspruch auf ein zusätzliches Honorar in Höhe von USD 40’000 pro Jahr sowie von weiteren USD 10’000, wenn er oder sie den Prüfungsausschuss eines solchen Verwaltungsrates präsidiert.

Das Jahresgrundhonorar des Vizepräsidenten im Jahr 2010 betrug USD 330’000, wovon USD 68’500 in Form veräusserungsbeschränkter Aktien von Zurich Financial Services AG zugeteilt werden. Das Jahresgrundhonorar des Verwaltungsratspräsidenten von Zurich Financial Services AG und Zürich Ver-

Bericht über Honorare und Entschädigungen *fortgesetzt*

sicherungs-Gesellschaft AG im Jahr 2010 betrug USD 700'000, wovon ein Drittel, d. h. USD 233'500, in Form von veräusserungsbeschränkten Aktien der Zurich Financial Services AG zugeteilt wird. Weder der Präsident noch der Vizepräsident erhalten für ihre Arbeit in den Verwaltungsratsausschüssen zusätzliche Honorare.

Basierend auf dieser Struktur beliefen sich die insgesamt an die Verwaltungsratsmitglieder von Zurich Financial Services AG und Zürich Versicherungs-Gesellschaft AG gezahlten Honorare für das per 31. Dezember 2010 abgeschlossene Geschäftsjahr auf USD 3'445'000. Dieses umfasste USD 2'553'625 in bar und zugeteilte Aktien mit einer Veräusserungsbeschränkung von drei Jahren, deren Wert sich zum Zeitpunkt der Zuteilung auf USD 901'375 belief. Zum Zeitpunkt der Zuteilung betrug der Aktienkurs CHF 246.50. Der entsprechende Gesamtbetrag für 2009 belief sich auf USD 3'395'000. Davon wurden USD 2'476'500 in bar ausbezahlt, und der Wert der zugeteilten Aktien mit einer Veräusserungsbeschränkung von drei Jahren belief sich zum Zeitpunkt der Zuteilung auf USD 918'500. Zum Zeitpunkt der Zuteilung im Jahr 2009 betrug der Aktienkurs CHF 197.10.

Die Verwaltungsratshonorare sind nicht pensionsberechtigt.

In den nachstehenden Tabellen sind die 2010 und 2009 an die Verwaltungsräte ausbezahlten Honorare aufgeführt:

Verwaltungsrats-honorare 2010

in USD	2010[1]						
	Grundhonorar	Ausschussvergütung[2]	Honorar für den Ausschussvorsitzenden[3]	US-Wohnsitzzuschlag[4]/Andere	Gesamthonorar	davon entrichtet in bar[5]	davon zugeteilt in Aktien[6, 7]
M. Gentz, Präsident[8]	700'000	–	–	–	700'000	466'500	233'500
Ph. Pidoux, Vizepräsident[8, 9]	82'500	–	–	–	82'500	82'500	–
J. Ackermann, Vizepräsident[9]	247'500	–	–	–	247'500	196'125	51'375
S. Bies, Mitglied	205'000	40'000	–	50'000[10]	295'000	226'500	68'500
V. Chu, Mitglied	205'000	40'000	–	–	245'000	176'500	68'500
Th. Escher, Mitglied	205'000	40'000	–	–	245'000	176'500	68'500
F. Kindle, Mitglied	205'000	40'000	–	–	245'000	176'500	68'500
A. Meyer, Mitglied	205'000	40'000	–	–	245'000	176'500	68'500
D. Nicolaisen, Mitglied	205'000	40'000	30'000	50'000[10]	325'000	256'500	68'500
V. L. Sankey, Mitglied	205'000	40'000	20'000	–	265'000	196'500	68'500
T. de Swaan, Mitglied	205'000	40'000	20'000	50'000[10]	315'000	246'500	68'500
R. Watter, Mitglied	205'000	40'000	–	–	245'000	176'500	68'500
Gesamt in USD[11]	**2'875'000**	**360'000**	**70'000**	**150'000**	**3'455'000**	**2'553'625**	**901'375**

Verwaltungsrats-honorare 2009

in USD	2009[1]						
	Grundhonorar	Ausschussvergütung[2]	Honorar für den Ausschussvorsitzenden[3]	US-Wohnsitzzuschlag[4]/Andere	Gesamthonorar	davon entrichtet in bar[5]	davon zugeteilt in Aktien[6, 12]
M. Gentz, Präsident[8]	700'000	–	–	–	700'000	466'500	233'500
Ph. Pidoux, Vizepräsident[8]	330'000	–	–	–	330'000	261'500	68'500
S. Bies, Mitglied	205'000	40'000	–	20'000[10]	265'000	196'500	68'500
V. Chu, Mitglied	205'000	40'000	–	–	245'000	176'500	68'500
Th. Escher, Mitglied	205'000	40'000	–	–	245'000	176'500	68'500
F. Kindle, Mitglied	205'000	40'000	–	–	245'000	176'500	68'500
A. Meyer, Mitglied	205'000	40'000	–	–	245'000	176'500	68'500
D. Nicolaisen, Mitglied	205'000	40'000	30'000	20'000[10]	295'000	226'500	68'500
V.L. Sankey, Mitglied	205'000	40'000	20'000	–	265'000	196'500	68'500
T. de Swaan, Mitglied	205'000	40'000	20'000	50'000[10]	315'000	246'500	68'500
R. Watter, Mitglied	205'000	40'000	–	–	245'000	176'500	68'500
Gesamt in USD[11]	**2'875'000**	**360'000**	**70'000**	**90'000**	**3'395'000**	**2'476'500**	**918'500**

[1] Die in den Tabellen ausgewiesene Vergütung enthält keine geschäftlich bedingten Auslagen, die bei der Arbeit der Verwaltungsratsmitglieder angefallen sind.
[2] Mitglieder von Verwaltungsratsausschüssen erhalten für ihre Arbeit in den Ausschüssen, in denen sie Einsitz haben, unabhängig von der Anzahl der Ausschüsse, in denen sie einsitzen, eine Barvergütung in Höhe von insgesamt USD 40'000 pro Jahr. Informationen darüber, in welchen Ausschüssen die Mitglieder tätig sind, finden sich im Bericht über die Corporate Governance auf S. 30.
[3] Die Präsidenten der jeweiligen Ausschüsse erhalten zusätzlich USD 20'000 und der Präsident des Prüfungsausschusses darüber hinaus noch USD 10'000 pro Jahr. Informationen darüber, in welchen Ausschüssen die Verwaltungsratsmitglieder tätig sind und wer den Vorsitz in diesen Ausschüssen führt, finden sich im Bericht über die Corporate Governance auf S. 30.
[4] Verwaltungsratsmitglieder mit Wohnsitz in den Vereinigten Staaten erhalten eine Entschädigung von USD 10'000 pro Jahr.

[5] Die Barvergütungen sind in US-Dollar festgesetzt, werden aber in der Landeswährung desjenigen Landes bezahlt, in dem die Mitglieder des Verwaltungsrats ihren Wohnsitz haben. Zur Anwendung gelangt der jeweilige Wechselkurs am Tag der Auszahlung.
[6] Die den Mitgliedern des Verwaltungsrats zugeteilten Aktien unterliegen einer Veräusserungsbeschränkung von drei Jahren.
[7] Per 30. Juni 2010 wurden Herrn Gentz 1'071 und den anderen Mitgliedern des Verwaltungsrats je 314 Aktien, basierend auf dem Gesamtjahresmandat, zugewiesen. Die Anzahl der Aktien, die den Mitgliedern aufgrund des ihnen als Aktien zustehenden Honoraranteils zugeteilt wurden, berechnet sich anhand des per 15. Juni 2010 gültigen Aktien- (CHF 246.50) und Wechselkurses (USD/CHF 1.131). Wenn der Wert der zugeteilten Aktien nicht dem Wert des in Aktien auszurichtenden Honoraranteils entsprach, wurde die Differenz in bar ausbezahlt. Die in der vorstehenden Tabelle aufgeführten Beträge geben den Wert des festgelegten Honoraranteils, der in Aktien auszurichten ist, in US-Dollar wieder.
[8] Weder der Präsident noch der Vizepräsident erhalten für ihre Arbeit in den Verwaltungsratsausschüssen zusätzliche Honorare.
[9] In der ordentlichen Generalversammlung vom 30. März 2010 legte Herr Pidoux sein Amt als Verwaltungsrat nieder und Herr Ackermann wurde in den Verwaltungsrat gewählt und zu dessen Vizepräsidenten ernannt.
[10] Zusätzlich zu ihren Honoraren als Verwaltungsratsmitglied von Zurich Financial Services AG und Zürich Versicherungs-Gesellschaft AG bezogen Frau Bies, Herr Nicolaisen und Herr de Swaan eine Vergütung für ihre Mitgliedschaften im Verwaltungsrat der folgenden Tochtergesellschaften der Zurich Financial Services Group:
– Frau Bies und Herr Nicolaisen erhielten für 2010 jeweils ein Jahreshonorar in Höhe von USD 40'000 für ihre Mitgliedschaft im Verwaltungsrat von Zurich Holding Company of America (ZHCA). Im Jahr 2009 erhielten beide ein anteiliges Honorar von USD 10'000 für ihre Mitgliedschaft im Verwaltungsrat von Zurich Holding Company of America (ZHCA) ab 19. Oktober 2009 (auf der Grundlage eines Jahreshonorars von USD 40'000). Für 2010 und 2009 enthalten die in der Tabelle aufgeführten Beträge zudem eine US-Wohnsitzentschädigung in Höhe von USD 10'000.
– In den Jahren 2010 und 2009 erhielt Herr de Swaan für seine Mitgliedschaft im Verwaltungsrat von Zurich Insurance plc und im Verwaltungsrat von Zurich Life Assurance plc (seit 1. Januar 2010) ein Jahreshonorar in Höhe von USD 40'000 und für seine Tätigkeit als Präsident des Prüfungsausschusses in diesen beiden Gesellschaften ein Jahreshonorar in Höhe von USD 10'000.
[11] In Übereinstimmung mit den anwendbaren Gesetzen bezahlte Zurich im Jahr 2010 Arbeitgeberbeiträge an Sozialversicherungssysteme in Höhe von insgesamt USD 85'136. 2009 beliefen sich die entsprechenden Beträge auf USD 80'670. Sämtliche persönlichen Beiträge der Verwaltungsratsmitglieder an Sozialversicherungssysteme sind in den aufgeführten Beträgen in der vorstehenden Tabelle enthalten.
[12] Per 30. Juni 2009 wurden Herrn Gentz 1'296 und den anderen Mitgliedern des Verwaltungsrats je 380 Aktien, basierend auf dem Gesamtjahresmandat, zugewiesen. Die Anzahl der Aktien, die den Mitgliedern aufgrund des ihnen als Aktien zustehenden Honoraranteils zugeteilt wurden, berechnet sich anhand des per 15. Juni 2009 gültigen Aktien- (CHF 197.10) und Wechselkurses (USD/CHF 1.0942). Wenn der Wert der zugeteilten Aktien nicht dem Wert des in Aktien auszurichtenden Honoraranteils entsprach, wurde die Differenz in bar ausbezahlt. Die in der vorstehenden Tabelle aufgeführten Beträge geben den Wert des festgelegten Honoraranteils, der in Aktien auszurichten ist, in US-Dollar wieder.

Die aktuelle Vergütungsstruktur für Verwaltungsräte ist seit 2007 in Kraft, wobei die aktuelle Höhe des Honorars für den Vorsitzenden seit dem 1. Januar 2008 gilt. Der Entschädigungsausschuss hat unter Beizug seiner Berater die aktuelle Vergütungsstruktur überprüft. Dabei wurde auch auf das relevante Marktniveau abgestellt, einschliesslich der Honorare, die von Versicherungsgesellschaften im Dow Jones Titan Index und den grösseren Unternehmen im Schweizer SMI Index geleistet werden. Diese Vergleiche ergaben, dass die aktuelle Vergütungsstruktur hinter den herrschenden Marktniveaus zurückbleibt. Ein wichtiger Grund hierfür ist, dass die aktuelle Vergütungsstruktur für alle Verwaltungsräte in US-Dollar festgelegt ist und die Währung in den letzten Jahren erheblich abgewertet wurde. Der Verwaltungsrat hat in diesem Zusammenhang entschieden, Änderungen vorzunehmen. Ab 2011 gilt folgende Vergütungsstruktur: Alle Honorare werden in Schweizer Franken festgelegt, insgesamt beträgt das Honorar für den Präsidenten CHF 1'000'000 und das Honorar für den Vizepräsidenten CHF 375'000. Das Honorar für alle anderen Verwaltungsräte beträgt CHF 240'000 und sie erhalten ein Zusatzhonorar von CHF 50'000 für ihre Arbeit in Ausschüssen, unabhängig von der Zahl der Ausschüsse, in denen sie einsitzen. Darüber hinaus erhält der jeweilige Präsident jedes Ausschusses eine Zusatzvergütung von CHF 30'000 und der Präsident des Prüfungsausschusses erhält zudem ein zusätzliches Honorar in Höhe von CHF 10'000 pro Jahr. Das zuvor für Verwaltungsratsmitglieder mit Wohnsitz in den Vereinigten Staaten bezahlte zusätzliche Honorar entfällt. Wie in der Vergangenheit wird ca. ein Drittel des Honorars des Präsidenten und ein Drittel des Grundhonorars für alle anderen Verwaltungsräte in Aktien mit Veräusserungsbeschränkung von drei Jahren zugeteilt, der Rest des Honorars wird in bar ausbezahlt. Ist ein Verwaltungsrat gleichzeitig Mitglied des Verwaltungsrats einer oder mehrerer Tochtergesellschaften der Zurich Financial Services Group, hat der Verwaltungsrat darüber hinaus Anspruch auf ein zusätzliches Honorar in Höhe von CHF 50'000 pro Jahr sowie von weiteren CHF 10'000, wenn er oder sie einen Prüfungsausschuss eines solchen Verwaltungsrates präsidiert.

Abfindungsvereinbarungen für ausgeschiedene Mitglieder des Verwaltungsrats

Herr Philippe Pidoux legte sein Amt bei der ordentlichen Generalversammlung 2010 nieder. An ihn wurden keine Abfindungszahlungen ausgerichtet. Kein Verwaltungsratsmitglied gab 2009 sein Amt auf.

Vergütung für ehemalige Verwaltungsratsmitglieder

Ehemalige Mitglieder der Verwaltungsräte erhielten weder im Verlauf des Jahres 2009 noch während des Jahres 2010 Leistungen. Es wurde auch nicht auf Ansprüche verzichtet.

Aktienpläne für Verwaltungsratsmitglieder

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

Aktienbeteiligung der Verwaltungsratsmitglieder

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

Bericht über Honorare und Entschädigungen *fortgesetzt*

Von den Mitgliedern des Verwaltungsrats gehaltene Aktien

Anzahl der Aktien von Zurich Financial Services AG[1], per 31. Dezember	Eigentum an Aktien	
	2010	2009
M. Gentz, Präsident	5'345	4'274
Ph. Pidoux, Vizepräsident[2]	n. a.	2'850
J. Ackermann, Vizepräsident[2]	235	n. a.
S. Bies, Mitglied	881	567
V. Chu, Mitglied	881	567
Th. Escher, Mitglied	6'164	5'850
F. Kindle, Mitglied	11'164	10'850
A. Meyer, Mitglied	2'488	2'174
D. Nicolaisen, Mitglied	1'164	850
V. L. Sankey, Mitglied	2'334	2'020
T. de Swaan, Mitglied	1'164	850
R. Watter, Mitglied	4'132	3'818
Total	**35'952**	**34'670**

[1] Kein Mitglied des Verwaltungsrats hielt per 31. Dezember 2010 bzw. 2009 allein oder gemeinsam mit einer oder mehreren ihm nahestehenden Personen mehr als 0,5% der Stimmrechte.
[2] Bei der ordentlichen Generalversammlung vom 30. März 2010 trat Herr Pidoux von seinem Verwaltungsratsposten zurück; Herr Ackermann wurde in den Verwaltungsrat gewählt und zum Vizepräsidenten ernannt.

Aktienoptionen der Verwaltungsratsmitglieder

Die Mitglieder der Verwaltungsräte von Zurich Financial Services AG und Zürich Versicherungs-Gesellschaft AG nehmen an keinem Aktienoptionsprogramm des obersten Managements teil. Daher wurden ihnen weder im Berichtsjahr noch in den vorangehenden Jahren Aktienoptionen zugeteilt. Weder Mitglieder des Verwaltungsrats noch ihnen nahestehende Personen hielten per 31. Dezember 2009 oder per 31. Dezember 2010 Options- oder Wandelrechte auf Aktien von Zurich Financial Services AG.

Zusätzliche Honorare und Vergütungen für Verwaltungsratsmitglieder

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

Persönliche Darlehen für Verwaltungsräte

Unabhängig von seiner Mitgliedschaft im Verwaltungsrat und zu für andere Kunden verfügbaren Bedingungen hatte Herr Watter per 31. Dezember 2010 und 31. Dezember 2009 ein gesichertes Policendarlehen in Höhe von CHF 2,5 Mio. ausstehen. Der jährlich belastete Zinssatz auf das Darlehen beträgt 4%. Mit Ausnahme des Darlehens für Herrn Watter hatte kein Verwaltungsratsmitglied per 31. Dezember 2010 oder 2009 ausstehende Darlehen, Vorschüsse oder Kredite.

Persönliche Darlehen für ehemalige Verwaltungsratsmitglieder

Per 31. Dezember 2010 bzw. 2009 hatte kein ehemaliges Mitglied des Verwaltungsrats ausstehende Darlehen, Vorschüsse oder Kredite.

Den Mitgliedern des Verwaltungsrats oder ehemaligen Verwaltungsratsmitgliedern nahestehende Personen

Den Mitgliedern des Verwaltungsrats oder ehemaligen Mitgliedern des Verwaltungsrats nahestehende Personen erhielten im Verlauf des Jahres 2010 bzw. 2009 keine Leistungen. Es wurde auch nicht auf Forderungen ihnen gegenüber verzichtet. Zudem bestanden gegenüber den Mitgliedern des Verwaltungsrats oder ehemaligen Verwaltungsratsmitgliedern nahestehenden Personen per 31. Dezember 2010 bzw. 2009 keine ausstehenden Darlehen, Vorschüsse oder Kredite.

Konzernleitung

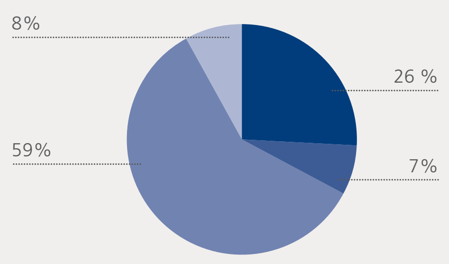
Vergütung der Konzernleitung

Der Gesamtbetrag der an die Mitglieder der Konzernleitung im Jahr 2010 bezahlten Vergütungen entspricht dem Wert der Barzahlungen (einschliesslich Vergütungen im Rahmen des kurzfristigen Incentive-Programms), der Pensionen, der sonstigen Vergütungen und der im Rahmen des langfristigen Incentive-Programms der Gruppe im Jahr 2010 bedingt zugeteilten Aktien und Aktienoptionen.

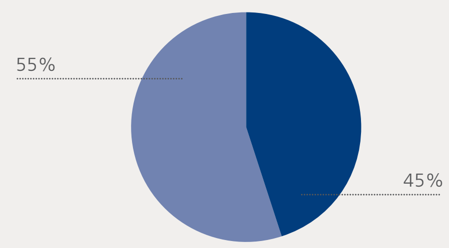
Die Zusammensetzung der einzelnen Vergütungskomponenten für die Mitglieder der Konzernleitung wird unter Berücksichtigung der gängigen Marktpraxis und der internen Verhältnisse festgelegt.

Die Verteilung der Gesamtvergütung auf die einzelnen Vergütungskomponenten im Jahr 2010 ist in den nachstehenden Tabellen aufgeführt. Dies erfolgt auf Basis der Zielwerte für die leistungsbezogene Vergütung.

Gewichtung der Vergütungselemente



Gewichtung des Zielwerts der leistungsbezogenen Vergütung



Wie aus den vorstehenden Grafiken ersichtlich ist, besteht eine angemessene Ausgewogenheit der Vergütungskomponenten mit starker Gewichtung zugunsten leistungsbezogener Vergütung sowohl durch das kurzfristige als auch durch das langfristige Incentive-Programm. Das Verhältnis der Zielwerte zwischen kurzfristigen (einjährigen) und langfristigen (dreijährigen) Incentive-Leistungen zeigt eine stärkere Gewichtung langfristiger Incentives.

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

Wert der Gesamtvergütung

Der Gesamtwert der verschiedenen Vergütungskomponenten der Mitglieder der Konzernleitung belief sich 2010 auf USD 45,8 Mio. Dieser Betrag steht einem Betrag in Höhe von USD 47,8 Mio. im Jahr 2009 gegenüber, der auf derselben Basis berechnet wurde. Der Wert der Gesamtvergütung für die Mitglieder der Konzernleitung ging im Vergleich zu 2009 um USD 2,0 Mio. zurück. Dies ist auf eine Reihe von Faktoren zurückzuführen. Es gab signifikante Veränderungen bei der Mitgliedschaft: Der neue Chief Executive Officer trat am 1. Januar 2010 seine Position an und nur acht Mitglieder der Konzernleitung übten ihre Funktion während des ganzen Jahres 2010 aus. Auch die Bonuszahlungen in bar gingen während des Jahres zurück. Dies sowohl infolge der Tatsache, dass die Zielgrössen beim Erreichen der Vorgaben niedriger waren, als auch, weil die tatsächlichen Bonuszahlungen prozentual zu den Zielgrössen ebenfalls sanken. Angesichts der personellen Veränderungen war sowohl der Wert der leistungsbezogenen Aktien und Aktienoptionen im Jahr 2010 als auch der Gesamtbetrag für Pensionsanwartschaften niedriger. Diese Verminderungen wurden zum Teil dadurch ausgeglichen, dass der US-Dollar gegenüber dem Schweizer Franken schwächer war, sowie durch die Tatsache, dass die Vergütung 2010 den Wert einer Zahlung aufgrund der Beendigung eines Arbeitsvertrages enthielt, während 2009 kein entsprechender Betrag verzeichnet wurde.

Der Gesamtwert für das Geschäftsjahr 2010 setzt sich aus folgenden Elementen zusammen (die Vergleichszahlen für 2009 sind in der Tabelle zum Gesamtbetrag der an die Mitglieder der Konzernleitung bezahlten Vergütungen aufgeführt).

Für 2010 bezahltes Grundgehalt und jährliche Bonuszahlungen

Der Gesamtbetrag der Grundgehälter und der jährlichen in bar ausbezahlten Bonuszahlungen im Rahmen des kurzfristigen Incentive-Programms für 2010 belief sich auf USD 25,0 Mio. Davon entfielen USD 11,4 Mio. auf die Grundgehälter und USD 13,6 Mio. auf die jährlichen in bar ausgezahlten Bonuszahlungen, die 2011 für die im Geschäftsjahr 2010 erzielte Performance ausbezahlt werden. Wie auf S. 51 dargelegt, sind die jährlichen in bar ausgezahlten Bonuszahlungen leistungsabhängig und werden individuell festgelegt.

Die zur Verfügung stehende Gesamtsumme für die Bonuszahlungen ist von dem im Geschäftsjahr 2010 erzielten Gewinns der Gruppe abhängig. Die Bonuszahlungen an die einzelnen Mitglieder werden anhand verschiedener Faktoren festgelegt. Dazu gehören die Geschäftsergebnisse derjenigen Geschäftseinheiten, für die das Mitglied der Konzernleitung verantwortlich ist, und der individuelle Beitrag des Mitgliedes zum Erreichen der strategischen Ziele im Laufe des Jahres. Für die Mitglieder der Konzernleitung, einschliesslich des Chief Executive Officer, wurde das Niveau der Vergütung im Rahmen des kurzfristigen Incentive-Programms bei Erreichen der Zielvorgaben für 2010 auf 100% des Grundgehalts festgelegt. Die höchstmögliche Vergütung für sämtliche Mitglieder der Konzernleitung, einschliesslich des Chief Executive Officer, beträgt 200% dieses Niveaus.

Wert der im Laufe des Jahres 2010 aufgelaufenen Pensionsanwartschaften

Die Mitglieder der Konzernleitung nehmen an den Pensionsplänen der Geschäftseinheiten teil, bei denen sie angestellt sind. Die Gruppe verfolgt die Philosophie, Pensionsanwartschaften anzubieten, die auf einem Cash-Balance-Ansatz und/oder einem beitragsorientierten Ansatz gründen, wobei während der ganzen Berufstätigkeit Kapital für die Altersvorsorgeleistungen angehäuft wird. Die Mehrheit der Mitglieder der Konzernleitung nimmt bereits an solchen Plänen teil, und mit der Zeit werden alle Mitglieder der Konzernleitung an solchen

Bericht über Honorare und Entschädigungen *fortgesetzt*

Plänen teilnehmen. Die anderen Mitglieder der Konzernleitung partizipieren weiterhin an Leistungsprimatsplänen, deren künftige Leistungen auf dem zuletzt erzielten pensionsrelevanten Gehalt und der Anzahl der Dienstjahre in der Gruppe basieren. Das normale Rentenalter variiert zwischen 60 und 65 Jahren. Der Gesamtwert der für die Mitglieder der Konzernleitung im Jahr 2010 aufgelaufenen Pensionsanwartschaften, berechnet auf der Grundlage der für die Gesellschaft anfallenden «Service Costs» gemäss dem Rechnungslegungsgrundsatz IAS 19, belief sich auf USD 3,0 Mio. Die «Service Costs» gemäss IAS 19 berechnen sich anhand des Betrags der im Laufe des Jahres aufgelaufenen Pensionsanwartschaften und bei beitragsorientierten Plänen anhand der vom Unternehmen während des Geschäftsjahres bezahlten Beiträge.

Wert der sonstigen Vergütungen für 2010

Die Mitglieder der Konzernleitung erhielten 2010 sonstige Vergütungen in Form von Mitarbeiterrabatten, Aufwandsentschädigungen im Zusammenhang mit Auslandsentsendungen, Nebenleistungen sowie Sachleistungen und andere Leistungen, die gemäss den jeweiligen Arbeitsverträgen der einzelnen Mitarbeitenden geschuldet sind, einschliesslich Zahlungen aufgrund der Beendigung von Arbeitsverträgen, für Mitglieder die während des Geschäftsjahres ihre Funktion aufgegeben haben. Der Gesamtwert dieser Vergütungen belief sich 2010 auf USD 3,6 Mio. Die Sachleistungen wurden zum Marktwert bewertet.

Der Konzernleitung im Rahmen des langfristigen Incentive-Programms der Gruppe zugeteilte Aktien und Aktienoptionen für 2010

Wie oben beschrieben erhielten die Mitglieder der Konzernleitung 2010 im Rahmen des langfristigen Incentive-Programms eine jährliche bedingte Zuteilung von leistungsbezogenen Aktien und Aktienoptionen. Unter besonderen Umständen können zudem auch noch Zuteilungen von Aktien mit einer Veräusserungsbeschränkung vorgenommen werden. Für die Mitglieder der Konzernleitung, einschliesslich des Chief Executive Officer, wurde 2010 das Niveau des Wertes der bedingt zugeteilten leistungsbezogenen Aktien und Aktienoptionen auf 100% bis 175% des Grundgehalts festgesetzt.

Wie in früheren Jahren erfolgte die bedingte Zuteilung der Aktien und Aktienoptionen für 2010 am dritten Werktag im April, d. h. am 5. April 2010. Dabei entfielen 50% des zugeteilten Gesamtbetrags auf leistungsbezogene Aktien und 50% auf leistungsbezogne Aktienoptionen. Die Zielzahl der leistungsbezogene Aktien und der leistungsbezogne Aktienoptionen wurde berechnet durch Division des Geldwerts der Zuteilung durch den Aktienpreis bzw. den Optionspreis vom Vortag der Zuteilung. Mit Wirkung ab 2011 werden alle langfristigen Incentive-Zuteilungen ausschliesslich in Form von leistungsbezogenen Aktien vorgenommen.

Die definitive Zuteilung der bedingt zugeteilten Aktien und Aktienoptionen sowie die Performance-Kriterien sind auf den Seiten 51 bis 53 dargestellt.

2010 wurden folgende Aktienzuteilungen vorgenommen.

Zuteilung von leistungsbezogenen Aktien

Die Gesamtzahl der an die Mitglieder der Konzernleitung im Jahr 2010 bedingt zugeteilten leistungsbezogenen Aktien betrug 29’129. Dieser Anzahl stehen 46’001 bedingt zugeteilte Aktien im Jahr 2009 gegenüber. Zum Zeitpunkt der bedingten Zuteilung am 5. April 2010 belief sich der Wert dieser an die Mitglieder der Konzernleitung 2010 bedingt zugeteilten Aktien auf USD 7,1 Mio., basierend auf der Annahme einer definitiven Zuteilung in Höhe von 100% und einem der Berechnung zugrunde liegenden Aktienkurs am Tag vor der bedingten Zuteilung von CHF 259.90. Für diejenigen Mitglieder der Konzernleitung, die während des Jahres 2010 neu hinzugekommen oder ausgeschieden sind, werden die Zahl und der Wert der bedingt zugeteilten Aktien auf der Basis der bedingten Zuteilung für das Jahr 2010 anteilig für die Zeit errechnet, für die sie während des Jahres Mitglied der Konzernleitung waren.

Die Zahl der Aktien, die im Berichtsjahr den Mitgliedern der Konzernleitung aus den bedingten leistungsbezogenen Aktienzuteilungen in den Jahren 2007, 2008 und 2009 definitiv zugeteilt wurden, belief sich 2010 auf 53’539. Basierend auf der erzielten, den Aktionären zurechenbaren Eigenkapitalrendite ohne Vorzugspapiere (ROE) und der Gesamtrendite für die Aktionäre (TSR) entsprach dies einem Niveau für die definitive Zuteilung von 153%. Die Hälfte der Aktien, die im Rahmen des Plans definitiv zugeteilt werden, unterliegt ab dem Tag der definitiven Zuteilung einer dreijährigen Veräusserungsbeschränkung.

Zuteilungen von Aktien mit Veräusserungsbeschränkung

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

An die Mitglieder der Konzernleitung wurden 2010 und 2009 keine Aktien mit Veräusserungsbeschränkung bedingt zugeteilt.

Zugeteilte Aktienoptionen

Die Gesamtzahl der an die Mitglieder der Konzernleitung im Jahr 2010 bedingt zugeteilten Aktienoptionen betrug 260’324. Dieser Anzahl stehen 146’867 bedingt zugeteilte Aktienoptionen im Jahr 2009 gegenüber. Zum Zeitpunkt der Zuteilung belief sich der Wert der am 5. April 2010 zugeteilten Aktienoptionen, basierend auf der Annahme einer definitiven Zuteilung in Höhe von 100% und der Black-Scholes-Bewertung der Optionen am Tag der bedingten Zuteilung, auf USD 7,1 Mio. Für diejenigen Mitglieder der Konzernleitung, die während des Jahres 2010 neu hinzugekommen oder ausgeschieden sind, wird die Zahl und der Wert der bedingt zugeteilten Aktien auf der Basis der bedingten Zuteilung für das Jahr 2010 anteilig für die Zeit errechnet, für die sie während des Jahres Mitglied der Konzernleitung waren.

Die Zahl der Aktienoptionen, die den im Jahr 2010 in der Konzernleitung tätigen Mitglieder aus den bedingt zugeteilten Aktienoptionen der Jahre 2007, 2008 und 2009 definitiv zugeteilt wurden, belief sich im Jahr 2010 auf 217'337. Basierend auf der erzielten den Aktionären zurechenbaren Eigenkapitalrendite ohne Vorzugspapiere (ROE) und der Gesamtrendite für die Aktionäre (TSR) entsprach dies einem Level für die definitive Zuteilung von 153%.

Zusammenfassung der Gesamtvergütung für die Konzernleitung

Unter Bezugnahme auf die oben aufgeführten Zahlen umfasst der Gesamtbetrag der an die Mitglieder der Konzernleitung im Jahr 2010 bezahlten Vergütungen, bestehend aus Barvergütungen, Pensionsanwartschaften, dem Wert sonstiger Vergütungen und dem Wert bedingt zugeteilter Aktien und Aktienoptionen, USD 45,8 Mio. Der Gesamtbetrag teilt sich wie folgt auf:

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

in USD Mio. für die per 31. Dezember abgeschlossenen Geschäftsjahre	**2010[2]**	2009[3]
Grundgehalt	11,4	11,1
Bonuszahlungen in bar für das Jahr	13,6	15,0
«Service Costs» für Pensionsanwartschaften[4]	3,0	3,6
Wert der sonstigen Vergütungen[5]	3,6	2,1
Wert der bedingt zugeteilten, leistungsbezogenen Aktien und der bedingt zugeteilten Aktien mit Veräusserungsbeschränkung[6]	7,1	8,0
Wert der bedingt zugeteilten leistungsbezogenen Aktienoptionen[6]	7,1	8,0
Total[7]	**45,8**	**47,8**

[1] Die in der Tabelle ausgewiesene Vergütung enthält keine geschäftlich bedingten Auslagen, die bei der Arbeit der Mitglieder angefallen sind.
[2] Auf der Grundlage von 13 Mitgliedern der Konzernleitung, von denen acht während des ganzen Jahres 2010 tätig waren.
[3] Auf der Grundlage von elf Mitgliedern der Konzernleitung, von denen zehn während des ganzen Jahres 2009 tätig waren.
[4] Die Beträge reflektieren den Gesamtwert der aufgelaufenen Pensionsanwartschaften der Mitglieder der Konzernleitung während der Jahre 2010 und 2009, berechnet auf der Grundlage der für die Gesellschaft anfallenden «Service Costs» gemäss dem Rechnungslegungsgrundsatz IAS 19. Die «Service Costs» gemäss IAS 19 berechnen sich anhand des Betrags der im Laufe des Jahres aufgelaufenen Pensionsanwartschaften und bei beitragsorientierten Plänen anhand der vom Unternehmen während des Geschäftsjahres bezahlten Beiträge. In den «Service Costs» nicht enthalten sind der Zinsaufwand auf aufgelaufene Leistungen, Anpassungen für aktuarielle Gewinne und Verluste sowie die erwartete Rendite auf gehaltene Aktiven.
[5] Enthält Mitarbeiterrabatte, Aufwandsentschädigungen im Zusammenhang mit Auslandsentsendungen, Nebenleistungen sowie Sachleistungen und andere Leistungen, die gemäss den jeweiligen Arbeitsverträgen der einzelnen Mitarbeitenden geschuldet sind, einschliesslich USD 2,1 Mio. für Zahlungen im Zusammenhang mit der Beendigung des Arbeitsvertrages im Jahr 2010 für das eine Mitglied, das während des Jahres ausgeschieden ist. Die Sachleistungen wurden zum Marktwert bewertet.
[6] Die bedingt zugeteilten leistungsbezogenen Aktien und Aktienoptionen werden in der Zukunft entsprechend dem Erreichen der festgelegten Leistungsziele definitiv zugeteilt. Die Bewertung der bedingt zugeteilten Aktien basiert auf der Annahme einer definitiven Zuteilung in Höhe von 100%, die Bewertung der Optionen erfolgt in Übereinstimmung mit dem Black-Scholes-Modell zur Festlegung des Optionspreises, wie in Note 25 des Anhangs zum Konzernabschluss ausgeführt. Der Bewertung der bedingt zugeteilten leistungsbezogenen Aktien wird der Aktienkurs am Tag vor der bedingten Zuteilung (CHF 259.90 für 2010 und CHF 198.10 für 2009) zugrunde gelegt.
[7] In Übereinstimmung mit den am Anstellungsort der Mitglieder der Konzernleitung anwendbaren Gesetze bezahlte Zurich Arbeitgeberbeiträge an Sozialversicherungssysteme in Höhe von USD 2,1 Mio. für das Jahr 2010 bzw. USD 1,9 Mio. für das Jahr 2009. Da die Beitragszahlungen auf das Gesamteinkommen berechnet werden, während die künftigen ausbezahlten Leistungen einer Maximalhöhe unterliegen, besteht keine direkte Korrelation zwischen den an das Sozialversicherungssystem bezahlten Beiträgen und den Leistungen, die die Mitglieder der Konzernleitung künftig erhalten werden.

Auf der Grundlage dieser Zahlen entfallen vom Wert der Gesamtvergütung für alle Mitglieder 40% (Vorjahr 35%) auf fixe Vergütungskomponenten (bestehend aus Grundgehalt, «Service Costs» für Pensionsanwartschaften und sonstige Vergütungen) und 60% (Vorjahr 65%) auf leistungsbezogene Komponenten (bestehend aus Bonuszahlungen in bar im Rahmen des kurzfristigen Incentive-Programms sowie dem Wert der bedingten, leistungsbezogenen Aktienzuteilungen, der bedingt zugeteilten Aktien, die einer Veräusserungsbeschränkung unterliegen, und der bedingt zugeteilten Aktienoptionen).

Höchste Gesamtvergütung für Mitglieder der Konzernleitung

Die höchste Vergütung der Mitglieder der Konzernleitung erhielt mit USD 7,0 Mio. Herr Martin Senn, Chief Executive Officer der Gruppe. Der Betrag umfasst das Grundgehalt für 2010, die Bonuszahlung in bar für 2010, den Wert der aufgelaufenen Pensionsanwartschaften und der sonstigen Vergütungen sowie den Wert der bedingt zugeteilten leistungsbezogenen Aktien und Aktienoptionen im Jahr 2010. Dem steht ein Betrag von USD 11,85 Mio. für Herrn James J. Schiro im Jahr 2009 gegenüber.

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

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Höchstbezahltes Mitglied der Konzernleitung, Chief Executive Officer, Martin Senn im Jahr 2010 und James J. Schiro im Jahr 2009[1]

in USD Mio. für die per 31. Dezember abgeschlossenen Geschäftsjahre	2010[5]	2009
Grundgehalt	1,55	1,50
Bonuszahlungen in bar für das Jahr	2,55	4,05
«Service Costs» für Pensionsanwartschaften[2]	0,20	0,95
Wert der sonstigen Vergütungen[3]	0,10	0,85
Wert der bedingt zugeteilten, leistungsbezogenen Aktien und der bedingt zugeteilten Aktien mit Veräusserungsbeschränkung[4]	1,30	2,25
Wert der bedingt zugeteilten leistungsbezogenen Aktienoptionen[4]	1,30	2,25
Total	**7,00**	**11,85**

[1] Die in der Tabelle ausgewiesene Vergütung enthält keine geschäftlich bedingten Auslagen, die bei der Arbeit des Chief Executive Officer angefallen sind.
[2] Die Beträge reflektieren den Gesamtwert der aufgelaufenen Pensionsanwartschaften, berechnet auf der Grundlage der für die Gesellschaft anfallenden «Service Costs» gemäss dem Rechnungslegungsgrundsatz IAS 19. Die «Service Costs» gemäss IAS 19 berechnen sich anhand des Betrags der im Laufe des Jahres aufgelaufenen Pensionsanwartschaften und bei beitragsorientierten Plänen anhand der vom Unternehmen während des Geschäftsjahres bezahlten Beiträge. In den «Service Costs» nicht enthalten sind der Zinsaufwand auf aufgelaufene Leistungen, Anpassungen für aktuarielle Gewinne und Verluste und die erwartete Rendite auf gehaltene Aktiven.
[3] Enthält Mitarbeiterrabatte, Aufwandsentschädigungen im Zusammenhang mit Auslandsentsendungen, Nebenleistungen sowie Sachleistungen und andere Leistungen, die gemäss den jeweiligen Arbeitsverträgen der einzelnen Mitarbeitenden geschuldet sind. Die Sachleistungen wurden zum Marktwert bewertet.
[4] Die bedingt zugeteilten leistungsbezogenen Aktien und Aktienoptionen werden in der Zukunft entsprechend dem Erreichen der festgelegten Leistungsziele definitiv zugeteilt. Die Bewertung der bedingt zugeteilten Aktien basiert auf der Annahme einer definitiven Zuteilung in Höhe von 100%, die Bewertung der Optionen erfolgt in Übereinstimmung mit dem Black-Scholes-Modell zur Festlegung des Optionspreises, wie in Note 25 des Anhangs zum Konzernabschluss ausgeführt. Der Bewertung der bedingt zugeteilten leistungsbezogenen Aktien wird der Aktienkurs am Tag vor der bedingten Zuteilung (CHF 259.90 für 2010 und CHF 198.10 für 2009) zugrunde gelegt.
[5] Herrn Senns Vergütung wird in Schweizer Franken ausbezahlt. Die Beträge wurden während der Jahres zu den geltenden Wechselkursen von Schweizer Franken in US-Dollar umgerechnet und der 2011 zu zahlende Cash Incentive wurde zum Jahresendkurs 2010 umgerechnet.

Vereinbarungen mit im Geschäftsjahr ausgeschiedenen Mitgliedern der Konzernleitung

Während des Jahres 2010 schied ein Mitglied aus. Im Zusammenhang mit der Beendigung des Arbeitsverhältnisses wurde eine Zahlung vereinbart, gemäss den arbeitsvertraglichen Vereinbarungen, welche eine Kündigungsfrist von zwölf Monaten vorsahen. Die Einhaltung nachvertraglicher Pflichten vorbehalten, beläuft sich der Gesamtwert der in Zusammenhang mit der Vereinbarung in den Jahren 2010 und 2011 geleisteten Zahlungen auf USD 2,1 Mio. Nach langjähriger Arbeit für das Unternehmen schied ein weiteres Mitglied am 31. Dezember 2010 aus. Das ausscheidende Mitglied wird weiterhin für die Gruppe als Berater tätig sein und erhält, unter Berücksichtigung arbeitsvertraglicher Verpflichtungen, in den Jahren 2011 und 2012 Zahlungen, vorbehältlich der Einhaltung nachvertraglichen Pflichten und der Erbringung der Dienstleistungen. Einzelheiten werden in den Jahren bekannt gegeben, in denen die Dienstleistungen erbracht und die Zahlungen geleistet werden. Während des Jahres 2009 gingen ein Mitglied Ende April 2009 und ein weiteres Mitglied Ende des Jahres in Ruhestand. 2009 wurden keine Zahlungen in Zusammenhang mit der Beendigung der Arbeitsverhältnisse getätigt.

Vergütung für ehemalige Mitglieder der Konzernleitung

In Zusammenhang mit dem Übergang der Aufgaben vom ehemaligen Chief Executive Officer, James J. Schiro, auf Martin Senn, schloss Zurich eine Vereinbarung mit Herrn Schiro ab, damit dieser in den ersten sechs Monaten des Jahres 2010 sein Know-how zur Verfügung stellte und beratend tätig war. Für diese Dienste erhielt Herr Schiro Honorare und Leistungen in Höhe von USD 0,3 Mio. Neben den genannten Zahlungen wurden in den Jahren 2010 und 2009 keine weiteren Leistungen an ehemalige Mitglieder der Konzernleitung entrichtet. Es wurde auch nicht auf Forderungen ihnen gegenüber verzichtet.

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

Aktienzuteilungen

Zuteilung von leistungsbezogenen Aktien

Die Gesamtzahl der per 31. Dezember 2010 im Rahmen der langfristigen Incentive-Programme der Gruppe an Mitglieder der Konzernleitung bedingt zugeteilten leistungsbezogenen Aktien belief sich auf 56’453 (70’166 per 31. Dezember 2009). Die folgende Tabelle enthält eine Zusammenfassung der per 31. Dezember 2010 ausstehenden bedingten Zuteilungen:

Zusammenfassung der ausstehenden Aktienzuteilungen

Performance-Periode	Ausstehende Zuteilung leistungsorientierter Aktien	Zugewiesener Preis in CHF	Künftige Jahre der definitiven Zuteilung
2010–2012	28’783	259.90	2011–2013
2009–2011	21’926	198.10	2011–2012
2008–2010	5’744	336.50	2011

Diese im Rahmen des langfristigen Incentive-Programms der Gruppe vorgenommenen bedingten leistungsbezogenen Aktienzuteilungen sind für eine definitive Zuteilung in den drei auf die bedingte Zuteilung folgenden Jahren in Teilausrichtungen zu je einem Drittel bestimmt. Die tatsächliche Höhe der Teilausrichtungen wird in Übereinstimmung mit den auf S. 49 aufgeführten

Vergütungsleitsätzen und der Long-Term Incentive Plan Vesting Matrix, wie auf S. 53 beschrieben, festgelegt.

Zuteilungen von Aktien mit Veräusserungsbeschränkung
Zusätzlich waren per 31. Dezember 2010 987 Aktien mit Veräusserungsbeschränkung für Mitglieder der Konzernleitung ausstehend (Ende 2009 waren 4'377 Aktien mit Veräusserungsbeschränkung ausstehend).

Zugeteilte Aktienoptionen
Im Rahmen des Aktienoptionsprogramms für das oberste Management hat die Gruppe nach Massgabe der Reglemente Aktienoptionen ausgegeben. Wie oben bereits erwähnt, werden beginnend mit dem Jahr 2011 keine weiteren Aktienoptionen mehr zugeteilt.

Die ersten Aktienoptionen wurden im Jahr 1999 bedingt zugeteilt, und seitdem erfolgen regelmässig jährlich bedingte Zuteilungen. Vor 2003 erfolgte die Optionszuteilung grundsätzlich auf der Basis einer Laufzeit der Optionen von sieben Jahren und einer Zeitspanne für die definitive Zuteilung von drei Jahren, wobei der Ausübungspreis jeweils 10% über dem durchschnittlichen Marktpreis während des Monats vor der bedingten Zuteilung festgesetzt wurde. Gemäss dem Reglement des Aktienoptionsprogramms können auch andere Parameter für die bedingte Zuteilung von Optionen herangezogen werden. Im Zusammenhang mit der Neugestaltung des langfristigen Incentive-Programms im Jahr 2003 wurde festgelegt, dass sich der Ausübungspreis bei den seit damals bedingt zugeteilten Optionen anhand des Aktienkurses am Tag vor der bedingten Zuteilung bestimmt. Die bedingt zugeteilten Aktienoptionen sind für eine definitive Zuteilung in den drei auf die bedingte Zuteilung folgenden Jahren in Teilausrichtungen zu je einem Drittel bestimmt. Die tatsächliche Höhe der Teilausrichtungen wird nach der Long-Term Incentive Plan Vesting Matrix, wie auf S. 53 beschrieben, festgelegt. Bedingte Zuteilungen von Aktienoptionen erfolgten jährlich jeweils am dritten Arbeitstag im April.

Die Gesamtzahl der im Rahmen des Aktienoptionsprogramms aus Optionen resultierenden Aktien für die Mitglieder der Konzernleitung per 31. Dezember 2010 bzw. 2009 ist in den nachstehenden Tabellen aufgeführt:

Zusammenfassung der ausstehenden Optionen, 2010

per 31. Dezember 2010 **Jahr der bedingten Zuteilung**	**Anzahl definitiv zugeteilter Optionen**	**Anzahl bedingt zugeteilter Optionen**	**Gesamtzahl der Aktien aus Optionen**	**Ausübungspreis je Aktie in CHF**	**Verfall**
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**		

Zusammenfassung der ausstehenden Optionen, 2009

per 31. Dezember 2009 **Jahr der bedingten Zuteilung**	**Anzahl definitiv zugeteilter Optionen**	**Anzahl bedingt zugeteilter Optionen**	**Gesamtzahl der Aktien aus Optionen**	**Ausübungspreis je Aktie in CHF**	**Verfall**
2009	–	143'228	143'228	198.10	2016
2008	73'834	82'861	156'695	336.50	2015
2007	156'288	41'061	197'349	355.75	2014
2006	164'221	–	164'221	308.00	2013
2005	160'291	–	160'291	206.40	2012
2004	61'247	–	61'247	213.25	2011
2003	–	–	–	120.50	2010
2001	9'142	–	9'142	322.30	2012
Total	**625'023**	**267'150**	**892'173**		

Alle oben erwähnten Optionen berechtigen den Inhaber zum Bezug einer Aktie von Zurich Financial Services AG zum genannten Ausübungspreis mit normalem Stimm- und Dividendenbezugsrecht.

Eigentum an Aktien und Aktienoptionen von Mitgliedern der Konzernleitung

In der nachstehenden Tabelle ist das Eigentum an Aktien und Aktienoptionen von Mitgliedern der Konzernleitung per 31. Dezember 2010 und 31. Dezember 2009 ausgewiesen. Zusätzlich zu den am Markt erworbenen Aktien beinhalten die Zahlen definitiv zugeteilte Aktien, und zwar unabhängig davon, ob sie einer Veräusserungsbeschränkung unterliegen oder nicht, und definitiv zugeteilte Aktienoptionen, die im Rahmen des langfristigen Incentive-Programms der Gruppe ausgerichtet wurden. In der Tabelle nicht berücksichtigt sind jedoch noch nicht definitiv zugeteilte Aktien, die leistungs-

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bezogen ausgerichtet werden, nicht definitiv zugeteilte Aktien mit Veräusserungsbeschränkung und nicht definitiv zugeteilte Aktienoptionen, die leistungsbezogen ausgerichtet werden.

Der ausgewiesene Aktien- und Aktienoptionsbesitz schliesst sämtliche Aktien mit ein, an denen das jeweilige Mitglied der Konzernleitung wirtschaftlich berechtigt ist, sowie den Besitz von Personen, die dem Mitglied nahestehen.

Eigentum an Aktien und definitiv zugeteilten Aktienoptionen von Mitgliedern der Konzernleitung

Anzahl der definitiv zugeteilten Aktien und Aktienoptionen[1], per 31. Dezember	**2010**		2009	
	Aktien	**Definitiv zugeteilte Optionen[2]**	Aktien	Definitiv zugeteilte Optionen[2]
M. Senn, Chief Executive Officer	15'806	49'220	11'662	31'729
J.J. Schiro, früherer CEO[3]	n. a.	n. a.	97'426	286'165
J. Amore, Senior Advisor[4]	21'590	102'147	19'264	82'522
A. Court, früherer 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. und Regional Chairman of the 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	n. a.	n. a.
C. Reyes, Chief Investment Officer[8]	1'333	6'002	n. a.	n. a.
G. Riddell, Regional Chairman of Asia-Pacific & Middle East	19'071	67'640	16'918	52'533
K. Terryn, Group Head of Operations[9]	1'187	10'233	n. a.	n. a.
D. Wemmer, Chief Financial Officer und Regional Chairman of Europe	17'102	67'816	12'612	48'868
	121'847	**472'144**	**194'809**	**625'023**

[1] Kein Mitglied der Konzernleitung hielt per 31. Dezember 2010 bzw. 2009 allein oder gemeinsam mit einer oder mehreren ihm nahestehenden Personen mehr als 0,5% der Stimmrechte, weder direkt noch indirekt in Form von Aktienoptionen.
[2] Die Verteilung der definitiv zugeteilten Optionen anhand der in den Tabellen «Zusammenfassung der ausstehenden Optionen» identifizierten bedingten Zuteilungen wird in den nachstehenden Tabellen aufgezeigt.
[3] Herr Schiro trat am 31. Dezember 2009 von seiner Position als Chief Executive Officer zurück. Der Aktienbestand beinhaltet 3'800 Aktien per 31. Dezember 2009 für James J. Schiro, die von im Familienbesitz befindlichen Wohltätigkeitsstiftungen gehalten werden.
[4] Herr Amore ging zum 31. Dezember 2010 in Ruhestand.
[5] Frau Court schied zum 30. Juni 2010 aus ihrer Funktion aus.
[6] Herr Hogan übernahm die Funktion zum 1. Juli 2010.
[7] Herr Orator übernahm die Funktion zum 1. September 2010.
[8] Frau Reyes übernahm die Funktion zum 1. April 2010.
[9] Herr Terryn übernahm die Funktion zum 1. Juli 2010.

In den nachstehenden Tabellen ist aufgezeigt, wie die Gesamtzahl der definitiv zugeteilten Aktienoptionen anhand der in der Tabelle «Zusammenfassung der ausstehenden Optionen» dargestellten bedingten Zuteilungen per 31. Dezember 2010 bzw. 2009 auf die einzelnen Mitglieder der Konzernleitung verteilt ist.

Verteilung definitiv zugeteilter Aktienoptionen, 2010

Anzahl definitiv zugeteilter Aktienoptionen per 31. Dezember 2010	**Jahr der bedingten Zuteilung**							**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**

Verteilung definitiv zugeteilter Aktienoptionen, 2009

Anzahl definitiv zugeteilter Aktienoptionen per 31. Dezember 2009	Jahr der bedingten Zuteilung							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] Herr Schiro trat per 31. Dezember 2009 von seiner Funkion als CEO zurück.
[2] Frau Court schied zum 30. Juni 2010 aus ihrer Funktion aus.

Trading-Pläne

Um den Mitgliedern der Konzernleitung und des Group Management Board den Verkauf von Aktien und die Ausübung von Optionen zu erleichtern, hat der Verwaltungsrat mit Wirkung per 2008 die Einführung von Trading-Plänen genehmigt. Im Rahmen dieser Pläne können die Mitglieder anhand eines vordefinierten Transaktionsprogramms Aktien verkaufen bzw. Aktienoptionen ausüben. Trading-Pläne können nur in Zeiten eingerichtet werden, in denen das Mitglied über keine unveröffentlichten preissensitiven Informationen über die Gruppe verfügt. Zudem kann die erste Transaktion in einem Trading-Plan erst drei Monate nach der Errichtung des Plans getätigt werden. Die Bedingungen der Transaktionen müssen vorab festgelegt werden und können danach nicht mehr geändert werden. Sämtliche Trading-Pläne der Mitglieder der Konzernleitung und des Group Management Boards müssen vom Präsidenten des Verwaltungsrats bewilligt werden. Einmal errichtet, werden Transaktionen monatlich – auch während der Sperrfristen – ausgeführt. Das Errichten von Trading-Plänen durch ein Mitglied der Konzernleitung wird entsprechend der Richtlinie betreffend die Offenlegung von Managementtransaktionen ordnungsgemäss der SIX Swiss Exchange gemeldet.

Für 2011 hat der Verwaltungsrat die Ausweitung des Konzepts des Trading-Plans auf ausgewählte Führungskräfte genehmigt, denen aufgrund der Art ihrer Funktion häufig die Ausführung des Handels untersagt ist.

Zusätzliche Honorare und Vergütungen für Mitglieder der Konzernleitung

Kein Mitglied der Konzernleitung hat 2010 und 2009 neben den oben aufgeführten Vergütungen weitere Vergütungen von der Gruppe oder von einem zur Gruppe gehörenden Unternehmen erhalten.

Persönliche Darlehen für Mitglieder der Konzernleitung

Per 31. Dezember 2010 hatte kein Mitglied der Konzernleitung ausstehende Darlehen, Vorschüsse oder Kredite. Per 31. Dezember 2009 betrugen die gesamten ausstehenden Darlehen, Vorschüsse oder Kredite von Mitgliedern der Konzernleitung CHF 1'073'000. Bei diesen Darlehen handelte es sich um Hypotheken, die zu ähnlichen Konditionen gewährt wurden, wie sie für alle Mitarbeitenden in der Schweiz gelten. Hypothekendarlehen werden zu einem verringerten Zinssatz von bis zu einem Prozentpunkt unter dem geltenden Marktzinssatz auf Hypothekendarlehen bis zu einer Summe von maximal CHF 1'500'000 gewährt. Per 31. Dezember 2009 war das höchste Hypothekendarlehen das von Herrn Lehmann (Chief Risk Officer) in Höhe von CHF 773'000 mit einem Gesamtzinssatz von 2,1%.

Persönliche Darlehen für frühere Mitglieder der Konzernleitung

Frühere Mitglieder der Konzernleitung können nach ihrem Ausscheiden ihre Hypothekendarlehen zu ähnlichen Bedingungen wie während ihrer Beschäftigung fortführen, nämlich gemäss den Konditionen, die für Mitarbeitende in der Schweiz gelten, wie vorstehend dargelegt. Per 31. Dezember 2010 hatte kein früheres Mitglied der Konzernleitung ausstehende Darlehen, Vorschüsse oder Kredite. Per 31. Dezember 2009 hatte ein früheres Mitglied, Herr Eckert, ein ausstehendes Hypothekendarlehen in Höhe von CHF 2'500'000, mit einem verringerten Zinssatz von 2,0%, der für die ersten CHF 1'000'000 gültig ist. Abgesehen davon hatten keine früheren Mitglieder der Konzernleitung per 31. Dezember 2009 ausstehende Darlehen, Vorschüsse oder Kredite.

Den Mitgliedern der Konzernleitung oder ehemaligen Mitgliedern der Konzernleitung nahestehende Personen

Mitgliedern der Konzernleitung oder ehemaligen Mitgliedern der Konzernleitung nahestehende Personen erhielten im Verlauf des Jahres 2010 bzw. 2009 keinerlei Leistungen. Es wurde auch nicht auf Forderungen ihnen gegenüber verzichtet. Zudem bestanden gegenüber Mitgliedern der Konzernleitung oder ehemaligen Konzernleitungsmitgliedern nahestehenden Personen per 31. Dezember 2010 bzw. 2009 keine ausstehenden Darlehen, Vorschüsse oder Kredite.

Alle Mitarbeitenden

Das folgende Kapitel enthält Informationen hinsichtlich der von den Mitarbeitenden der gesamten Gruppe im Geschäftsjahr 2010 verdienten Gesamtvergütung, inklusive der Vergütung für die Mitglieder der Konzernleitung. Die Informationen werden in Übereinstimmung mit den zusätzlichen Offenlegungserfordernissen gemäss FINMA-Rundschreiben zu den Vergütungssystemen ausgewiesen, welche erstmals für das Geschäftsjahr 2010 Anwendung finden. In Zukunft werden jeweils auch die entsprechenden Jahresvergleichszahlen offengelegt werden.

Fixe Vergütungen

Fixe Vergütungen umfassen Grundgehälter, Wert der sonstigen Vergütungen und «Service Costs» für Pensionsanwartschaften.

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Fixe Vergütungen

in USD Mio. für die per 31. Dezember abgeschlossenen Geschäftsjahre	2010
Grundgehälter	3'746
Wert der sonstigen Vergütungen[1]	577
«Service Costs» für Pensionsanwartschaften[2]	386
Summe fixe Vergütung	**4'709**

[1] Beinhaltet Essensvergünstigungen für Mitarbeitende, Mitarbeiterunfallversicherungen, Kranken- und Zahnbehandlungsversicherungen, Taggeld, Kosten und Versicherungen für Arbeitsunfähigkeit, den Arbeitgeberbeitrag zu Lebensversicherungsverträgen, Rabatte auf Lebens- und Schadensversicherungen, sonstige Vergünstigungen.
[2] Die Beträge zeigen den Gesamtwert der 2010 aufgelaufenen Pensionsanwartschaften, berechnet auf der Grundlage der für die Gesellschaft anfallenden «Service Costs» gemäss dem Rechnungslegungsgrundsatz IAS 19. Die «Service Costs» gemäss IAS 19 berechnen sich anhand des Betrags der im Laufe des Jahres aufgelaufenen Pensionsanwartschaften und bei beitragsorientierten Plänen anhand der vom Unternehmen während des Geschäftsjahres bezahlten Beiträge. In den «Service Costs» nicht enthalten sind der Zinsaufwand auf aufgelaufene Leistungen, Anpassungen für aktuarielle Gewinne und Verluste sowie die erwartete Rendite auf gehaltene Vermögenswerte.

Variable Vergütung

Auf der Basis der Empfehlungen des Entschädigungsausschusses genehmigt der Verwaltungsrat den Gesamtbetrag des Gesamtpools der variablen Vergütungen für das Leistungsjahr. Dies umfasst:

- den Gesamtaufwand der Bonuszahlungen in bar, die für das Leistungsjahr zu zahlen sind, was dem Gesamtbetrag sämtlicher Finanzierungspools für das kurzfristige Incentive-Programm der Gruppe (STIP) wie auch der lokalen kurzfristigen Incentive-Programme entspricht.
- den Wert der langfristigen bedingten Zuteilungen der Aktien- und Aktienoptionen während des Jahres, wobei der Wert basierend auf der Annahme berechnet wurde, dass die bedingten Zuteilungen in der Zukunft zu 100% definitiv zugeteilt werden.
- den Gesamtbetrag der während des Jahres gezahlten Abgangsentschädigungen. Diese Zahlungen wurden an Mitarbeitende entrichtet, die die Gesellschaft im 2010 verlassen haben.
- den Gesamtbetrag der während dem Jahr gezahlten Antrittsetschädigungen. Diese Zahlungen wurden an Mitarbeiter entrichtet, die im 2010 angestellt wurden.

Grundsätzlich gewährt die Gruppe keine Antritts- und Abgangsentschädigungen. Wenn jedoch die Umstände im Interesse der Gruppe solche Zahlungen rechtfertigen, können unter Einhaltung klarer Entscheidungsprozesse solche Zahlungen gewährt werden. Die ausgewiesenen Zahlen enthalten keine im Jahr 2010 vorgenommenen erfolgswirksamen Belastungen und Gutschriften aus Vergütungen, die vor 2010 zugesprochen wurden.

Geleistete Provisionszahlungen an angestellte Versicherungsagenten wurden nicht in die Berechnung des Gesamtpools der variablen Vergütungen aufgenommen. Die Vertriebsprovisionspläne für die angestellte Versicherungsagenten werden nicht als Bestandteil der auf Profitabilität aufbauenden Incentive-Programme betrachtet. Solche Vertriebsprovisionen stellen, wie die Provisionen, die einem Makler oder einem anderen externen Vertriebsmitarbeitenden gezahlt werden, Vertriebskosten dar, nicht aber Aufwand für Incentives. Die angestellten Versicherungsagenten begründen durch ihre Tätigkeit keine finanziellen Risiken für die Gruppe, weil sie keinen Einfluss auf die Festsetzung des Preisniveaus der Produkte haben, die sie verkaufen. Allfällige operativen Risiken und Reputationsrisiken, insbesondere durch unlautere Verkaufspraktiken, werden durch die Verpflichtung zur konzernweiten Einhaltung der Zurich Risk Policy und der Zurich Basics, des Verhaltenskodex der Gruppe, adressiert.

Bei der Festsetzung des Betrags für den Gesamtpool der variablen Vergütung berücksichtigt der Verwaltungsrat der langfristige wirtschaftliche Erfolg der Gruppe und andere relevante Faktoren. Insbesondere prüft der Verwaltungsrat, ob der Betrag des Gesamtpools der variablen Vergütung niedriger ist als der über einen Zeitraum von drei Jahren erzielte durchschnittliche ökonomische Gewinn. Der durchschnittliche ökonomische Gewinn wird durch Subtraktion der erforderlichen Kapitalrendite, basierend auf den gewichteten Durchschnittskapitalkosten, vom bereinigten Business Operating Profit nach Steuern berechnet. Für 2010 lag der durchschnittliche ökonomische Gewinn deutlich über dem Wert des Gesamtpools der variablen Vergütung, der nachstehend dargelegt ist. Der Gesamtpool der variablen Vergütung gestaltet sich für 2010 wie folgt:

Variable Vergütungen

in USD Mio. für die per 31. Dezember abgeschlossenen Geschäftsjahre	2010
Bonuszahlungen in bar für das Jahr 2010[1]	527
Wert der bedingt zugeteilten leistungsbezogenen Aktien und der bedingt zugeteilten Aktien mit Veräusserungsbeschränkung[2]	92
Wert der bedingt zugeteilten, leistungsbeogenen Aktienoptionen[3]	28
Gesamtpool der variablen Vergütungen	**647**

[1] Beinhaltet Antritts- und Abgangsentschädigungen in bar.
[2] Beinhaltet Antrittsenschädigungen in Aktien.
[3] Die bedingt zugeteilten leistungsbezogenen Aktien und Aktienoptionen werden in der Zukunft entsprechend dem Erreichen der festgelegten Leistungsziele definitiv zugeteilt. Die Bewertung der bedingt zugeteilten Aktien basiert auf der Annahme einer definitiven Zuteilung in Höhe von 100%, die Bewertung der Optionen erfolgt in Übereinstimmung mit dem Black-Scholes-Modell zur Festlegung des Optionspreises, wie in Note 25 des Anhangs zum Konzernabschluss ausgeführt. Der Bewertung der bedingt zugeteilten leistungsbezogenen Aktien wird der Aktienkurs am Tag vor der bedingten Zuteilung (CHF 259.90 für 2010) zugrunde gelegt. Die buchhalterische Erfassung kann basierend auf einem anderen Level der definitiven Zuteilung berechnet werden.

Die Gesamtzahl der Begünstigten, die variable Vergütungen erhalten, beläuft sich ca. auf 52’000.

Gesamtvergütung

Aus der Zusammenrechnung der fixen und der variablen Vergütungen aller Mitarbeitenden ergibt sich folgende Gesamtvergütung:

Gesamtvergütungen

in USD Mio. für die per 31. Dezember abgeschlossenen Geschäftsjahre	2010
Grundgehalt (fix)	3’746
Bonuszahlungen in bar (variabel)[1]	527
Aktien[2]	92
Optionen[3]	28
Andere[4]	963
Gesamtvergütungen	**5’356**

[1] Beinhaltet Bonuszahlungen, Antritts- sowie Abgangsentschädigungen in bar.
[2] Beinhaltet bedingt zugeteilte leistungsbezogenene Aktien, Aktien mit Veräusserungsbeschränkung sowie Antrittsentschädigungen in Aktien.
[3] Beinhaltet bedingt zugeteilte leistungsbezogenene Aktienoptionen.
[4] Beinhaltet sonstige Vergütungen und Pensionsanwartschaften.

Wert der ausstehenden aufgeschobenen Vergütungen

Zum 31. Dezember 2010 enthält das Vergütungssystem der Gruppe fünf Hauptinstrumente für das Aufschieben von Vergütungen:

- bedingte Zuteilung leistungsbezogener Aktien
- bedingte Zuteilung leistungsbezogener Aktienoptionen
- bedingte Zuteilung von Aktien mit Veräusserungsbeschränkung
- definitiv zugeteilte, aber veräusserungsbeschränkte Aktien

Die nachstehende Tabelle gibt einen Überblick über den Gesamtwert der ausstehenden aufgeschobenen Vergütungen zum 31. Dezember 2010:

Wert der ausstehenden aufgeschobenen Vergütungen

in USD Mio. für die per 31. Dezember abgeschlossenen Geschäftsjahre	2010
Bedingte Zuteilung leistungsbezogener Aktien	166
Bedingte Zuteilung leistungsbezogener Aktienoptionen	53
Bedingte Zuteilung von Aktien mit Veräusserungsbeschränkung	6
Definitiv zugeteilte, aber veräusserungsbeschränkte Aktien	148
Wert der gesamten ausstehenden aufgeschobenen Vergütungen	**372**

Der Wert der aufgeschobenen Vergütungen wurde durch Multiplikation der Zahl der ausstehenden Aktien und Aktienoptionen mit den jeweiligen Aktien- und Optionspreisen am ursprünglichen Tag ihrer bedingten Zuteilung bestimmt und es wurde der Berechnung die Annahme eines Levels für die definitive Zuteilung (Vesting Level) von 100% zugrunde gelegt.

Auswirkungen der in früheren Jahren bedingt zugeteilten Vergütungen auf den Reingewinn 2010

Im Rahmen des LTIP wird zum Zeitpunkt der definitiven Zuteilung in jedem Jahr eine Berechnung vorgenommen, um die tatsächliche Anzahl der Aktien und Optionen festzusetzen, die den Teilnehmern am Programm zugeteilt werden. Diese Zahl steht der zum Datum der bedingten Zuteilung geschätzten Anzahl gegenüber. Ein etwaiger Wertunterschied wird in der Erfolgsrechnung im Jahr der definitiven Zuteilung berücksichtigt. Hinsichtlich der definitive Zuteilung 2010 bestand kein wesentlicher Unterschied zwischen den tatsächlichen und den geschätzten Beträgen und es gab im Jahr 2010 folglich auch keine finanziellen Auswirkungen.

Antritts- und Abgangsentschädigungen für Key Risk Takers

Wie bereits oben erwähnt, gewährt die Gruppe grundsätzlich keine Antritts- und Abgangsentschädigungen. Wenn jedoch die Umstände im Interesse der Gruppe solche Zahlungen rechtfertigen, können sie unter Einhaltung eines klaren Governance-Prozess genehmigt werden. Im Hinblick auf die Offenlegung von Zahlungen bei Aufnahme des Beschäftigungsverhältnisses und Abfindungszahlungen für Einzelpersonen, die einen wesentlichen Einfluss auf das Risikoprofil der Gruppe haben, hat der Verwaltungsrat eine Gruppe von circa 100 Schlüsselpositionen definiert (Key Risk Takers). Für diese Personengruppe wurden 2010 folgende Antritts- und Abgangsentschädigungen geleistet:

Antritts- und Abgangsentschädigungen für Key Risk Takers

in USD Mio. für die per 31. Dezember abgeschlossenen Geschäftsjahre	2010	Anzahl der Begünstigten
Antrittsentschädigungen/Zahl der Begünstigten[1]	–	–
Abgangsentschädigungen/Zahl der Begünstigten[2]	1	2
Summe der Antritts- und Abgangsentschädigungen	**1**	**2**

[1] Antrittsentschädigungen sind einmalig veinbarte Zahlungen bei Aufnahme des Beschäftigungsverhältnisses, die bei der Unterzeichnung eines Arbeitsvertrags vereinbart werden und die auch eine Entschädigung für entgangene Incentives eines früheren Arbeitgebers einschliessen können.
[2] Als Abgangsentschädigungen werden solche Zahlungen in bar oder in jeder anderen Form betrachtet, die eine zusätzliche Vergütung darstellen, die über die im folgenden Absatz erläuterten Zahlungen hinausgeht

Zurich betrachtet Zahlungen nicht als «Abgangsentschädigung», wenn sie im Einklang mit geltenden Gesetzen oder mit vertraglichen Vereinbarungen geleistet werden, es sei denn, solche Zahlungen gehen über die anerkannte Marktpraxis hinaus und/oder werden geleistet, ohne dass Zurich einen entsprechenden Gegenwert enthält. Insbesondere Vergütungen und Leistungen, die während der Kündigungsfrist erbracht werden («bezahlte Freistellung»), oder Zahlungen, die zwecks Verzicht auf die Einhaltung einer Kündigungsfrist geleistet werden, werden nicht als «Abgangsentschädigung» betrachtet, solange solche Zahlungen nicht über die anerkannte Marktpraxis hinausgehen.

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.

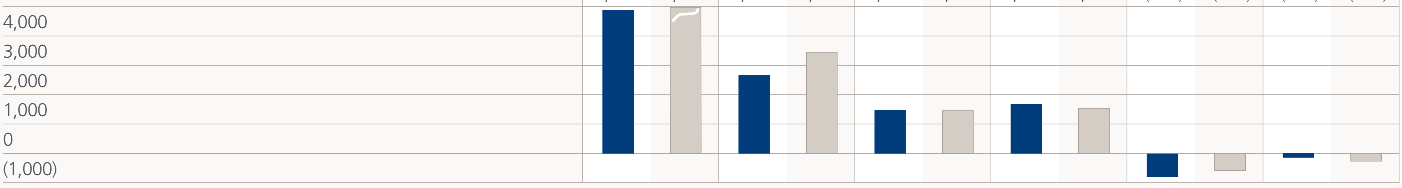
Financial highlights

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.

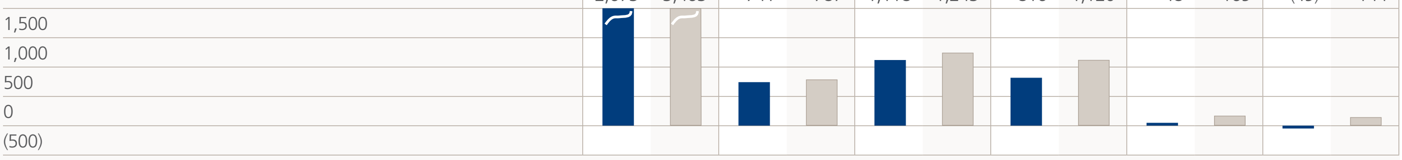
Business operating profit by segment

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)



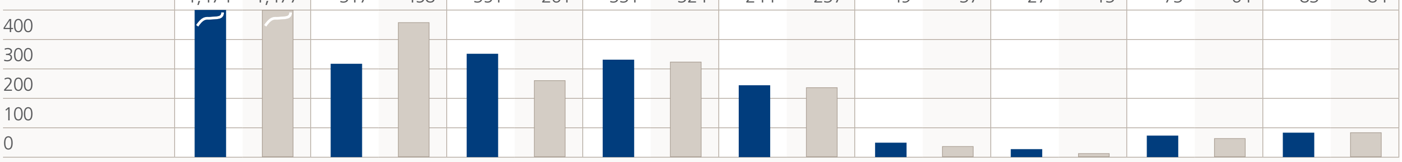
General Insurance business operating profit

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.

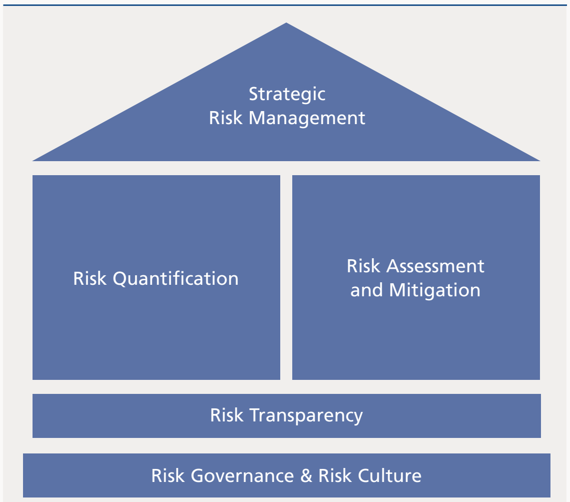
The Group's major risk management objectives are to:

- 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.

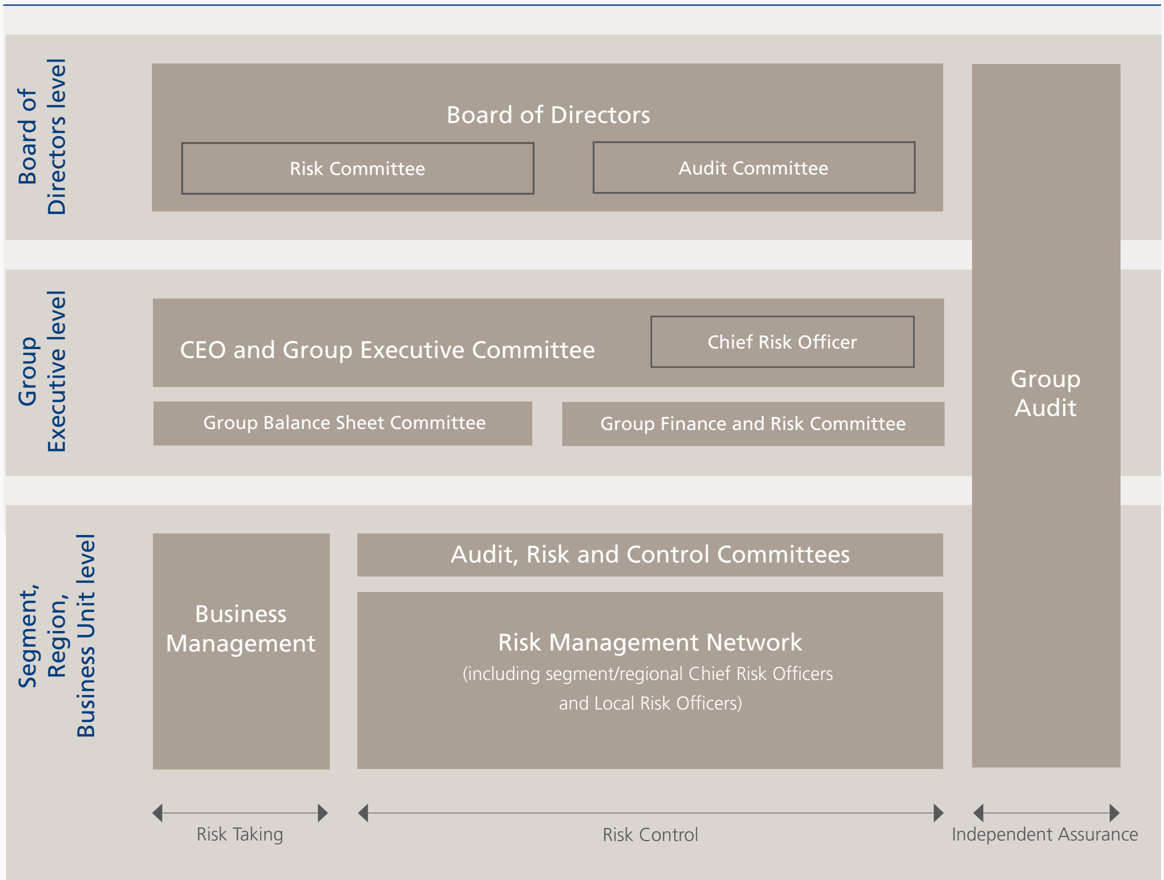
The Group is also involved in a number of international industry organizations engaged in advancing the regulatory dialogue pertaining to insurance and financial services. In 2010, Zurich senior executives contributed to the drafting of key papers issued by the CRO Forum (an organization composed of 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

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

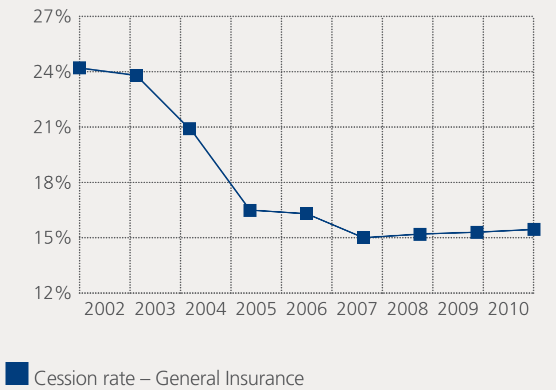
in USD millions, as of December 31	Unit-linked insurance contracts		Other life insurance liabilities		Total reserves	
	2010	2009	**2010**	2009	**2010**	2009
Global Life						
Americas	968	854	7,149	6,730	8,117	7,584
United Kingdom	29,105	28,126	4,792	4,394	33,896	32,520
Germany	9,800	8,690	41,347	42,645	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)

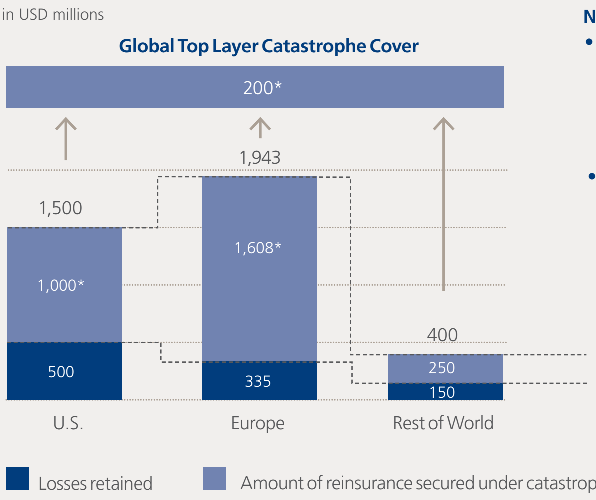


The Group continues to use traditional reinsurance markets and other alternatives, such as catastrophe bonds, to protect against extreme single events and increased frequency of events. The Group is able to use its global reach in particular for catastrophe protection, where it has in place a combination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

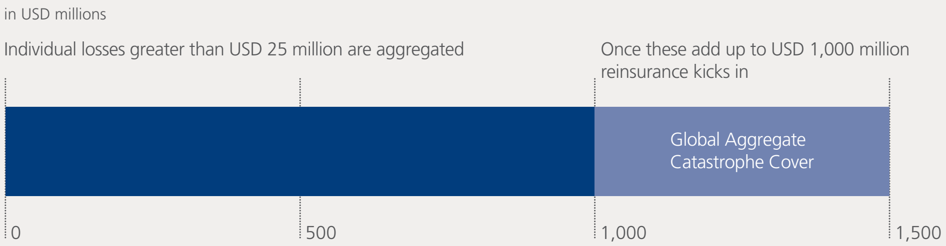
Risk review *continued*

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.

Table 4.a

Economic interest rate sensitivities for the General Insurance business – 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	(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.

Table 11

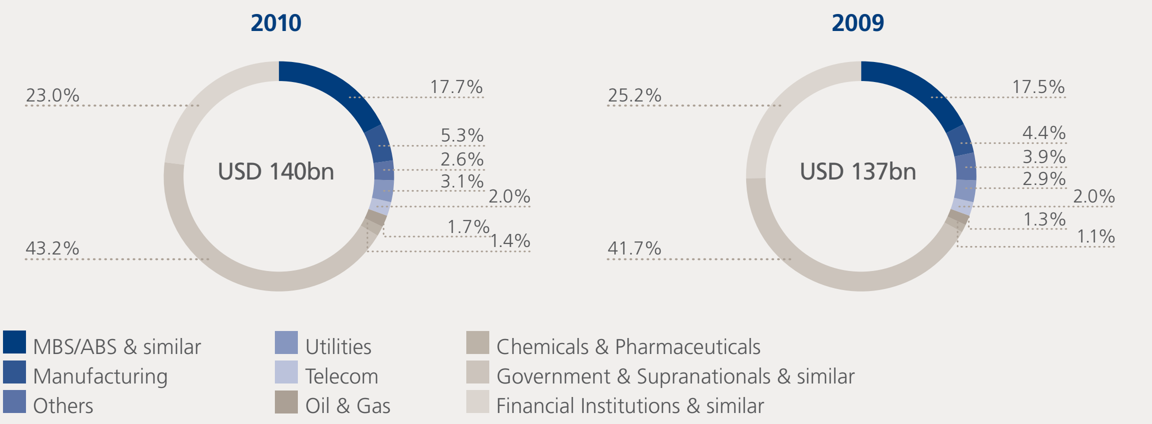
Debt securities by rating of issuer

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.

Analysis of financial assets – current period

Table 15.a

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.

Analysis of financial assets – prior period

Table 15.b

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.

Development of allowance for impairments – current period

Table 16.a

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**

Development of allowance for impairments – prior period

Table 16.b

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**

Table 17.b

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

in USD millions, as of December 31, 2009	Reserves for losses and loss adjustment expenses	Future life policy-holders' benefits	Policyholders' contract deposits and other funds	Total
< 1 year	14,777	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.

Table 18.a

Expected maturity profile for liabilities for investment contracts – current period

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**

Table 18.b

Expected maturity profile for liabilities for investment contracts – prior period

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*

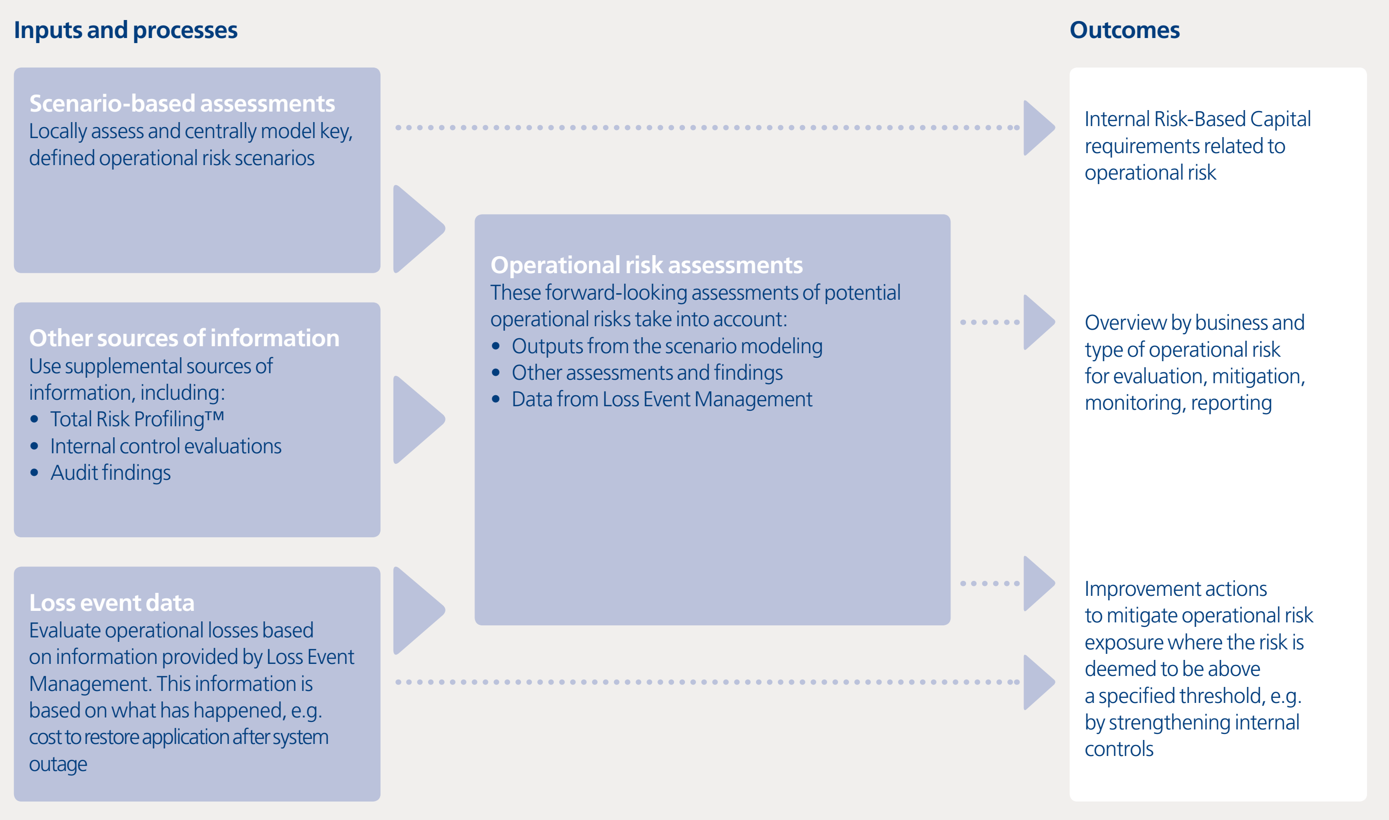
The Group has committed to contribute capital to subsidiaries and third parties that engage in making investments in direct private equity and private equity funds. Commitments may be called by the counterparty over the term of the investment (generally three to five years) and must be funded by the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

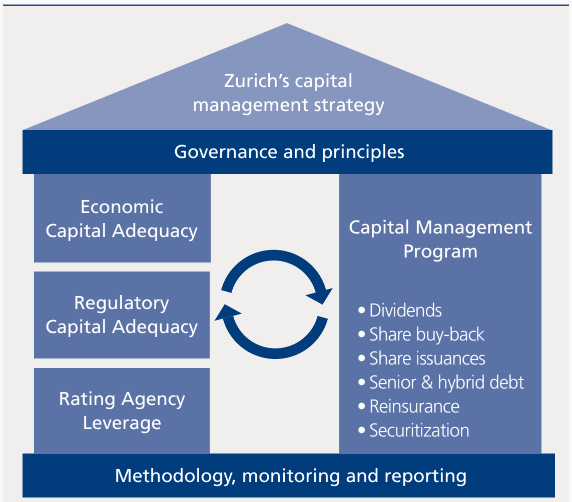
The Group's capital management strategy is to maximize long term shareholder value by optimizing capital allocation while managing the balance sheet at 'AA' level and in accordance with regulatory, solvency and rating agency requirements. In particular, the Group endeavors to manage its capital such 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.

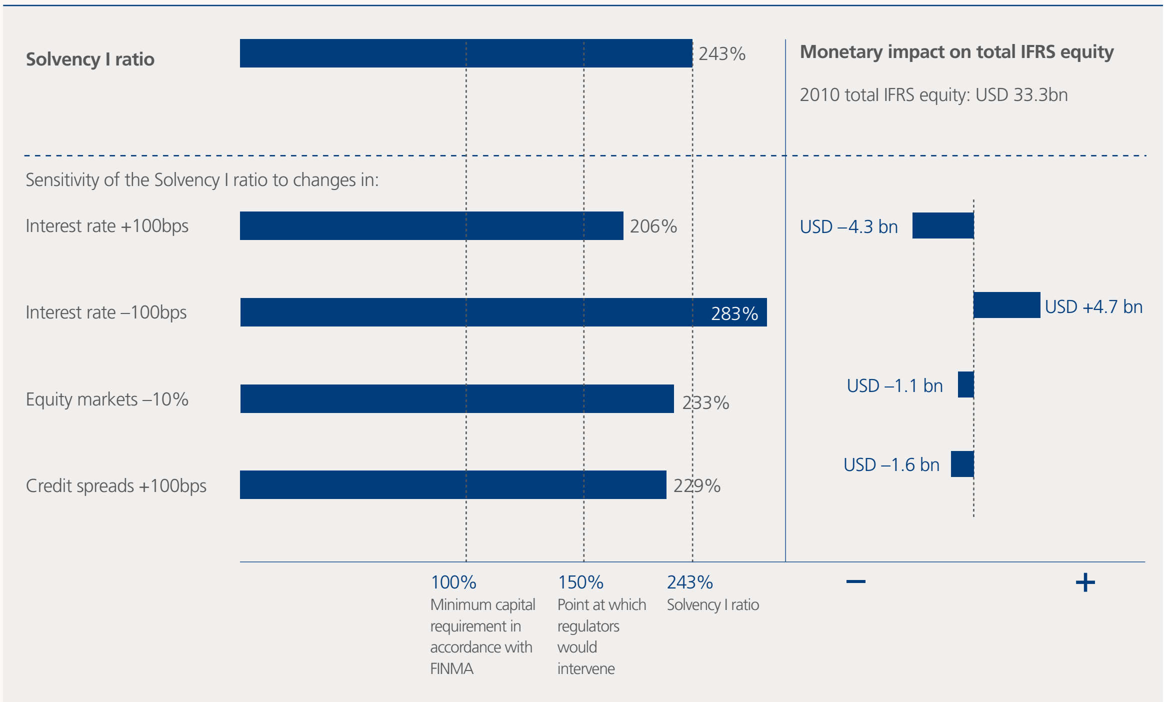
Throughout 2009 and 2010, the Group and all its material, regulated subsidiaries complied with the applicable regulatory minimum capital requirements.

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

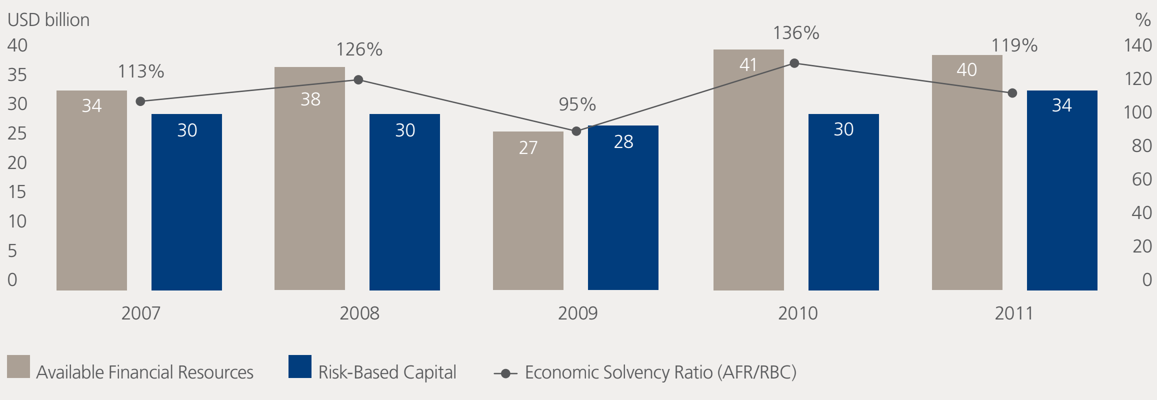
The Group uses an additional capital management tool, its internal risk-based capital (RBC) model. This model targets a total capital level that is calibrated to an 'AA' financial strength. Zurich defines RBC as being the capital required to protect the Group's policyholders in order to meet all of their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

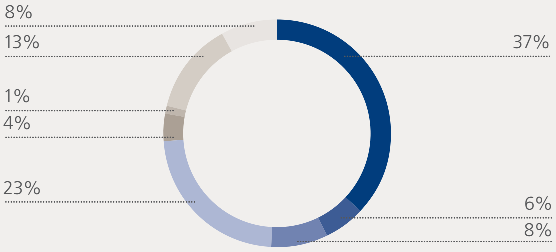


As of January 1, 2011 AFR amounted to USD 40 billion, while the latest estimate of the internal RBC requirements for the year 2011 amounted to USD 34 billion, resulting in an estimated Economic Solvency Ratio of 119 percent compared with 136 percent for 2010. The decrease in AFR over 2010 was driven 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.

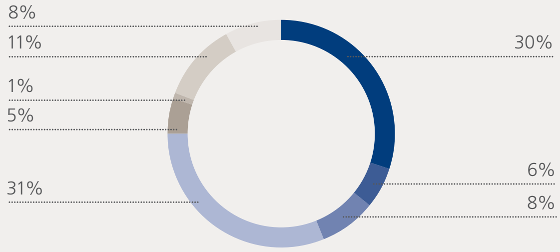
The chart below shows a split of the internal RBC requirements for the year 2011 and 2010 respectively. The largest proportion of RBC arises from Market/ALM risk which comprises 37% of the total. Premium & Reserve risk is the second largest, comprising 23% percent.

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

2011
Total RBC estimate : USD 34 billion



2010
Total RBC estimate : USD 30 billion

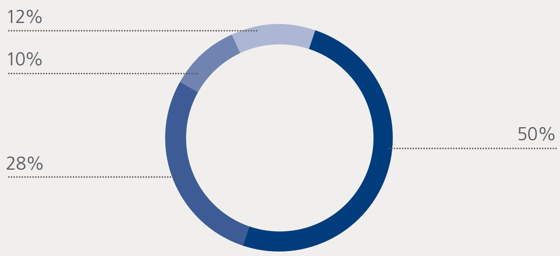


Market/ALM risk
Operational risk
Business risk
Premium & Reserve risk
Reinsurance credit risk
Life insurance risk
Natural catastrophe risk
Investment credit risk

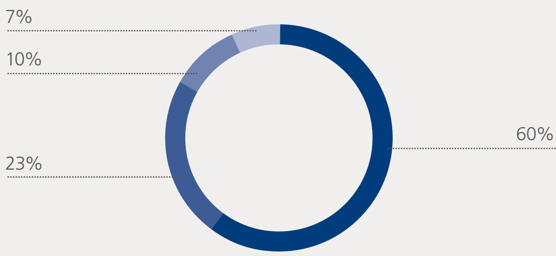
The following chart shows a split of the RBC allocated to the segments. As of January 1, 2011 the total allocated capital corresponds to the RBC of USD 34 billion plus USD 2 billion directly allocated to the Farmers Management Services.

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

2011
Total RBC allocated: USD 36 billion



2010
Total RBC allocated: USD 32 billion



General Insurance
Global Life
Farmers
Other Operating Businesses and Non-Core Businesses

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

Table 1.2

Restatement of consolidated balance sheet

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.

Financial information

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.

Consolidated financial statements *continued*

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

Consolidated financial statements *continued*

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

Table 6.1a

Investment result for total investments

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.

Table 6.1b

Investment result for Group investments

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.

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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.

Table 6.3c

Details of investments held for unit-linked contracts

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.

Table 6.4

Debt securities maturity schedule (total investments)

in USD millions, as of December 31	Held-to-maturity		Available-for-sale		Fair value through profit or loss	
	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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Table 7.1

Maturity profile of notional amounts and fair values of derivative financial instruments

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						2010			2009
	Maturity by notional amount			Notional principal amounts	Positive fair values	Negative fair values	Notional principal amounts	Positive fair values	Negative fair values
	< 1 year	1 to 5 years	> 5 years						
Fair value hedges:									
Cross currency interest rate swaps	–	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.

Consolidated financial statements *continued*

17. Property and equipment

Table 17.1

Property and equipment – current period

in USD millions	Land held for own use	Buildings held for own use	Furniture and fixtures	Computer equipment	Other equipment	Total
Gross carrying value as of January 1, 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**

Table 17.2

Property and equipment – prior period

in USD millions	Land held for own use	Buildings held for own use	Furniture and fixtures	Computer equipment	Other equipment	Total
Gross carrying value as of January 1, 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

Intangible assets – current period

Table 18.1

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.

Intangible assets by segment – current period

Table 18.2

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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Intangible assets – prior period

Table 18.3

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.

Intangible assets by segment – prior period

Table 18.4

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.

Maturity schedule – other financial liabilities[1]

Table 20.2

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.

Restructuring provisions

Table 20.3

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		2009	
	Assets	**Liabilities**	Assets	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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Maturity schedule of outstanding debt

Table 22.3

in USD millions, as of	12/31/10		12/31/09	
	Carrying value	**Undiscounted cash flow**	Carrying value	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.

Interest expense on debt

Table 22.4

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

Table 23.1

Share capital

	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

Treasury shares

Table 23.3

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

Earnings per share

Table 23.4

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.

Status of funded defined benefit plans

Table 24.1

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.

Status of unfunded defined benefit plans

Table 24.2

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)**

Status of funded and unfunded defined benefit plans

Table 24.3

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)**

Table 24.7

Movement in fair value of plan assets – funded plans

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.

Table 24.8

Movement in liability for funded and unfunded plans

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.

Table 25.1

Expenses recognized in income

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	Securities at FV through profit or loss: Designated at FV		Derivative assets	Derivative liabilities
	Debt securities	Equity securities	Equity securities	Debt securities	Equity securities		
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	Securities at FV through profit or loss: Designated at FV		Derivative assets	Derivative liabilities
	Debt securities	Equity securities	Equity securities	Debt securities	Equity securities		
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.

Consolidated financial statements *continued*

Unit-linked financial instruments

Fair Value Hierarchy – current period

Table 27.5a

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)**

Fair Value Hierarchy – prior period

Table 27.5b

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.

Consolidated financial statements *continued*

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*

Reconciliation of BOP to net income after income taxes

Table 30.2

in USD millions, for the years ended December 31	General Insurance		Global Life	
	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*

Table 30.5

General Insurance – Revenues by region

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**

Table 30.6

General Insurance – Assets by region

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		Ireland		Spain		Emerging Markets in Asia		Rest of the world		Eliminations		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	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)**

Financial information

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

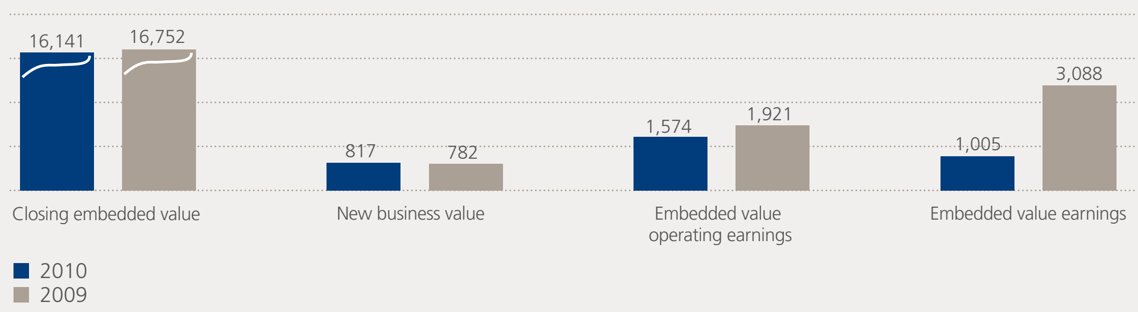
This report describes the development of the embedded value of the Zurich Financial Services Group (the Group) for the year ended December 31, 2010.

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.

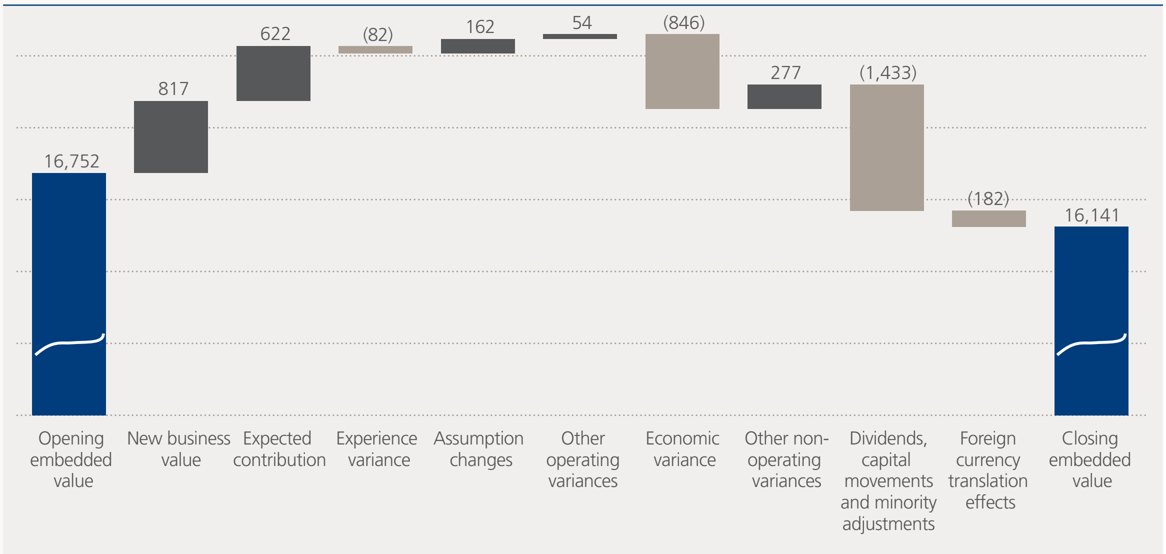
Economic variance was negative USD 846 million as a result of lower swap rates negatively impacting the value of spread business. This was exacerbated by the increase in credit spreads in certain European countries. This negative impact was partially offset by the increase in value of protection business 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**

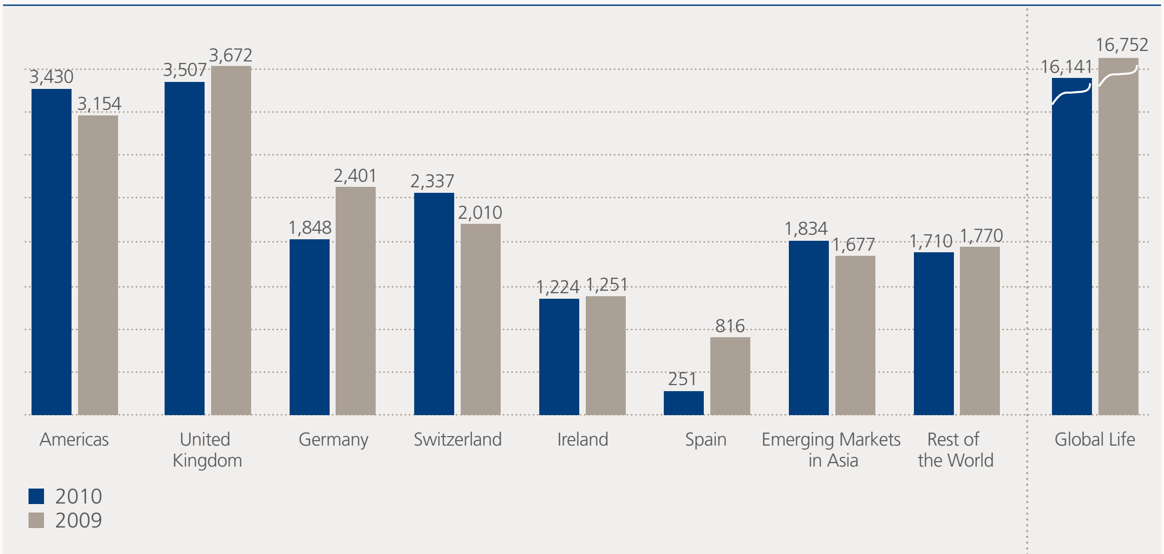
[1] As noted in section 10 c) the UK's required capital and free surplus allow for a Pillar 2 basis.

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.

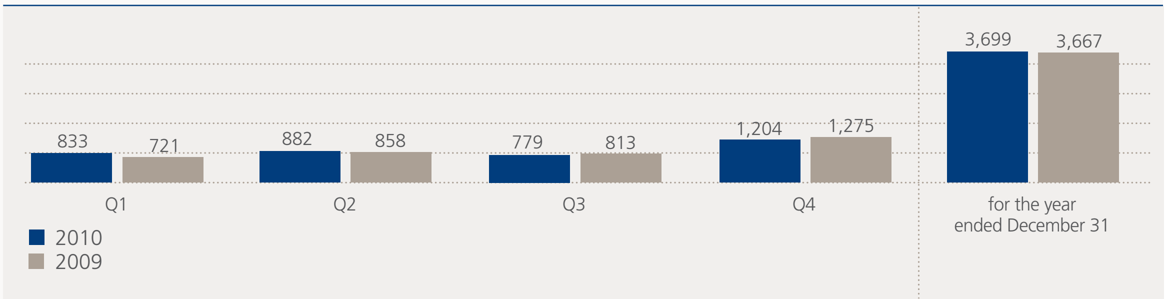
EV operating earnings

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**

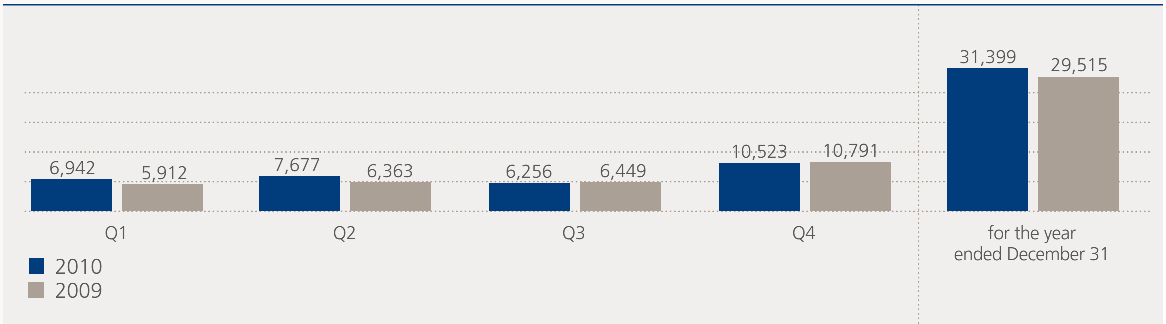
[1] ZIS is Zurich International Solutions, the international business based in the Isle of Man.

2. New business

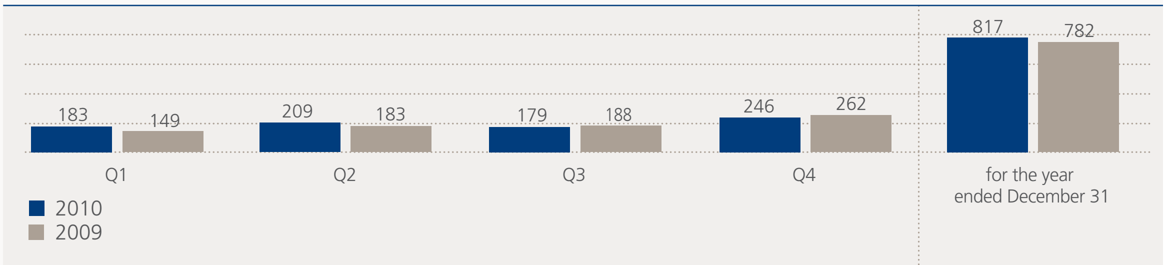
Annual Premium Equivalent (APE)
(in USD millions)



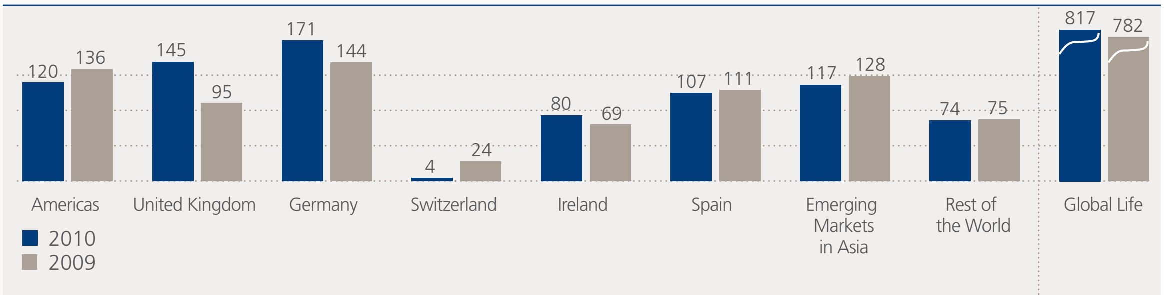
Present Value of New Business Premiums (PVNBP)
(in USD millions)



New Business Value
(in USD millions)

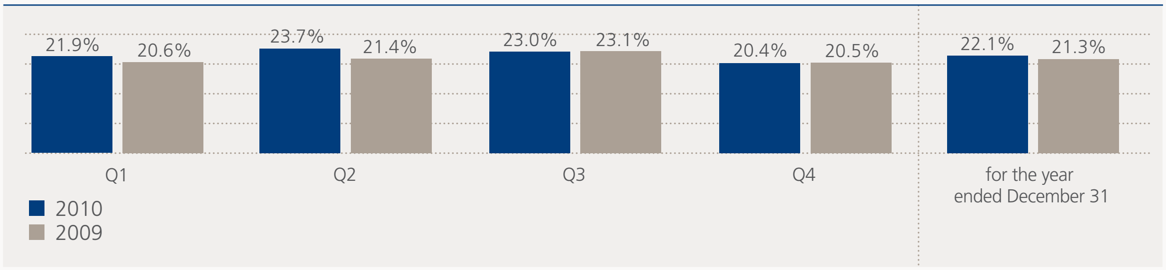


New Business Value by territory
(in USD millions)

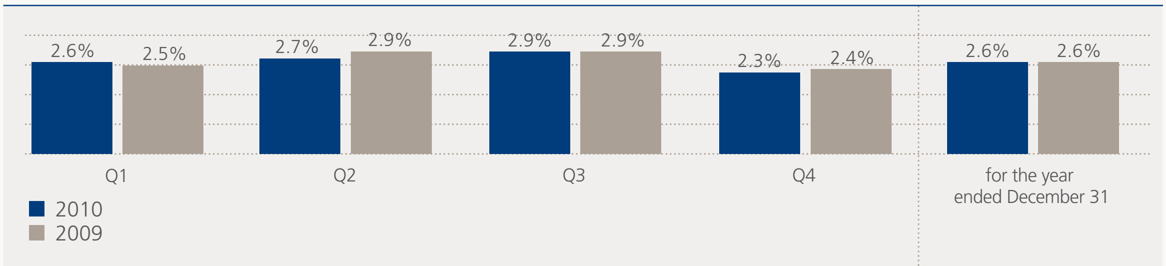


Embedded value report *continued*

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		New business margin 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.

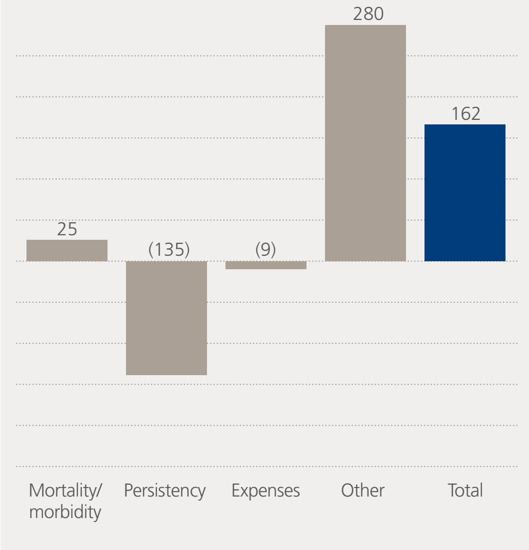
4. Operating, economic and other non-operating variances

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.

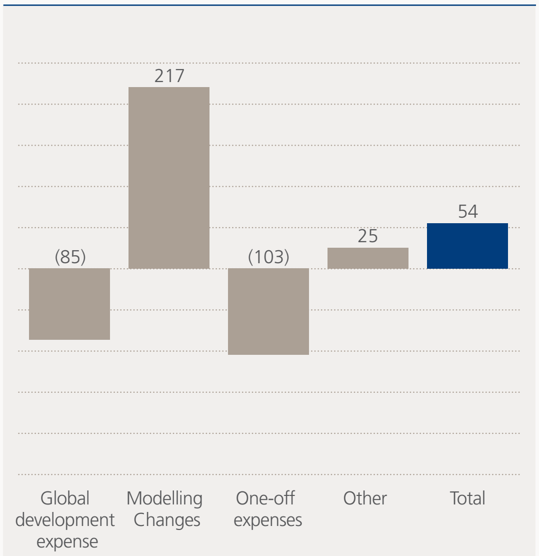
Persistency experience decreased the embedded value by USD 94 million with a further USD 135 million reduction in value arising from changes to future expected persistency assumptions. In the U.S., 2010 was the first year where the level term 2000 policies moved from the level premium to the yearly renewable 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%

Financial information

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		2009	
	Carrying value[1]	Ownership in %	Carrying value[1]	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]	2009[2]						
	Basic fee	Committee fee[3]	Chair fee[4]	U.S. residence fee/other[5]	Total fees	Of which paid in cash[6]	Of which allocated in shares[7, 13]
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	Daniel Schweizer
Licensed audit expert	Licensed audit expert

Zurich, January 7, 2011

Aktionärsinformationen

Aktionärsinformationen *fortgesetzt*

Die Namenaktie der Zurich Financial Services AG

Kennzahlen

per 31. Dezember	2010	2009
Anzahl der ausgegebenen Aktien	146'586'896	147'473'068
Anzahl dividendenberechtigter Aktien[1]	146'586'896	147'473'068
Börsenkapitalisierung (in CHF Mio. per Ende Berichtsperiode)	35'503	33'403
Genehmigtes Kapital, Anzahl der Aktien	10'000'000	5'200'000
Bedingtes Kapital, Anzahl der Aktien	14'708'363	12'643'831

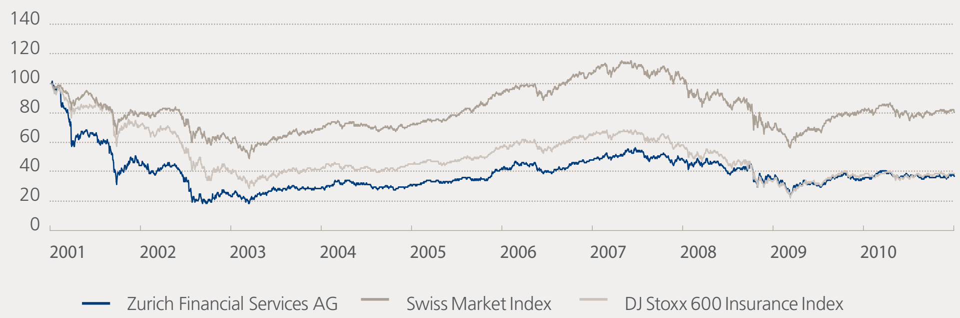
[1] Eigene Aktien sind nicht dividendenberechtigt.

Angaben je Aktie

in CHF	2010	2009
Bruttodividende	17.00[1]	16.00
Basis-Gewinn je Aktie	24.57	30.09
Verwässerter Gewinn je Aktie	24.38	29.88
Buchwert je Aktie per 31. Dezember	202.69	206.58
Nennwert je Aktie	0.10	0.10
Aktienkurs am Ende der Berichtsperiode	242.20	226.50
Höchster Aktienkurs während der Berichtsperiode	271.20	260.00
Tiefster Aktienkurs während der Berichtsperiode	223.30	127.80

[1] Vorgeschlagene Dividende, vorbehaltlich der Genehmigung durch die Aktionäre bei der ordentlichen Generalversammlung 2011; die Auszahlung erfolgt voraussichtlich ab dem 7. April 2011. Da die Dividende aus den Reserven aus Kapitaleinlagen geleistet werden soll, ist sie in der Schweiz nicht verrechnungssteuerpflichtig.

Kursverlauf (indexiert) über die vergangenen zehn Jahre
in %



Quelle: Thomson Datastream

Ausgeschüttete Dividende

	Geschäftsjahr	Bruttobetrag in CHF je Namenaktie	Ausschüttungsdatum ab dem
Dividende	2010	17.00[1]	7. April 2011[1]
Dividende	2009	16.00	8. April 2010
Dividende	2008	11.00	7. April 2009
Dividende	2007	15.00	8. April 2008
Dividende	2006	11.00	10. April 2007
Dividende/Nennwertreduktion	2005	7.00	4. Juli 2006
Nennwertreduktion	2004	4.00	4. Juli 2005
Nennwertreduktion	2003	2.50	1. Juli 2004
Nennwertreduktion	2002	1.00	15. Juli 2003

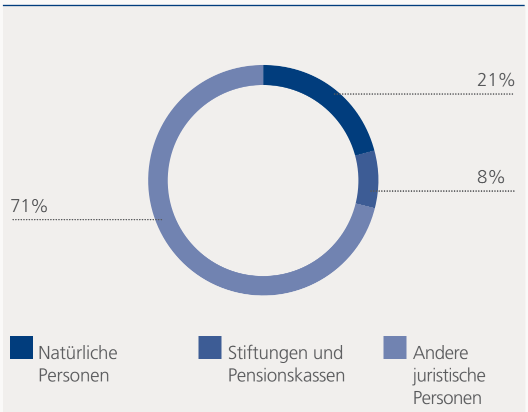
[1] Vorgeschlagene Bruttodividende, vorbehaltlich der Genehmigung durch die Aktionäre bei der ordentlichen Generalversammlung 2011; die Auszahlung erfolgt voraussichtlich ab dem 7. April 2011.

Aktienhandel

Die Aktien von Zurich Financial Services AG sind an der SIX Swiss Exchange kotiert. Der Handel erfolgt im Blue-Chip-Segment von SIX Swiss Exchange mit dem Ticker-Symbol: ZURN; die Schweizer Wertpapiernummer (Valorennummer) ist 1107539. Der Handel der Aktien von Zurich Financial Services AG im Blue-Chip-Segment erfolgt in Schweizer Franken.

Eingetragene Aktionäre von Zurich Financial Services AG

Eingetragene Aktionäre



Die per 31. Dezember 2010 eingetragenen Namenaktien befinden sich im Besitz von 121'715 Aktionären, und zwar in folgender Verteilung: 115'840 natürliche Personen besitzen 23% der eingetragenen Aktien (oder 14% aller ausgegebenen Aktien), weitere 7% der eingetragenen Aktien (oder 5% aller ausgegebenen Aktien) werden von 2'055 Stiftungen und Pensionskassen gehalten und 70% der eingetragenen Aktien (oder 44% aller ausgegebenen Aktien) befinden sich im Besitz von 3'820 anderen juristischen Personen.

Bedeutende Aktionäre

Zurich Financial Services AG ist – abgesehen von folgenden Personen oder Institutionen – niemand bekannt, der als wirtschaftlich Berechtigter per 31. Dezember 2010 direkt oder indirekt Aktien, Optionsrechte und/oder Umwandlungsrechte von mehr als 3% der ausgegebenen Aktien von Zurich Financial Services AG hielt:

- BlackRock, Inc., 40 East 52nd Street, New York, 10022, USA, meldete zusammen mit seinen Tochtergesellschaften per 15. Dezember 2009 eine Kaufposition von 3,39% der Namenaktien von Zurich Financial Services AG.
- Norges Bank, Bankplassen 2, P.O. Box 1179, Sentrum, 0107 Oslo, Norwegen, meldete per 20. Dezember 2010 eine Kaufposition von 3,02% an registrierten Aktien der Zurich Financial Services AG.

Wertpapiere Aktionärsdepot

Die Aktionäre von Zurich haben die Möglichkeit, Namenaktien von Zurich Financial Services AG gebührenfrei bei der SIX SAG AG in der Schweiz zu hinterlegen. Das Depotreglement und das Antragsformular für das Aktionärsdepot können von unserer Webseite heruntergeladen werden: www.zurich.com

Aktionärsinformationen *fortgesetzt*

Wichtige Daten

Ordentliche Generalversammlung 2011
31. März 2011

Ex-Dividendentag
4. April 2011

Dividende – Stichtag
6. April 2011

Zahlung der Dividende ab dem
7. April 2011

Berichterstattung über die Ergebnisse für die per 31. März 2011 abgeschlossenen drei Monate
5. Mai 2011

Halbjahresberichterstattung 2011
11. August 2011

Berichterstattung über die Ergebnisse für die per 30. September 2011 abgeschlossenen neun Monate
10. November 2011

Publikationen

Geschäftsentwicklung 2010
Der Bericht Geschäftsentwicklung enthält Informationen zu Zurichs Geschäft, Strategie und Performance im Jahr 2010. Er ist auf Englisch, Deutsch und Französisch erhältlich.

Geschäftsbericht 2010
Der Geschäftsbericht enthält ausführliche Informationen zur finanziellen Performance von Zurich, zu ihrer Struktur, zu den Exekutivorganen, zum Risikomanagement, zur Corporate Governance sowie zu den Vergütungen. Er ist auf Englisch, Deutsch und Französisch erhältlich (der Abschnitt Finanzen ist nur in englischer Sprache erhältlich).

www.zurich.com
Weitere Informationen und Artikel über Zurich finden Sie unter www.zurich.com. Pdf-Dateien von Berichten und weitere Dokumente können unter www.zurich.com/insight heruntergeladen werden.

Kontakt

Für weitere Informationen wenden Sie sich bitte an die zuständige Kontaktstelle oder besuchen Sie unsere Webseite unter www.zurich.com.

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Web: www.six-sag.com

American Depositary Receipts
Zurich Financial Services AG verfügt über ein ADR-Programm mit The Bank of New York Mellon (BNY). Nähere Auskünfte zu einem ADR-Konto erteilt der Shareowner Service von BNY Mellon in den USA unter +1-888-BNY-ADRs (1-888-269-2377) oder ausserhalb der USA unter +1-201-680-6825. Allgemeine Informationen zum ADR-Programm des Unternehmens sind bei The Bank of New York Mellon unter www.adrbnymellon.com erhältlich.

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.

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