

Consolidated financial statements (unaudited) 2010

Zurich Financial Services Group
Results for the nine months to September 30, 2010

Consolidated financial statements (unaudited)

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Consolidated income statements (unaudited)

In USD millions	Notes	Restated		Restated	
		2010	2009	2010	2009
		for the three months ended September 30	for the three months ended September 30	for the nine months ended September 30	for the nine months ended September 30
Revenues					
Gross written premiums and policy fees		11,721	13,039	38,108	40,465
Less premiums ceded to reinsurers		(1,339)	(1,417)	(4,423)	(4,513)
Net written premiums and policy fees		10,382	11,622	33,685	35,952
Net change in reserves for unearned premiums		585	371	(122)	(1,482)
Net earned premiums and policy fees		10,968	11,993	33,563	34,470
Farmers management fees and other related revenues		697	726	2,096	1,973
Net investment result on Group investments	3	2,309	1,970	6,288	4,245
Net investment income on Group investments		1,747	1,831	5,307	5,569
Net capital gains/(losses) and impairments on Group investments		563	140	981	(1,325)
Net investment result on unit-linked investments	3	4,900	9,004	5,264	9,927
Net gain/(loss) on divestments of businesses		53	–	54	(4)
Other income		382	446	1,023	1,237
Total revenues		19,309	24,139	48,289	51,848
Benefits, losses and expenses					
Insurance benefits and losses, gross of reinsurance	6	8,959	10,314	28,663	28,131
Less ceded insurance benefits and losses	6	(738)	(896)	(3,002)	(2,407)
Insurance benefits and losses, net of reinsurance	6	8,221	9,418	25,661	25,724
Policyholder dividends and participation in profits, net of reinsurance	6	5,080	9,041	5,925	10,230
Underwriting and policy acquisition costs, net of reinsurance		2,049	1,799	6,433	5,835
Administrative and other operating expense		2,448	1,925	6,023	5,149
Interest expense on debt	10	132	145	414	405
Interest credited to policyholders and other interest		126	129	394	388
Total benefits, losses and expenses		18,055	22,456	44,852	47,732
Net income before income taxes		1,254	1,683	3,437	4,117
Income tax expense	9	(486)	(713)	(991)	(1,179)
attributable to policyholders	9	(280)	(467)	(276)	(298)
attributable to shareholders	9	(207)	(246)	(715)	(881)
Net income after taxes		768	970	2,446	2,938
attributable to non-controlling interests		17	2	53	3
attributable to shareholders		751	968	2,393	2,935
in USD					
Basic earnings per share	11	5.16	6.69	16.48	20.60
Diluted earnings per share	11	5.12	6.65	16.34	20.45
in CHF					
Basic earnings per share	11	5.49	7.40	17.53	22.77
Diluted earnings per share	11	5.45	7.35	17.39	22.62

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

Consolidated statements of comprehensive income (unaudited)

in USD millions, for the nine months ended September 30

	Net income attributable to shareholders	Net unrealized gains/(losses) on available- for-sale investments
2009, as restated		
Comprehensive income for the period	2,935	3,351
Details of movements during the period		
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		3,446
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		1,008
Deferred income tax (before foreign currency translation effects)		(1,131)
Foreign currency translation effects		28
2010		
Comprehensive income for the period	2,393	2,730
Details of movements during the period		
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		3,766
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		(276)
Deferred income tax (before foreign currency translation effects)		(807)
Foreign currency translation effects		47

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
	6	1,089	–	80	4,526	7,461	107	7,568
	164	1,089	–	146	4,846			
	(146)	–	–	–	862			
	(13)	–	–	(18)	(1,162)			
	1	–	–	(48)	(20)			
	115	(494)	28	(907)	1,472	3,865	(22)	3,843
	21	(493)	41	(1,199)	2,136			
	104	(1)	–	–	(173)			
	(16)	–	(13)	322	(513)			
	6	–	–	(30)	22			

Consolidated statements of comprehensive income (unaudited)

in USD millions, for the three months ended September 30

	Net income attributable to shareholders	Net unrealized gains/(losses) on available- for-sale investments
2009, as restated		
Comprehensive income for the period	968	2,626
Details of movements during the period		
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		3,103
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		257
Deferred income tax (before foreign currency translation effects)		(818)
Foreign currency translation effects		84
2010		
Comprehensive income for the period	751	1,185
Details of movements during the period		
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		1,749
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		(303)
Deferred income tax (before foreign currency translation effects)		(363)
Foreign currency translation effects		101

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	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
	28	200	1	(491)	2,363	3,332	85	3,416
	128	200	–	(610)	2,821			
	(94)	–	–	–	163			
	(5)	–	1	174	(649)			
	–	–	–	(55)	29			
	46	878	–	(318)	1,791	2,542	203	2,745
	(385)	878	–	(279)	1,963			
	448	–	–	–	145			
	(7)	–	–	62	(308)			
	(10)	–	–	(101)	(9)			

Consolidated balance sheets (unaudited)

Assets	in USD millions, as of	Notes	09/30/10	Restated 12/31/09	Restated 12/31/08
Investments					
Total Group investments			199,301	195,658	179,138
Cash and cash equivalents			9,213	11,041	10,726
Equity securities			11,211	12,581	14,571
Debt securities			145,163	136,723	118,493
Real estate held for investment			8,024	7,789	7,524
Mortgage loans			12,044	12,736	12,820
Other loans			13,459	14,556	14,784
Equity method accounted investments			188	232	220
Investments for unit-linked contracts			102,847	99,167	78,203
Total investments		3	302,148	294,825	257,341
Reinsurers' share of reserves for insurance contracts		4	18,880	18,751	18,778
Deposits made under assumed reinsurance contracts			3,443	3,861	2,397
Deferred policy acquisition costs		7	16,065	16,181	14,323
Deferred origination costs		7	837	856	770
Accrued investment income			2,557	2,744	2,429
Receivables			13,509	13,782	13,662
Other assets			3,686	3,327	4,095
Mortgage loans given as collateral			762	1,102	1,233
Deferred tax assets			2,149	2,421	3,165
Assets held for sale ¹			–	67	–
Property and equipment			1,688	1,942	1,889
Goodwill		8	2,129	2,297	1,677
Other intangible assets		8	5,998	7,044	6,633
Total assets			373,850	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	09/30/10	Restated 12/31/09	Restated 12/31/08
Liabilities					
	Reserve for premium refunds		532	649	620
	Liabilities for investment contracts	5	47,022	46,124	35,979
	Deposits received under ceded reinsurance contracts		1,387	1,558	1,619
	Deferred front-end fees		5,555	5,543	4,695
	Reserves for insurance contracts	4	244,774	242,094	224,078
	Obligations to repurchase securities		3,287	3,976	3,608
	Accrued liabilities		2,716	2,839	2,820
	Other liabilities		19,475	18,299	17,391
	Collateralized loans		762	1,102	1,233
	Deferred tax liabilities		4,395	4,445	3,273
	Debt related to capital markets	10	400	25	2,079
	Senior and subordinated debt	10	11,184	11,444	8,455
	Total liabilities		341,490	338,098	305,850
Equity					
	Share capital		10	10	10
	Additional paid-in capital		11,531	11,400	10,131
	Net unrealized gains/(losses) on available-for-sale investments		3,117	387	(3,024)
	Cash flow hedges		106	(9)	(16)
	Cumulative foreign currency translation adjustment		(891)	(396)	(1,341)
	Revaluation reserve		126	98	99
	Retained earnings		16,535	17,253	14,441
	Common shareholders' equity		30,536	28,743	20,301
	Preferred securities		475	561	561
	Shareholders' equity		31,011	29,304	20,862
	Non-controlling interests		1,350	1,800	1,678
	Total equity		32,361	31,104	22,540
	Total liabilities and equity		373,850	369,202	328,391

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

Consolidated statements of cash flows (unaudited)

in USD millions, for the nine months ended September 30	2010	Restated 2009
Cash flows from operating activities		
Net income attributable to shareholders	2,393	2,935
Adjustments for:		
Net (gain)/loss on divestments of businesses	(54)	4
Income from equity method accounted investments	(13)	2
Depreciation, amortization and impairments of fixed and intangible assets	749	626
Other non-cash items	369	531
Underwriting activities:	8,527	9,232
<i>Reserves for insurance contracts, gross</i>	5,575	7,258
<i>Reinsurers' share of reserves for insurance contracts</i>	(168)	(40)
<i>Liabilities for investment contracts</i>	3,377	4,392
<i>Deferred policy acquisition costs</i>	(507)	(1,257)
<i>Deferred origination costs</i>	(5)	19
<i>Deposits made under assumed reinsurance contracts</i>	423	(1,069)
<i>Deposits received under ceded reinsurance contracts</i>	(168)	(70)
Investments:	(9,796)	(16,672)
<i>Net capital (gains)/losses on total investments and impairments</i>	(5,104)	(7,409)
<i>Net change in trading securities and derivatives</i>	154	95
<i>Net change in money market investments</i>	156	38
<i>Sales and maturities</i>		
<i>Debt securities</i>	73,782	167,073
<i>Equity securities</i>	40,396	36,865
<i>Other</i>	37,284	13,190
<i>Purchases</i>		
<i>Debt securities</i>	(79,840)	(175,238)
<i>Equity securities</i>	(39,282)	(37,729)
<i>Other</i>	(37,342)	(13,559)
Proceeds from sale and repurchase agreements	(569)	181
Movements in receivables and payables	166	1,166
Net changes in debt for capital markets	416	(1,079)
Net changes in other operational assets and liabilities	502	1,183
Deferred income tax, net	(309)	525
Net cash provided by/(used in) operating activities	2,382	(1,367)

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

in USD millions, for the nine months ended September 30	2010	2009
Cash flows from investing activities		
Sales of property and equipment	83	52
Purchase of property and equipment	(138)	(176)
Investments in equity method accounted investments, net	3	2
Acquisitions of companies, net of cash acquired	–	(303)
Divestments of companies, net of cash balances	(26)	(10)
Net cash used in investing activities	(78)	(434)
Cash flows from financing activities		
Dividends paid	(2,215)	(1,422)
Issuance of share capital	74	918
Net movement in treasury shares	(69)	306
Issuance of debt	92	3,441
Repayments of debt outstanding	(200)	(875)
Net cash provided by/(used in) financing activities	(2,319)	2,369
Foreign currency translation effects on cash and cash equivalents	(427)	877
Change in cash and cash equivalents excluding change in cash held as collateral for securities lending	(442)	1,444
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 September 30, excluding cash held as collateral for securities lending	15,947	16,453
Change in cash held as collateral for securities lending	(302)	632
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 September 30, including cash held as collateral for securities lending	16,137	17,261
of which:		
– cash and cash equivalents – Group investments	9,213	11,707
– cash and cash equivalents – unit linked	6,924	5,554
Other supplementary cash flow disclosures		
Other interest income received	5,366	5,441
Dividend income received	1,165	1,212
Other interest expense paid	(807)	(742)
Income tax paid	(868)	(767)

As of September 30, 2010 and 2009, cash and cash equivalents held to meet local regulatory requirements were USD 1,327 million and USD 1,463 million, respectively.

Cash and cash equivalents

in USD millions, as of September 30	2010	2009
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	7,111	6,694
Cash equivalents	8,836	9,760
Cash held as collateral for securities lending	190	808
Total	16,137	17,261

Consolidated statements of changes in equity (unaudited)

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	–	918	–
Dividends to shareholders	–	–	–
Share-based payment transactions	–	(41)	–
Treasury share transactions ²	–	255	–
Total comprehensive income for the period, net of tax	–	–	3,351
<i>Net income</i>	–	–	–
<i>Net unrealized gains/(losses) on available-for-sale investments</i>	–	–	3,351
<i>Cash flow hedges</i>	–	–	–
<i>Cumulative foreign currency translation adjustment</i>	–	–	–
<i>Net actuarial gains/(losses) on pension plans</i>	–	–	–
Net changes in capitalization and non-controlling interests	–	–	–
Balance as of September 30, 2009, as restated	10	11,263	327
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	–	193	–
Dividends to shareholders	–	–	–
Share-based payment transactions	–	(59)	–
Treasury share transactions ²	–	(3)	–
Change of ownership with no loss of control	–	–	–
Total comprehensive income for the period, net of tax	–	–	2,730
<i>Net income</i>	–	–	–
<i>Net unrealized gains/(losses) on available-for-sale investments</i>	–	–	2,730
<i>Cash flow hedges</i>	–	–	–
<i>Cumulative foreign currency translation adjustment</i>	–	–	–
<i>Revaluation reserve</i>	–	–	–
<i>Net actuarial gains/(losses) on pension plans</i>	–	–	–
Net changes in capitalization and non-controlling interests	–	–	–
Balance as of September 30, 2010	10	11,531	3,117

¹ The number of common shares issued as of September 30, 2010 was 146,487,089 (September 30, 2009: 147,411,437, December 31, 2009: 147,473,068, December 31, 2008: 142,122,620).

² The number of treasury shares deducted from equity as of September 30, 2010 amounted to 1,406,444 (September 30, 2009: 3,273,736, 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.

	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
	-	-	-	-	918	-	918	-	918
	-	-	-	(1,389)	(1,389)	(16)	(1,405)	(17)	(1,422)
	-	-	-	-	(41)	-	(41)	-	(41)
	-	-	-	51	306	-	306	-	306
	6	1,089	-	2,999	7,445	16	7,461	107	7,568
	-	-	-	2,919	2,919	16	2,935		
	-	-	-	-	3,351	-	3,351		
	6	-	-	-	6	-	6		
	-	1,089	-	-	1,089	-	1,089		
	-	-	-	80	80	-	80		
	-	-	-	-	-	-	-	47	47
	(9)	(252)	99	16,102	27,541	561	28,102	1,815	29,917
	(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
	-	-	-	-	193	-	193	-	193
	-	-	-	(2,202)	(2,202)	(9)	(2,210)	(6)	(2,216)
	-	-	-	-	(59)	-	(59)	-	(59)
	-	-	-	20	17	(86)	(69)	-	(69)
	-	-	-	(13)	(13)	-	(13)	-	(13)
	115	(494)	28	1,478	3,856	9	3,865	(22)	3,843
	-	-	-	2,385	2,385	9	2,393		
	-	-	-	-	2,730	-	2,730		
	115	-	-	-	115	-	115		
	-	(494)	-	-	(494)	-	(494)		
	-	-	28	-	28	-	28		
	-	-	-	(907)	(907)	-	(907)		
	-	-	-	-	-	-	-	(423)	(423)
	106	(891)	126	16,535	30,536	475	31,011	1,350	32,361

1. Basis of presentation

General information

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.

The unaudited Consolidated financial statements for the nine months ended September 30, 2010 of Zurich Financial Services Ltd and its subsidiaries (collectively the Group) have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting". The accounting policies used to prepare the unaudited Consolidated Financial Statements comply with International Financial Reporting Standards (IFRS), and are consistent with those set out in the notes to the Consolidated Financial Statements in the Financial Report 2009 of the Group except as outlined below.

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.

The unaudited Consolidated Financial Statements should be read in conjunction with the Group's Financial Report 2009.

Certain amounts recorded in the unaudited Consolidated Financial Statements reflect estimates and assumptions made by management about insurance liability reserves, investment valuations, interest rates and other factors. Actual results may differ from the estimates and assumptions made. In addition, interim results are not necessarily indicative of full year results.

The Group erroneously classified certain life insurance products. The classification was corrected in the current period as the impact on the Group's income statement was not material. The reclassifications in the balance sheet from "Reserves unearned premium", "Reserves for policyholders' contract deposits and other funds", and "Liabilities for investment contract liabilities with DPF" to "Reserves for future life policyholder benefits" and "Liabilities related to unit-linked investment contracts" are footnoted in notes 4 and 5.

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

Certain balances previously reported under "Cash and cash equivalents" amounting to USD 589 million as of December 31, 2009, are now presented, depending on their nature and measurement basis, under "Debt securities - Available-for-sale", "Equity securities - Available-for-sale", "Other loans" and "Receivables". Similarly, 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". These changes in presentation are reflected in the consolidated balance sheets, consolidated statements of cash flows and notes 3 and 10.

All amounts in the unaudited Consolidated financial statements are shown in USD millions, rounded to the nearest million unless otherwise stated with the consequence that the rounded amounts may not add to the rounded total in all cases. All ratios and variances are calculated using the underlying amounts rather than the rounded amounts.

Table 1 summarizes the principal exchange rates that have been used for translation purposes. Net gains (losses) on foreign currency transactions included in the unaudited consolidated income statements were USD 137 million and USD (15) million for the nine months ended September 30, 2010 and 2009, respectively. Foreign currency exchange forward and swap gains and (losses) included in these amounts were USD (5) million and USD 81 million for the nine months ended September 30, 2010 and 2009, respectively.

USD per foreign currency unit	Balance sheets		Income statements and cash flows	
	09/30/10	12/31/09	09/30/10	09/30/09
	Euro	1.3590	1.4333	1.3165
Swiss franc	1.0182	0.9649	0.9396	0.9044
British pound	1.5734	1.6164	1.5342	1.5423

Implementation of new accounting standards

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.

- IFRS 3 "Business Combinations" revised
- Amendments to IAS 27 "Consolidated and separate Financial Statements"
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurements - Eligible Hedged Items"
- Amendments to IFRS 2 "Share-based Payment - Group Cash-settled Share-based Payment Transactions"
- Several minor amendments as part of the IASB's annual improvement project including 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"
- IFRIC 17 "Distributions of Non-cash Assets to Owners"
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"

The Group has not early adopted the following Standards:

- Amendments to IAS 32 "Financial Instruments: Presentation – Classification of Rights Issues" effective for reporting periods beginning on or after February 1, 2010
- Amendments to IAS 24 "Related Party Disclosures" effective for reporting periods beginning on or after January 1, 2011
- IFRS 9 "Financial Instruments" effective for reporting periods beginning on or after January 1, 2013

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 in 2009, 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

	As reported	Change in accounting policy	Other restatements	As restated
Revenues				
Gross written premiums and policy fees	40,465	–	–	40,465
Less premiums ceded to reinsurers	(4,513)	–	–	(4,513)
Net written premiums and policy fees	35,952	–	–	35,952
Net change in reserves for unearned premiums	(1,482)	–	–	(1,482)
Net earned premiums and policy fees	34,470	–	–	34,470
Farmers management fees and other related revenues	1,973	–	–	1,973
Net investment result on Group investments	4,325	(80)	–	4,245
Net investment income on Group investments	5,569	–	–	5,569
Net capital gains/(losses) and impairments on Group investments	(1,245)	(80)	–	(1,325)
Net investment result on unit-linked investments	9,927	–	–	9,927
Net gain/(loss) on divestments of businesses	(4)	–	–	(4)
Other income	1,237	–	–	1,237
Total revenues	51,928	(80)	–	51,848
Benefits, losses and expenses				
Insurance benefits and losses, gross of reinsurance	29,282	(1,151)	–	28,131
Less ceded insurance benefits and losses	(2,451)	44	–	(2,407)
Insurance benefits and losses, net of reinsurance	26,831	(1,107)	–	25,724
Policyholder dividends and participation in profits, net of reinsurance	10,230	–	–	10,230
Underwriting and policy acquisition costs, net of reinsurance	5,835	–	–	5,835
Administrative and other operating expense	5,149	–	–	5,149
Interest expense on debt	428	–	(24)	405
Interest credited to policyholders and other interest	365	–	24	388
Total benefits, losses and expenses	48,839	(1,107)	–	47,732
Net income before income taxes	3,089	1,027	–	4,117
Income tax expense	(924)	(255)	–	(1,179)
attributable to policyholders	(298)	–	–	(298)
attributable to shareholders	(626)	(255)	–	(881)
Net income after taxes	2,165	772	–	2,938
attributable to non-controlling interests	3	–	–	3
attributable to shareholders	2,163	772	–	2,935
in USD				
Basic earnings per share	15.15	5.45	–	20.60
Diluted earnings per share	15.04	5.41	–	20.45
in CHF				
Basic earnings per share	16.75	6.02	–	22.77
Diluted earnings per share	16.63	5.99	–	22.62

Restatement of consolidated balance sheet

Table 1.2

in USD millions, as of December 31, 2009

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

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

2. Acquisitions and divestments

Recent developments

As a result of the ongoing restructuring of the banking industry in Spain various banks and savings institutions are engaging in different forms of cooperation or mergers. In 2008 the Group acquired 50.0 percent interests in life and general insurance companies of, and entered into distribution agreements with, several of these banks and savings institutions. One of these savings institutions, Caixa d'Estalvis de Sabadell merged into Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa (Unnim) as of July 1, 2010. The Group is pursuing an exit of its Unnim related engagements in CaixaSabadell Vida, S.A. de Seguros y Reaseguros and CaixaSabadell Companyia d'Assegurances Generals, S.A. and has lost control from an accounting perspective. Therefore the Group has derecognized the assets and liabilities at their carrying amount and has recognized its retained investment in these 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. As more details emerge, the Group continues to review and assess the effects of related industry developments on its distribution agreements in place with other banking institutions.

Transactions in 2010

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, of which the Group owned 73.6 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 unaudited Consolidated Financial Statements.

On September 6, 2010 the Group 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 United Kingdom. Subject to the approval of the relevant regulatory authorities, the transaction is expected to close in the first quarter of 2011.

On September 28, 2010 the Group divested all of its shares in Maryland Insurance Company, based in the United States, for a pre-tax gain on disposal of USD 1 million.

On October 7, 2010 the Group signed an agreement to acquire 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. Subject to the approval of the relevant regulatory authorities, the transaction is expected to close in the fourth quarter of 2010.

On November 1, 2010 the Group completed the acquisition of 80.0 percent of 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 Mayapada Life.

3. Investments

Table 3.1a

Investment result for total investments

in USD millions, for the nine months ended September 30

	Net investment income		Net capital gains/(losses) on investments and impairments		Investment result	
	2010	2009	2010	2009	2010	2009
Cash and cash equivalents	103	127	4	111	106	238
Equity securities	1,222	1,201	3,393	8,495	4,615	9,696
Debt securities	4,168	4,322	1,849	(181)	6,017	4,140
Real estate held for investment	573	591	211	(479)	785	112
Mortgage loans	379	428	(348)	(180)	30	247
Other loans	541	531	12	18	553	549
Equity method accounted investments	13	(2)	(37)	(2)	(24)	(4)
Other investments ¹	–	48	20	(372)	20	(324)
Investment result, gross	6,998	7,245	5,104	7,409	12,102	14,654
Investment expenses	(550)	(483)	–	–	(550)	(483)
Investment result, net	6,448	6,762	5,104	7,409	11,552	14,171

¹ Including net capital gains/(losses) on derivative financial instruments of USD 20 million and USD (341) million for the nine months ended September 30, 2010 and 2009, respectively, of which net capital gains/(losses) on derivatives attributable to cash flow hedge ineffectiveness amounted to USD (3) million and USD 26 million for the nine months ended September 30, 2010 and 2009, respectively.

Rental operating expenses for real estate held for investment included in investment expenses for total investments amounted to USD 143 million and USD 147 million for the nine months ended September 30, 2010 and 2009, respectively.

Table 3.1b

Investment result for Group investments

in USD millions, for the nine months ended September 30

	Net investment income		Net capital gains/(losses) on investments and impairments		Investment result	
	2010	2009	2010	2009	2010	2009
Cash and cash equivalents	38	82	–	6	38	88
Equity securities	240	266	(91)	(375)	149	(109)
Debt securities	3,952	4,088	1,342	(531)	5,294	3,558
Real estate held for investment	343	342	26	140	369	483
Mortgage loans	379	428	(348)	(180)	30	247
Other loans	509	529	17	18	526	546
Equity method accounted investments	13	(2)	(37)	(2)	(24)	(4)
Other investments ¹	–	4	71	(401)	71	(397)
Investment result, gross for Group investments	5,473	5,738	981	(1,325)	6,453	4,413
Investment expenses for Group investments	(165)	(168)	–	–	(165)	(168)
Investment result, net for Group investments	5,307	5,569	981	(1,325)	6,288	4,245

¹ Including net capital gains/(losses) on derivative financial instruments of USD 71 million and USD (399) million for the nine months ended September 30, 2010 and 2009, respectively, of which net capital gains/(losses) on derivatives attributable to cash flow hedge ineffectiveness amounted to USD (3) million and USD 26 million for the nine months ended September 30, 2010 and 2009, respectively.

For the nine months ended September 30, 2010 and 2009, respectively, impairment charges on Group investments included in net capital gains/(losses) amounted to USD 854 million and USD 1,117 million, of which impairment charges on mortgage loans, other loans and equity method accounted investments comprised in total USD 382 million and USD 180 million, respectively.

Table 3.1c

Investment result for unit-linked contracts

in USD millions, for the nine months ended September 30

	Net investment income		Net capital gains/(losses) on investments		Investment result	
	2010	2009	2010	2009	2010	2009
Cash and cash equivalents	64	44	4	106	69	150
Equity securities	982	935	3,484	8,870	4,466	9,804
Debt securities	216	234	506	349	723	583
Real estate held for investment	231	249	185	(619)	416	(371)
Other loans	33	2	(6)	–	27	2
Other investments ¹	–	44	(51)	29	(51)	73
Investment result, gross for unit-linked contracts	1,526	1,508	4,123	8,734	5,649	10,242
Investment expenses for unit-linked contracts	(385)	(315)	–	–	(385)	(315)
Investment result, net unit-linked contracts	1,141	1,192	4,123	8,734	5,264	9,927

¹ Including net capital gains/(losses) on derivative financial instruments of USD (51) million and USD 57 million for the nine months ended September 30, 2010 and 2009, respectively.

Table 3.2

Net capital gains, losses and impairments on equity and debt securities on total investments

in USD millions, for the nine months ended September 30

	Equity securities		Debt securities		Total	
	2010	2009	2010	2009	2010	2009
Securities at fair value through profit or loss:	3,663	9,212	1,115	385	4,777	9,598
Net capital gains/(losses) on Group investments	179	343	608	36	787	379
<i>of which:</i>						
<i>Trading securities</i>	19	34	6	(2)	26	32
<i>Securities designated at fair value through profit or loss</i>	159	309	602	38	761	347
Net capital gains/(losses) for unit-linked contracts	3,484	8,870	506	349	3,991	9,219
Available-for-sale securities:	(270)	(717)	695	(504)	425	(1,221)
Realized capital gains on Group investments	283	170	991	676	1,274	846
Realized capital losses on Group investments	(98)	(396)	(239)	(797)	(337)	(1,193)
Impairments on Group investments	(454)	(491)	(57)	(384)	(512)	(875)
Held-to-maturity securities	–	–	39	(63)	39	(63)
Total net capital gains/(losses) and impairments	3,393	8,495	1,849	(181)	5,242	8,314

Details of total investments by category	as of	Total investments			
		09/30/10		12/31/09	
		USD millions	% of total	USD millions	% of total
Cash and cash equivalents		16,137	5.3	16,882	5.7
Equity securities:					
Fair value through profit or loss		83,806	27.7	83,329	28.3
<i>of which:</i>					
<i>Trading securities</i>		465	0.2	879	0.3
<i>Securities designated at fair value through profit or loss</i>		83,341	27.6	82,449	28.0
Available-for-sale		7,417	2.5	7,563	2.6
Total equity securities		91,223	30.2	90,892	30.8
Debt securities:					
Fair value through profit or loss		17,949	5.9	17,878	6.1
<i>of which:</i>					
<i>Trading securities</i>		46	0.0	82	0.0
<i>Securities designated at fair value through profit or loss</i>		17,903	5.9	17,797	6.0
Available-for-sale		132,515	43.9	123,896	42.0
Held-to-maturity		5,062	1.7	5,143	1.7
Total debt securities		155,526	51.5	146,918	49.8
Real estate held for investment		12,043	4.0	11,686	4.0
Mortgage loans		12,044	4.0	12,736	4.3
Other loans		14,988	5.0	15,480	5.3
Equity method accounted investments		188	0.1	232	0.1
Total investments		302,148	100.0	294,825	100.0

Details
of Group
investments
by category

Table 3.3b

as of	Group investments			
	09/30/10		12/31/09	
	USD millions	% of total	USD millions	% of total
Cash and cash equivalents	9,213	4.6	11,041	5.6
Equity securities:				
Fair value through profit or loss	3,794	1.9	5,018	2.6
<i>of which:</i>				
<i>Trading securities</i>	465	0.2	879	0.4
<i>Securities designated at fair value through profit or loss</i>	3,329	1.7	4,138	2.1
Available-for-sale	7,417	3.7	7,563	3.9
Total equity securities	11,211	5.6	12,581	6.4
Debt securities:				
Fair value through profit or loss	7,587	3.8	7,684	3.9
<i>of which:</i>				
<i>Trading securities</i>	46	0.0	82	0.0
<i>Securities designated at fair value through profit or loss</i>	7,541	3.8	7,602	3.9
<i>Available-for-sale</i>	132,515	66.5	123,896	63.3
Held-to-maturity	5,062	2.5	5,143	2.6
Total debt securities	145,163	72.8	136,723	69.9
Real estate held for investment	8,024	4.0	7,789	4.0
Mortgage loans	12,044	6.0	12,736	6.5
Other loans	13,459	6.8	14,556	7.4
Equity method accounted investments	188	0.1	232	0.1
Total Group investments	199,301	100.0	195,658	100.0

Cash and investments with a carrying value of USD 5,502 million and USD 4,908 million were deposited with regulatory authorities as of September 30, 2010 and December 31, 2009, respectively.

Securities under security lending and repurchase agreements

As of September 30, 2010 and December 31, 2009, investments included USD 5,557 million and USD 5,073 million, respectively, of loaned securities. These loaned securities were mainly debt securities. Cash and cash equivalents included USD 190 million and USD 493 million of cash received as collateral for loaned securities as of September 30, 2010 and December 31, 2009, respectively. Liabilities for cash collateral received for securities lending comprised USD 193 million and USD 508 million as of September 30, 2010 and December 31, 2009, respectively. Non-cash collateral received for loaned securities comprised mainly equity and debt securities and amounted to USD 5,644 million and USD 5,046 million as of September 30, 2010 and December 31, 2009, respectively. The Group can sell or repledge the collateral only in the event of default by a counterparty.

As of September 30, 2010 and December 31, 2009, respectively, debt securities with a carrying value of USD 3,303 million and USD 3,938 million have been sold to financial institutions under repurchase agreements. These securities continue to be recognized as investments in the balance sheets. Obligations to repurchase these securities amounted to USD 3,287 million and USD 3,976 million as of September 30, 2010 and December 31, 2009, respectively. The Group retains the rights to the risks and the benefits of ownership of loaned securities and securities under repurchase agreements. These risks and benefits include changes in market values and income earned.

Table 3.3c

Details of investments held for unit-linked contracts	as of	Investments for unit-linked contracts			
		09/30/10		12/31/09	
		USD millions	% of total	USD millions	% of total
Cash and cash equivalents		6,924	6.7	5,840	5.9
Equity securities		80,012	77.8	78,311	79.0
Debt securities		10,363	10.1	10,194	10.3
Real estate held for investment		4,019	3.9	3,897	3.9
Other loans		1,529	1.5	924	0.9
Total investments for unit-linked contracts		102,847	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 3.4

Net unrealized gains/(losses) on group investments included in shareholders' equity	in USD millions, as of	Total	
		09/30/10	12/31/09
Equity securities: available-for-sale		554	112
Debt securities: available-for-sale		6,764	1,588
Other		121	7
Less: amount of net unrealized gains/(losses) on investments attributable to:			
Life policyholder dividends and other policyholder liabilities		(2,648)	(904)
Life deferred acquisition costs		(409)	(97)
Deferred income taxes		(1,151)	(312)
Non-controlling interests		(7)	(15)
Total¹		3,223	379

¹ Net unrealized gains/(losses) include net gains arising on cash flow hedges of USD 106 million and losses of USD (9) million as of September 30, 2010 and December 31, 2009, respectively.

4. Reserves for insurance contracts and reinsurers' share of reserves for insurance contracts

Table 4.1

Reserves for insurance contracts	in USD millions, as of					
	Gross		Ceded		Net	
	09/30/10	12/31/09	09/30/10	12/31/09	09/30/10	12/31/09
Reserves for losses and loss adjustment expenses	67,898	68,086	(11,890)	(12,182)	56,008	55,903
Reserves for unearned premiums	17,736	17,676	(2,372)	(2,000)	15,364	15,676
Future life policyholders' benefits	79,538	79,271	(2,465)	(2,199)	77,073	77,072
Policyholders' contract deposits and other funds	19,457	18,857	(2,280)	(2,457)	17,177	16,400
Reserves for unit-linked contracts	60,145	58,204	–	–	60,145	58,204
Total reserves for insurance contracts¹	244,774	242,094	(19,007)	(18,839)	225,767	223,255

¹ The total reserves for insurance contracts ceded are gross of allowance for uncollectible amounts of USD 127 million and USD 88 million as of September 30, 2010 and December 31, 2009, respectively.

Table 4.2

Development of reserves for losses and loss adjustment expenses	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	21,534	20,855	(2,937)	(1,956)	18,597	18,899
Prior years	(1,322)	(421)	481	(112)	(841)	(533)
Total incurred	20,212	20,434	(2,456)	(2,068)	17,756	18,366
Losses and loss adjustment expenses paid:						
Current year	(7,708)	(6,972)	663	245	(7,045)	(6,727)
Prior years	(12,112)	(12,577)	1,978	1,798	(10,134)	(10,779)
Total paid	(19,820)	(19,549)	2,642	2,043	(17,178)	(17,506)
Acquisitions/(divestments) and transfers ¹	(12)	103	6	1	(6)	104
Foreign currency translation effects	(568)	2,232	101	(321)	(467)	1,912
As of September 30	67,898	68,438	(11,890)	(12,577)	56,008	55,862

¹ The 2010 net movement includes USD (2) million related to loss of control (see note 2).

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 4.2 shows the development of reserves for losses and loss adjustment expenses during the first nine months of 2010. The increase of USD 104 million in total net reserves included USD 841 million of favorable reserve development emerging from reserves established in prior years from various regions and lines of business. The positive development includes reduced exposures associated with return premiums in North America.

Table 4.3

Development of future life policyholders' benefits	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 and claims	(2,037)	(2,373)	(38)	68	(2,076)	(2,306)
Interest and bonuses credited to policyholders	2,288	2,007	(90)	(52)	2,197	1,955
Change in assumptions	469	1	(75)	(5)	394	(4)
Transfers ¹	1,223	–	(96)	–	1,127	–
Changes recorded in shareholders' equity	158	115	–	–	158	115
Foreign currency translation effects	(1,832)	3,594	33	(127)	(1,799)	3,467
As of September 30	79,538	81,461	(2,465)	(2,173)	77,073	79,288

¹ The 2010 net movement includes USD 2,673 million related to the transfer to other reserves categories (see note 1) and USD (1,508) million related to loss of control (see note 2).

Table 4.4

Policyholders' contract deposits and other funds gross	in USD millions, as of	
	09/30/10	12/31/09
Annuities	1,283	2,760
Universal life and other contracts	11,359	10,801
Policyholder dividends	6,814	5,297
Total	19,457	18,857

Development of policyholders' contract deposits and other funds

Table 4.5

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 and claims	(44)	(535)	130	275	85	(260)
Interest and bonuses credited to policyholders	770	651	(60)	(68)	709	583
Changes in assumptions	(1)	–	–	–	(1)	–
Acquisitions/transfers ¹	(1,478)	92	100	–	(1,379)	92
Changes recorded in shareholders' equity	1,524	948	–	–	1,524	948
Foreign currency translation effects	(171)	846	8	(9)	(163)	837
As of September 30	19,457	19,048	(2,280)	(2,493)	17,177	16,555

¹ The 2010 net movement includes USD (1,372) million related to the transfer from other reserves categories (see note 1) and USD (7) million related to loss of control (see note 2).

Development of reserves for unit-linked contracts

Table 4.6

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 and claims	510	(40)	–	–	510	(40)
Interest and bonuses credited/(charged) to policyholders	3,003	5,169	–	–	3,003	5,169
Transfers ¹	(131)	–	–	–	(131)	–
Foreign currency translation effects	(1,441)	3,094	–	–	(1,441)	3,094
As of September 30	60,145	55,520	–	–	60,145	55,520

¹ The 2010 movement includes USD (160) million related to loss of control (see note 2).

5. Liabilities for investment contracts with and without discretionary participation features (DPF)

Table 5.1			
Liabilities for investment contracts	in USD millions, as of	09/30/10	12/31/09
	Liabilities related to unit-linked investment contracts	41,779	40,143
	Liabilities related to investment contracts (amortized cost)	425	254
	Liabilities related to investment contracts with DPF	4,818	5,728
	Total	47,022	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.

Table 5.2			
Development of liabilities for investment contracts	in USD millions	2010	2009
	As of January 1	46,124	35,979
	Premiums and claims	690	(278)
	Interest and bonuses charged/(credited) to policyholders	2,687	4,642
	Transfers ¹	(1,209)	–
	Changes recorded in shareholders' equity	7	23
	Foreign currency translation effects	(1,277)	3,406
	As of September 30	47,022	43,773

¹ The 2010 movement includes USD (1,202) million related to the transfer to and from reserves for insurance contracts (see note 1).

6. Gross and ceded insurance revenues and expenses

Table 6.1

Insurance benefits and losses	in USD millions, for the nine months ended September 30					
	Gross		Ceded		Net	
	2010	2009	2010	2009	2010	2009
Losses and loss adjustment expenses	20,212	20,434	(2,456)	(2,068)	17,756	18,366
Life insurance death and other benefits	7,771	8,069	(347)	(350)	7,425	7,719
Change in future life policyholders' benefits	680	(372)	(199)	11	481	(361)
Total insurance benefits and losses	28,663	28,131	(3,002)	(2,407)	25,661	25,724

Table 6.2

Policyholder dividends and participation in profits	in USD millions, for the nine months ended September 30					
	Gross		Ceded		Net	
	2010	2009	2010	2009	2010	2009
Change in policyholders' contract deposits and other funds	626	430	(4)	(2)	622	428
Change in reserves for unit-linked products	2,854	5,446	–	–	2,854	5,446
Change in liabilities for investment contracts – unit-linked	2,486	4,542	–	–	2,486	4,542
Change in liabilities for investment contracts – other	160	129	–	–	160	129
Change in unit-linked liabilities related to UK capital gains tax	(196)	(314)	–	–	(196)	(314)
Total policyholder dividends and participation in profits	5,930	10,232	(4)	(2)	5,925	10,230

7. Deferred policy acquisition costs and deferred origination costs

Development of deferred policy acquisition costs	in USD millions		General Insurance		Global Life		Other segments ¹		Total	
	2010	2009	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	2,230	2,251	1,271	1,240	764	1,054	4,266	4,545		
Amortization	(2,154)	(2,162)	(676)	(318)	(933)	(811)	(3,763)	(3,291)		
Amortization charged/ (credited) to shareholders' equity	–	–	(259)	(286)	–	1	(259)	(284)		
Acquisitions/transfers ²	(1)	–	–	–	–	–	(1)	–		
Foreign currency translation effects	(11)	97	(347)	698	(1)	(2)	(359)	792		
As of September 30	3,438	3,433	12,265	12,101	361	552	16,065	16,085		

¹ Net of eliminations from inter-segment transactions.

² The 2010 movement represents the impact of loss of control (see note 2).

Development of deferred origination costs	in USD millions	
	2010	2009
As of January 1	856	770
Origination costs deferred	91	61
Amortization	(85)	(82)
Foreign currency translation effects	(25)	67
As of September 30	837	817

8. Goodwill and other intangible assets

Table 8.1

Intangible assets – current period	in USD millions						
	Goodwill	PVFP	Distribution agreements	Attorney- in-fact relationships	Software	Other intangible assets	Total
Gross carrying value as of January 1, 2010	2,331	2,749	3,426	1,025	3,430	224	13,186
Less: accumulated amortization/impairments	(34)	(1,612)	(251)	–	(1,861)	(85)	(3,844)
Net carrying value as of January 1, 2010	2,297	1,137	3,174	1,025	1,569	139	9,342
Additions and transfers	(2)	–	–	–	348	–	346
Divestments and transfers ¹	(39)	(87)	(560)	–	(11)	–	(696)
Amortization	–	(83)	(106)	–	(271)	(12)	(472)
Amortization charged to shareholders' equity	–	(43)	–	–	–	–	(43)
Impairments	(104)	(3)	–	–	(9)	(5)	(122)
Foreign currency translation effects	(23)	(47)	(162)	–	9	(4)	(228)
Net carrying value as of September 30, 2010	2,129	874	2,347	1,025	1,634	117	8,127
Plus: accumulated amortization/impairments	125	1,678	301	–	2,102	98	4,305
Gross carrying value as of September 30, 2010	2,255	2,551	2,648	1,025	3,737	216	12,432

¹ The reduction in Goodwill is the result of a revised earn-out calculation within one of the Group's Spanish General Insurance operations. The decreases in PVFP and distribution agreements represent the impact of loss of control (see note 2).

As of September 30, 2010, the intangible assets related to non-controlling interests were USD 151 million from present value of future profits (PVFP) of acquired insurance contracts, USD 1,083 million from distribution agreements and USD 6 million from software. As of December 31, 2009, the comparative figures were USD 224 million, USD 1,484 million and USD 8 million, respectively.

Impairment charges of USD 104 million were recorded in income as a result of revised cash flow assumptions in the Group's Russian operations.

Table 8.2

Intangible assets by segment – current period	in USD millions, as of September 30, 2010						
	Goodwill	PVFP	Distribution agreements	Attorney- in-fact relationships	Software	Other intangible assets	Total
General Insurance	881	–	556	–	651	91	2,178
Global Life	425	874	1,791	–	315	26	3,431
Farmers	819	–	–	1,025	433	–	2,278
Other Operating Businesses	5	–	–	–	233	–	237
Non-Core Businesses	–	–	–	–	3	–	3
Net carrying value as of September 30, 2010	2,129	874	2,347	1,025	1,634	117	8,127

Table 8.3

Intangible assets – prior period	in USD millions						
	Goodwill	PVFP	Distribution agreements	Attorney- in-fact relationships	Software	Other intangible assets	Total
Gross carrying value as of January 1, 2009	1,696	2,617	3,075	1,025	2,791	247	11,451
Less: accumulated amortization/impairments	(19)	(1,364)	(42)	–	(1,635)	(80)	(3,141)
Net carrying value as of January 1, 2009	1,677	1,252	3,032	1,025	1,156	166	8,310
Additions and transfers	503	(8)	250	–	465	(8)	1,202
Divestments and transfers	–	–	–	–	(1)	–	(1)
Amortization	–	(23)	(145)	–	(198)	(11)	(378)
Amortization charged to shareholders' equity	–	(63)	–	–	–	–	(63)
Impairments	(10)	(30)	(28)	–	(12)	(8)	(87)
Foreign currency translation effects	92	50	170	–	51	14	378
Net carrying value as of September 30, 2009	2,262	1,179	3,279	1,025	1,462	153	9,361
Plus: accumulated amortization/impairments	31	1,581	425	–	1,762	112	3,912
Gross carrying value as of September 30, 2009	2,293	2,760	3,704	1,025	3,224	265	13,273

As of September 30, 2009, the intangible assets related to non-controlling interest were USD 234 million from present value of future profits (PVFP) of acquired insurance contracts, USD 1,530 million from distribution agreements and USD 6 million from software. As of December 31, 2008, the comparative figures were USD 267 million from PVFP and USD 7 million from software.

Impairment charges of USD 87 million were recorded in income comprising impairments on PVFP of USD 30 million in the Spanish Life operations, a goodwill impairment of USD 10 million related to the Spanish General Insurance operations and USD 48 million of impairments of other intangible assets primarily related to other intangible assets with definite life in the Italian Life operations as well as software in the Banking operations.

Table 8.4

Intangible assets by segment – prior period	in USD millions, as of December 31, 2009						
	Goodwill	PVFP	Distribution agreements	Attorney- in-fact relationships	Software	Other intangible assets	Total
General Insurance	1,029	–	705	–	607	108	2,448
Global Life	442	1,137	2,470	–	363	31	4,443
Farmers	821	–	–	1,025	372	–	2,218
Other Operating Businesses	5	–	–	–	218	–	223
Non-Core Businesses	–	–	–	–	9	–	9
Net carrying value as of December 31, 2009	2,297	1,137	3,174	1,025	1,569	139	9,342

9. Income taxes

Table 9.1

Table 9.1		2010	2009
Income tax expense – current/deferred split	in USD millions, for the nine months ended September 30		
	Current	1,043	726
	Deferred	(52)	453
	Total income tax expense/(benefit)	991	1,179

Table 9.2

Table 9.2		2010	2009
Income tax expense – policyholder/shareholder attribution	in USD millions, for the nine months ended September 30		
	Total income tax expense/(benefit) attributable to policyholders	276	298
	Total income tax expense/(benefit) attributable to shareholders	715	881
	Total income tax expense/(benefit)	991	1,179

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.

Table 9.3

Table 9.3					
in USD millions, for the nine months ended September 30		Rate	2010	Rate	2009
Expected and actual income tax expense	Net income before income taxes		3,437		4,117
	Less: income tax (expense)/benefit attributable to policyholders		(276)		(298)
	Net income before income taxes attributable to shareholders		3,161		3,819
	Expected income tax expense attributable to shareholders computed at the Swiss statutory tax rate	22.0%	695	22.0%	840
	Increase/(reduction) in taxes resulting from:				
	<i>Tax rate differential in foreign jurisdictions</i>		99		226
	<i>Tax exempt and lower taxed income</i>		(68)		(22)
	<i>Non-deductible expenses</i>		45		27
	<i>Tax losses previously unrecognized or no longer recognized</i>		37		14
	<i>Prior year adjustments and other</i>		(93)		(204)
	Actual income tax expense attributable to shareholders	22.6%	715	23.1%	881
	Plus: income tax expense/(benefit) attributable to policyholders		276		298
	Actual income tax expense/(benefit)	28.8%	991	28.6%	1,179

Table 9.3 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.

10. Debt

Table 10.1		09/30/10	12/31/09
Debt	in USD millions, as of		
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}	306	291
	4.50% EUR 1,000 bond, due September 2014 ^{2,6}	1,377	1,443
	4.875% EUR 800 bond, due April 2012 ⁵	1,084	1,143
	6.50% EUR 600 bond, due October 2015 ^{3,6}	812	857
Zurich Finance (Luxembourg) S.A.	3.25% USD 750 bond, due September 2013 ^{5,6}	773	747
Zurich Insurance Company Ltd	3.875% CHF 1,000 bond, due July 2011	1,019	965
	3.75% CHF 500 bond, due September 2013 ⁶	505	478
	Various debt instruments payable within 1 year	–	200
Other	Various debt instruments payable within 1 year	97	5
	Various debt instruments payable in more than 1 year	147	149
Senior debt		6,121	6,277
Subordinated debt			
Zurich Insurance Company Ltd	12.0% EUR 143 capital notes, undated ⁶	193	203
	7.5% EUR 425 bond, due July 2039 ⁵	572	603
Zurich Finance (UK) plc	6.625% GBP 450 bond, undated notes ^{4,6}	698	717
Zurich Finance (USA), Inc.	5.75% EUR 500 bond, due October 2023 ⁶	671	707
	4.5% EUR 500 bond, due June 2025 ^{5,6}	721	730
ZFS Finance (USA) Trust I	Series I 6.15% USD 600 ECAPS, due December 2065	568	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	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	496	496
Other	Various debt instruments payable in more than 1 year	21	22
Subordinated debt		5,063	5,167
Total senior and subordinated debt		11,184	11,444
Total debt		11,584	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 This bond is part of a qualifying fair value hedge.

⁶ Issued under the Group's Euro Medium Term Note Programme (EMTN Programme).

None of the debt instruments listed above were in default as of September 30, 2010 and December 31, 2009.

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 million as of September 30, 2010 due to an increase in commercial paper issues.

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.

The decrease was partially offset by a USD 92 million increase in various debt instruments payable within one year, which is primarily due to a structured financing put in place by Zurich Insurance plc, Germany Branch.

The remaining movement is due to the fluctuation of the issuing currencies against the USD.

ii) Subordinated debt

Subordinated debt decreased from USD 5.2 billion as of December 31, 2009 to USD 5.1 billion as of September 30, 2010, mainly as a result of the strengthening of the USD against the EUR and GBP.

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.

Table 10.2

Description and features of significant subordinated debt	in millions			
	Description	Coupon conditions	Call/ redemption date	Redemption conditions
	12.00% EUR 143 bond, undated notes	12.00% payable annually up to July 15, 2014 and then reset quarterly to 3-month EURIBOR plus 10.33%.	Quarterly on or after July 15, 2014	Redeemable in whole at par plus any accrued interest.
	7.5% EUR 425 bond, due July 2039	7.5% payable annually up to July 24, 2019 and then reset quarterly to 3-month EURIBOR plus 5.85%.	Quarterly on or after July 24, 2019	Redeemable in whole or in part at par plus any accrued interest.
	6.625% GBP 450 bond, undated notes	6.625% payable annually up to October 2, 2022 and then reset every 5 years to the reset rate of interest. ¹	Every five years on or after October 2, 2022	Redeemable in whole every five years at par plus any accrued interest.
	5.75% EUR 500 bond, due October 2023	5.75% payable annually up to October 2, 2013 and then reset quarterly to 3-month EURIBOR plus 2.67%.	Quarterly on or after October 2, 2013	Redeemable in whole at par plus any accrued interest.
	4.5% EUR 500 bond, due June 2025	4.5% payable annually up to June 15, 2015 and then reset quarterly to 3-month EURIBOR plus 2.20%.	Quarterly on or after June 15, 2015	Redeemable in whole at par plus any accrued interest.
	Series I 6.15% Fixed/Adjustable Rate USD 600 ECAPS, due December 2065	6.15% payable semi-annually until December 15, 2010 and then reset quarterly to the adjustable rate plus 1.75%. ²	Quarterly on or after December 15, 2010	Redeemable in whole or in part at par plus any accrued interest.
	Series II 6.45% Fixed/Adjustable Rate USD 700 ECAPS, due December 2065	6.45% payable semi-annually until June 15, 2016 and then reset quarterly to the adjustable rate plus 2.00%. ²	Quarterly on or after June 15, 2016	Redeemable in whole or in part at par plus any accrued interest.
	Series III Floating Rate USD 400 ECAPS, due December 2065	3-month LIBOR plus 1.15% reset quarterly until December 15, 2010 and then 3-month LIBOR plus 2.15%.	Quarterly on or after December 15, 2010	Redeemable in whole or in part at par plus any accrued interest.
	Series IV 5.875% USD 500 Fixed/Floating Trust Preferred Securities, due May 2062	5.875% payable semi-annually until May 9, 2012 and then reset quarterly to 3-month LIBOR plus 1.815%.	Quarterly on or after May 9, 2012	Redeemable in whole or in part at par plus any accrued interest.
	Series V 6.5% USD 1,000 Fixed/Floating Trust Preferred Securities, due May 2067	6.5% payable semi-annually until May 9, 2017 and then reset quarterly to 3-month LIBOR plus 2.285%.	Quarterly on or after May 9, 2017	Redeemable in whole or in part at par plus any accrued interest.

¹ Reset rate of interest is equal to the gross redemption yield on the benchmark five-year Gilt as determined by the Calculation Bank, plus 2.85% per annum.

² Adjustable Rate is equal to the greatest of (i) the 3-month LIBOR Rate; (ii) the 10-year Treasury CMT (Constant Maturity Treasury) Rate; and (iii) the 30-year Treasury CMT Rate, subject to a maximum under (ii) and (iii) of 13.25% Series I and 13% for Series II.

Maturity schedule of outstanding debt

	09/30/10		12/31/09	
	Carrying value	Undiscounted cash flow	Carrying value	Undiscounted cash flow
< 1 year	1,516	2,103	230	830
1 to 2 years	1,402	1,946	1,272	1,872
2 to 3 years	1,289	1,737	1,142	1,720
3 to 4 years	1,384	1,790	1,235	1,731
4 to 5 years	100	446	1,448	1,890
5 to 10 years	830	2,203	975	2,456
> 10 years	5,063	7,000	5,167	7,265
Total	11,584	17,226	11,469	17,765

Debt maturities shown in table 10.3 reflect original contractual dates without taking early redemption options into account. For call/redemption dates, refer to table 10.2. The total notional amount of debt due in each period is not materially different from the total carrying amount disclosed in table 10.3. Undiscounted cash flows include interest and principal cash flows on debt outstanding as of September 30, 2010 and December 31, 2009, respectively. All debt is assumed to mature within 20 years of the balance sheet date without refinancing and where the Group has the option to repay the debt, the option is assumed to expire. Floating interest rates are assumed to remain constant as of September 30, 2010 and December 31, 2009, respectively. The aggregated cash flows are translated into USD at end-of-period rates.

Interest expense on debt

	2010	2009
Debt related to capital markets	4	33
Senior debt	187	147
Subordinated debt	223	225
Total	414	405

Interest expense on debt

Interest expense on debt increased from USD 405 million in 2009 to USD 414 million in 2010, primarily as a result of lower interest rates and more than offsetting 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 Financial Services Ltd together with Zurich Insurance Company Ltd and Farmers Group, Inc. are guarantors of the facility and can draw up to USD 1.25 billion, USD 1.5 billion and USD 250 million, respectively. No borrowings were outstanding under this facility as of September 30, 2010 or December 31, 2009.

In addition, Zurich Insurance Company Ltd has access to revolving credit facilities totalling USD 441 million which will expire in June and July 2013. As of September 30, 2010 no borrowings have been drawn under these facilities.

Dunbar Bank and Zurich Bank have access to various committed credit facilities totalling GBP 105 million and GBP 165 million, respectively. As of September 30, 2010 no borrowings were outstanding under these facilities (GBP 50 million have been drawn as of December 31, 2009).

11. Earnings per share

Table 11					
Earnings per share	for the nine months ended September 30	Net income attributable to common shareholders (in USD millions)	Weighted average number of shares	Per share (USD)	Per share (CHF) ¹
		2010			
Basic earnings per share		2,385	144,751,398	16.48	17.53
Effect of potentially dilutive shares related to share-based compensation plans			1,168,704	(0.13)	(0.14)
Diluted earnings per share		2,385	145,920,102	16.34	17.39
2009					
Basic earnings per share		2,919	141,710,463	20.60	22.77
Effect of potentially dilutive shares related to share-based compensation plans			993,731	(0.14)	(0.16)
Diluted earnings per share		2,919	142,704,194	20.45	22.62

¹ The translation from USD to CHF is shown for information purposes only and has been calculated at the Group's average exchange rates for the nine months ended September 30, 2010 and 2009, respectively.

12. Legal proceedings and regulatory investigations

The Group and its subsidiaries are continuously involved in legal proceedings, claims, litigation and 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. The Group has decided to expand its disclosure of legal proceedings and regulatory investigations with additional ongoing matters.

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 at 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 allege 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 historic 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 which commenced on November 1, 2010.

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 31st 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, the action is to be "trial ready" by May 2011. The Group maintains that the Fuller-Austin and A.P.I. 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 US 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 and the class-action plaintiffs entered into an amended stipulation of settlement that called for a payment of USD 28 million to settle the case in two parts on behalf of all persons and entities who purchased Converium securities between January 7, 2002 and September 2, 2004: one settlement in the U.S. court, covering all U.S. persons and entities, and all other persons who purchased Converium securities on U.S. markets, and another settlement in the Amsterdam Court of Appeal, in the Netherlands, covering all non-U.S. persons and entities who purchased Converium securities on non-U.S. markets. The U.S. and Dutch settlements are both subject to court approval and are independent of each other. The U.S. court approved the U.S. settlement on December 12, 2008, but a notice of appeal was filed. The appeal, however, was dismissed by stipulation of the parties on June 25, 2009 and the U.S. settlement is now considered final. The Dutch settlement papers were filed with the Dutch court on July 9, 2010.

Zurich Financial Services Ltd. is a defendant in a putative class action pending in California state court captioned Benjamin Fogel v. Farmers Group, Inc ("Farmers"). 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, 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 up to 13 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. All terms of the proposed settlement are subject to execution of a formal settlement agreement, which then must be presented to the court for certification of a settlement class and approval of the proposed settlement.

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.

13. 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 the Farmers Re business, which includes all reinsurance assumed from the Farmers Exchanges by the Group. Farmers Exchanges are prominent writers of personal lines and small commercial lines business in the U.S.

For the purpose of discussing financial performance the Group considers General Insurance, Global Life and Farmers to be its core operating segments.

The Group's new management structure effective July 1, 2010, reconfirms 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 Group's internal performance measure, business operating profit (BOP). This measure is the basis on which business units are managed. It indicates the underlying performance of the business units by eliminating the impact of financial market volatility and other non-operational variables. BOP reflects adjustments for shareholders' taxes, net capital gains on investments and impairments (except for the capital markets and banking operations included in 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 significant 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.

Business operating profit by business segment

Table 13.1

in USD millions, for the nine months ended September 30

	General Insurance		Global Life	
	2010	2009	2010	2009
Revenues				
Direct written premiums and policy fees ¹	23,865	25,064	8,485	8,671
Assumed written premiums	1,662	1,257	78	78
Gross written premiums and policy fees	25,528	26,321	8,563	8,750
Less premiums ceded to reinsurers	(3,976)	(4,077)	(574)	(553)
Net written premiums and policy fees	21,551	22,243	7,989	8,197
Net change in reserves for unearned premiums	(765)	(557)	(19)	35
Net earned premiums and policy fees	20,787	21,686	7,971	8,232
Farmers management fees and other related revenues	–	–	–	–
Net investment result on Group investments	2,173	2,377	3,322	3,007
Net investment income on Group investments	2,144	2,297	2,906	3,013
Net capital gains/(losses) and impairments on Group investments	28	80	416	(6)
Net investment result on unit-linked investments	–	–	4,865	9,240
Other income	489	499	657	547
Total BOP revenues	23,448	24,563	16,815	21,026
<i>of which: inter-segment revenues</i>	<i>(307)</i>	<i>(256)</i>	<i>(192)</i>	<i>(166)</i>
Benefits, losses and expenses				
Insurance benefits and losses, net	14,762	15,489	6,933	7,521
Losses and loss adjustment expenses, net	14,744	15,462	50	50
Life insurance death and other benefits, net	18	27	6,838	7,152
(Decrease)/increase in future life policyholders' benefits, net ¹	–	–	45	320
Policyholder dividends and participation in profits, net	3	9	5,482	9,510
Income tax expense/(benefit) attributable to policyholders	–	–	276	298
Underwriting and policy acquisition costs, net	3,931	3,943	1,139	678
Administrative and other operating expense (excl. depreciation/amortization)	2,407	2,361	1,315	1,279
Interest credited to policyholders and other interest	29	24	316	304
Restructuring provisions and other items not included in BOP	(120)	(95)	(83)	(78)
Total BOP benefits, losses and expenses (before interest, depreciation and amortization)	21,013	21,730	15,379	19,512
Business operating profit (before interest, depreciation and amortization)	2,434	2,833	1,436	1,514
Depreciation and impairments of property and equipment	61	48	23	25
Amortization and impairments of intangible assets	234	130	232	257
Interest expense on debt	166	152	52	71
Business operating profit before non-controlling interests	1,973	2,502	1,129	1,161
Non-controlling interests	12	(6)	31	4
Business operating profit	1,961	2,508	1,098	1,157
Supplementary information				
Additions and capital improvements to property, equipment and intangible assets	172	319	44	321

¹ The Global Life segment includes approximately USD 875 million and USD 1,957 million of gross written premiums and future life policyholders' benefits for certain universal life-type contracts in our Spanish operations for the nine months ended September 30, 2010 and 2009, respectively (see note 3 of the Group's Financial Report 2009).

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 1,027 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
	-	-	-	-	278	395	-	(3)	32,628	34,128
	3,722	4,964	100	105	105	114	(187)	(181)	5,480	6,338
	3,722	4,964	100	105	383	509	(187)	(183)	38,108	40,465
	-	-	(40)	(41)	(20)	(25)	187	183	(4,423)	(4,513)
	3,722	4,964	60	64	362	485	-	-	33,685	35,952
	657	(970)	3	3	3	7	(1)	-	(122)	(1,482)
	4,379	3,993	63	68	365	491	(1)	-	33,563	34,470
	2,096	1,973	-	-	-	-	-	-	2,096	1,973
	122	130	395	271	626	335	(649)	(650)	5,988	5,471
	122	130	395	331	389	448	(649)	(650)	5,307	5,569
	-	-	-	(60)	237	(113)	-	-	681	(99)
	-	-	-	-	399	686	-	-	5,264	9,927
	73	63	543	880	80	128	(819)	(879)	1,023	1,237
	6,670	6,160	1,001	1,218	1,470	1,641	(1,469)	(1,529)	47,935	53,078
	(53)	(69)	(869)	(978)	(47)	(60)	1,469	1,529	-	-
	2,916	2,759	57	5	993	(51)	-	-	25,661	25,724
	2,916	2,759	1	4	48	86	(3)	5	17,756	18,366
	-	-	54	64	515	475	-	1	7,425	7,719
	-	-	2	(63)	430	(611)	3	(6)	481	(361)
	-	-	-	-	441	711	(1)	-	5,925	10,230
	-	-	-	-	-	-	-	-	276	298
	1,362	1,211	-	-	5	6	(3)	(3)	6,433	5,835
	1,559	980	637	617	160	129	(804)	(842)	5,273	4,524
	1	-	1	1	48	69	(2)	(10)	394	388
	(596)	(36)	42	85	(5)	1,109	-	-	(762)	985
	5,242	4,915	737	709	1,641	1,974	(810)	(855)	43,202	47,984
	1,428	1,245	264	509	(171)	(333)	(659)	(673)	4,734	5,094
	52	52	17	25	3	9	-	-	156	160
	80	53	40	23	8	2	-	-	594	465
	-	7	781	760	74	88	(659)	(673)	414	405
	1,295	1,132	(573)	(298)	(255)	(433)	-	-	3,570	4,065
	-	-	-	-	1	-	-	-	44	(1)
	1,295	1,132	(573)	(298)	(256)	(433)²	-	-	3,526	4,066
	200	731	45	57	24	(1)	-	-	485	1,427

Reconciliation of
BOP to net income
after income taxes

Table 13.2

in USD millions, for the nine months ended September 30

	General Insurance		Global Life	
	2010	2009	2010	2009
Business operating profit	1,961	2,508	1,098	1,157
Revenues/(expenses) not included in BOP:				
Net capital gains/(losses) on investments and impairments, net of policyholder allocation	130	(647)	33	(403)
Net gain/(loss) on divestments of businesses	5	(2)	49	–
Restructuring provisions and other	(120)	(95)	(83)	(78)
Add back:				
Business operating profit attributable to non-controlling interests	12	(6)	31	4
Net income before shareholders' taxes	1,988	1,759	1,128	680
Income tax expense/(benefit) attributable to policyholders	–	–	276	298
Net income before income taxes	1,988	1,759	1,405	977
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 1,027 million in order to ensure a fair reflection of sustainable operating profit and comparability (see note 1).

	Farmers		Other Operating Businesses		Non-Core Businesses		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	1,295	1,132	(573)	(298)	(256)	(433)	3,526	4,066
	1	(32)	148	(85)	(13)	(59)	299	(1,226)
	–	–	–	–	1	(3)	54	(4)
	(596)	(36)	42	85	(5)	1,109 ¹	(762)	985
	–	–	–	–	1	–	44	(1)
	700	1,064	(383)	(297)	(272)	613	3,161	3,819
	–	–	–	–	–	–	276	298
	700	1,064	(383)	(297)	(272)	613	3,437	4,117
							(991)	(1,179)
							2,446	2,938

Assets and liabilities by business segment

Table 13.3

in USD millions, as of

	General Insurance		Global Life	
	09/30/10	12/31/09	09/30/10	12/31/09
Assets				
Total Group Investments	86,588	85,384	102,977	101,027
Cash and cash equivalents	8,179	9,371	3,760	3,418
Equity securities	4,505	4,743	4,732	5,460
Debt securities	66,721	63,885	66,364	62,883
Real estate held for investment	3,056	3,004	4,610	4,408
Mortgage loans	1,449	1,483	8,698	9,021
Other loans	2,669	2,871	14,717	15,712
Equity method accounted investments	8	25	95	125
Investments for unit-linked contracts	–	–	90,939	87,430
Total investments	86,588	85,384	193,916	188,457
Reinsurers' share of reserves for insurance contracts	13,242	12,957	1,991	2,160
Deposits made under assumed reinsurance contracts	136	66	9	3
Deferred policy acquisition costs	3,438	3,374	12,265	12,276
Deferred origination costs	–	–	837	856
Goodwill	881	1,029	425	442
Other intangible assets	1,298	1,419	3,006	4,000
Other assets ¹	15,062	15,369	7,093	7,300
Total assets (after cons. of investments in subsidiaries)	120,645	119,597	219,541	215,494
Liabilities				
Liabilities for investment contracts	–	–	47,269	46,374
Reserves for insurance contracts	80,801	79,900	138,543	136,256
Reserves for losses and loss adjustment expenses	63,517	63,476	58	35
Reserves for unearned premiums	16,021	15,191	195	302
Future life policyholders' benefits	98	98	74,637	74,760
Policyholders' contract deposits and other funds	1,164	1,135	15,413	14,691
Reserves for unit-linked contracts	–	–	48,239	46,468
Debt related to capital markets	–	–	–	–
Senior debt	4,591	3,462	359	265
Subordinated debt	1,701	2,054	802	1,019
Other liabilities	14,832	14,942	18,080	17,615
Total liabilities	101,925	100,357	205,052	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		Other Operating Businesses		Non-Core Businesses		Eliminations		Total	
	09/30/10	12/31/09	09/30/10	12/31/09	09/30/10	12/31/09	09/30/10	12/31/09	09/30/10	12/31/09
	4,464	4,561	18,196	18,027	15,458	15,826	(28,381)	(29,167)	199,301	195,658
	1,200	734	6,369	6,188	3,532	3,748	(13,828)	(12,417)	9,213	11,041
	76	85	1,418	1,538	478	755	–	–	11,211	12,581
	1,450	1,302	4,006	2,959	7,612	6,718	(990)	(1,024)	145,163	136,723
	140	149	48	46	170	181	–	–	8,024	7,789
	–	–	–	–	1,897	2,264	–	(33)	12,044	12,736
	1,597	2,290	6,350	7,294	1,689	2,081	(13,563)	(15,693)	13,459	14,556
	–	–	5	3	80	79	–	–	188	232
	–	–	–	–	11,908	11,737	–	–	102,847	99,167
	4,464	4,561	18,196	18,027	27,366	27,563	(28,381)	(29,167)	302,148	294,825
	211	211	–	(95)	4,479	4,812	(1,043)	(1,293)	18,880	18,751
	2,770	3,158	–	–	554	664	(26)	(29)	3,443	3,861
	360	529	–	–	1	2	–	–	16,065	16,181
	–	–	–	–	–	–	–	–	837	856
	819	821	5	5	–	–	–	–	2,129	2,297
	1,458	1,397	233	219	3	9	–	–	5,998	7,044
	1,099	1,547	1,906	1,737	1,405	1,470	(2,215)	(2,037)	24,351	25,385
	11,182	12,224	20,339	19,893	33,808	34,521	(31,665)	(32,527)	373,850	369,202
	–	–	–	–	–	–	(247)	(250)	47,022	46,124
	3,459	3,946	55	365	22,940	22,903	(1,024)	(1,276)	244,774	242,094
	1,963	1,793	44	49	3,073	3,531	(758)	(799)	67,898	68,086
	1,496	2,153	2	5	26	33	(4)	(7)	17,736	17,676
	–	–	9	311	5,057	4,572	(264)	(470)	79,538	79,271
	–	–	–	–	2,878	3,030	1	1	19,457	18,857
	–	–	–	–	11,907	11,736	–	–	60,145	58,204
	–	–	617	553	1,623	1,769	(1,839)	(2,298)	400	25
	–	–	21,892	23,224	1,124	1,082	(21,844)	(21,756)	6,121	6,277
	–	–	5,101	5,206	149	155	(2,690)	(3,268)	5,063	5,167
	2,183	1,801	1,775	1,709	5,260	6,022	(4,020)	(3,679)	38,109	38,410
	5,642	5,747	29,439	31,058	31,096	31,932	(31,665)	(32,527)	341,490	338,098
									30,536	28,743
									475	561
									31,011	29,304
									1,350	1,800
									32,361	31,104
									373,850	369,202

General Insurance –
Customer segment
overview

Table 13.4

in USD millions, for the nine months ended September 30

	Global Corporate		North America Commercial	
	2010	2009	2010	2009
Gross written premiums and policy fees	5,917	5,999	7,408	7,553
Net earned premiums and policy fees	3,626	3,589	5,660	6,286
Insurance benefits and losses, net	2,654	2,773	3,755	4,360
Policyholder dividends and participation in profits, net	–	1	7	7
Total net technical expenses	745	701	1,707	1,740
Net underwriting result	227	114	191	180
Net investment income	419	455	828	864
Net capital gains/(losses) and impairments on investments	7	25	19	38
Net non-technical result (excl. items not included in BOP)	(62)	(82)	(188)	(165)
Business operating profit before non-controlling interests	591	512	850	917
Non-controlling interests	–	–	–	–
Business operating profit	591	512	850	917
Ratios, as % of net earned premiums and policy fees				
Loss ratio	73.2%	77.2%	66.3%	69.3%
Expense ratio	20.5%	19.6%	30.3%	27.8%
Combined ratio	93.7%	96.8%	96.6%	97.1%

	Europe General Insurance		International Markets		GI Global Functions including Group Reinsurance		Eliminations		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	10,378	11,214	2,229	1,992	397	361	(802)	(800)	25,528	26,321
	9,858	10,290	1,597	1,489	46	32	–	–	20,787	21,686
	7,103	7,506	1,120	916	131	(65)	–	–	14,762	15,489
	(3)	–	–	–	–	–	–	–	3	9
	2,526	2,538	577	532	14	8	(8)	(12)	5,562	5,508
	233	245	(100)	40	(100)	89	8	12	459	680
	727	829	121	111	48	45	2	(6)	2,144	2,297
	2	17	–	–	–	–	–	–	28	80
	(397)	(251)	16	(37)	(18)	(14)	(9)	(6)	(659)	(555)
	564	840	37	114	(70)	119	–	–	1,973	2,502
	(2)	(7)	14	1	–	–	–	–	12	(6)
	566	846	24	113	(70)	119	–	–	1,961	2,508
	72.1%	72.9%	70.1%	61.5%	nm	nm	n/a	n/a	71.0%	71.4%
	25.6%	24.7%	36.1%	35.8%	nm	nm	n/a	n/a	26.8%	25.4%
	97.6%	97.6%	106.2%	97.3%	nm	nm	n/a	n/a	97.8%	96.9%

General Insurance –
Revenues by region

Table 13.5

in USD millions, for the nine months ended September 30

	Gross written premiums and policy fees from external customers	
	2010	2009
Global Corporate		
North America	2,105	2,141
Europe	3,179	3,414
Rest of Global Corporate	401	264
Subtotal	5,685	5,819
Europe & Africa		
United Kingdom	2,112	2,319
Germany	2,192	2,394
Switzerland	2,049	1,977
Italy	1,388	1,506
Spain	906	994
Southern Africa	486	496
Rest of Europe & Africa	1,254	1,446
Subtotal	10,387	11,132
Americas		
United States	6,858	7,063
Rest of North America	402	326
Latin America	1,030	1,012
Subtotal	8,290	8,401
Asia-Pacific & Middle East		
Asia-Pacific Mature Markets	950	783
China & South East Asia	186	169
Subtotal	1,135	951
Central Region		
Europe	2	1
Subtotal	2	1
Total	25,500	26,304

General Insurance – Assets by region	Table 13.6 in USD millions, as of	Property / equipment and intangible assets	
		09/30/10	12/31/09
Europe & Africa			
United Kingdom	209	222	
Germany	229	253	
Switzerland	131	127	
Italy	65	75	
Spain	551	747	
Southern Africa	22	22	
Rest of Europe & Africa	1,349	1,437	
Subtotal	2,555	2,883	
Americas			
United States	220	216	
Rest of North America	7	6	
Latin America	175	164	
Subtotal	403	386	
Asia-Pacific & Middle East			
Asia-Pacific Mature Markets	107	93	
China & South East Asia	25	24	
Subtotal	133	117	
Total	3,090	3,385	

Table 13.7

in USD millions, for the nine months ended September 30

	Americas		United Kingdom		Germany	
	2010	2009	2010	2009	2010	2009
Revenues						
Life insurance deposits	279	466	2,997	2,557	1,861	1,463
Gross written premiums ¹	853	688	303	257	2,058	2,090
Policy fees	232	196	848	467	304	233
Net earned premiums and policy fees	867	693	1,009	595	2,289	2,245
Net investment income on Group investments	345	324	221	247	1,210	1,270
Net capital gains/(losses) and impairments on Group investments	3	7	296	104	95	(106)
Net investment result on Group investments	348	331	517	351	1,305	1,164
Net investment income on unit-linked investments	(16)	(10)	1,070	1,146	9	14
Net capital gains/(losses) and impairments on unit-linked investments	33	137	2,361	4,094	214	1,318
Net investment result on unit-linked investments	17	127	3,431	5,240	223	1,332
Other income	89	86	133	119	180	131
Total BOP revenues	1,321	1,237	5,090	6,304	3,997	4,872
Benefits, losses and expenses						
Insurance benefits and losses, net ¹	573	462	521	281	2,491	2,463
Policyholder dividends and participation in profits, net	21	121	3,401	5,130	619	1,501
Income tax expense/(benefit) attributable to policyholders	–	–	231	244	29	31
Underwriting and policy acquisition costs, net	138	(35)	346	136	230	239
Administrative and other operating expense (excl. depreciation/amortization)	187	164	311	296	208	251
Interest credited to policyholders and other interest	130	127	8	9	109	116
Restructuring provisions and other items not included in BOP	1	1	(32)	(46)	–	–
Total BOP benefits, losses and expenses	1,049	839	4,786	6,049	3,686	4,601
Business operating profit (before interest, depreciation and amortization)	271	398	304	256	310	271
Depreciation and impairments of property and equipment	1	1	7	7	8	9
Amortization and impairments of intangible assets	21	(14)	35	9	50	29
Interest expense on debt	2	2	4	9	–	–
Business operating profit before non-controlling interests	247	409	259	231	252	233
Non-controlling interests	4	3	–	–	6	7
Business operating profit	242	406	259	231	246	227
Supplementary information						
Gross written premiums and policy fees from external customers	1,086	884	1,146	719	2,322	2,282
Property, equipment and intangible assets ²	270	297	408	446	893	1,020

¹ The Global Life segment includes approximately USD 875 million and USD 1,957 million of gross written premiums and future life policyholders' benefits for certain universal life-type contracts in our Spanish operations for the nine months ended September 30, 2010 and 2009, respectively (see note 3 of the Group's Financial Report 2009).

² As of September 30, 2010 and December 31, 2009, respectively.

	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
	28	34	1,734	1,036	1,475	1,704	913	907	1,044	491	-	-	10,331	8,656
	1,155	1,208	316	175	1,427	2,538	186	164	596	517	(39)	(23)	6,856	7,615
	(4)	(6)	101	95	19	40	88	12	119	99	-	-	1,707	1,135
	1,147	1,197	345	199	1,409	2,558	249	148	657	596	-	-	7,971	8,232
	460	447	67	66	303	359	31	32	269	269	-	-	2,906	3,013
	12	15	22	(50)	(1)	3	10	28	(22)	(7)	-	-	416	(6)
	472	462	89	16	302	362	41	60	248	262	-	-	3,322	3,007
	7	1	150	135	75	46	9	3	69	56	-	-	1,374	1,391
	(3)	44	217	772	(6)	215	600	824	75	446	-	-	3,491	7,849
	4	45	367	907	69	261	609	827	143	502	-	-	4,865	9,240
	41	35	-	2	34	29	41	47	141	100	(3)	(1)	657	547
	1,665	1,739	802	1,122	1,815	3,210	940	1,083	1,188	1,460	(3)	(1)	16,815	21,026
	1,134	1,111	207	33	1,475	2,654	92	79	441	438	-	-	6,933	7,521
	113	178	406	912	71	269	596	823	255	576	-	-	5,482	9,510
	-	-	13	15	-	-	-	-	3	8	-	-	276	298
	112	110	68	73	19	53	120	6	106	96	-	-	1,139	678
	127	151	38	53	84	55	51	88	311	221	(2)	(1)	1,315	1,279
	10	13	30	-	2	9	21	21	7	9	-	-	316	304
	(8)	2	(3)	-	(30)	(38)	(5)	10	(5)	(7)	-	-	(83)	(78)
	1,488	1,565	758	1,087	1,621	3,003	875	1,029	1,118	1,342	(3)	(1)	15,379	19,512
	177	174	44	36	194	207	65	54	70	119	-	-	1,436	1,514
	2	3	1	1	-	-	3	3	1	1	-	-	23	25
	-	-	1	1	106	163	2	3	17	67	-	-	232	257
	2	2	-	-	40	52	-	-	5	7	-	-	52	71
	173	169	43	34	48	(8)	60	48	48	44	-	-	1,129	1,161
	-	-	-	-	21	(6)	-	-	-	-	-	-	31	4
	173	169	43	34	27	(2)	60	48	48	44	-	-	1,098	1,157
	1,151	1,202	417	270	1,447	2,578	232	148	704	608	-	-	8,504	8,691
	150	198	5	5	2,046	2,859	8	11	130	163	-	-	3,910	4,998

Farmers –
Overview

Table 13.8

in USD millions, for the nine months ended September 30

	2010	Total 2009
Farmers Management Services		
Management fees and other related revenues	2,096	1,973
Management and other related expenses	1,072	1,023
Gross management result	1,024	950
Other net income (excl. items not included in BOP)	24	41
Business operating profit before non-controlling interest	1,048	992
Business operating profit	1,048	992
Farmers Re		
Gross written premiums and policy fees	3,722	4,964
Net earned premiums and policy fees	4,379	3,993
Insurance benefits and losses, net	(2,916)	(2,759)
Total net technical expenses	(1,362)	(1,212)
Net underwriting result	101	23
Net non-technical result (excl. items not relevant for BOP)	65	48
Net investment result income	81	70
Business operating profit before non-controlling interests	248	141
Business operating profit	248	141
Farmers business operating profit	1,295	1,132
Ratios, as % of net earned premiums and policy fees		
Farmers Re Combined ratio	97.7%	99.4%
Supplementary information		
Property, equipment and intangible assets ¹	2,491	2,541

¹ As of September 30, 2010 and December 31, 2009, respectively.

Other Operating
Businesses –
Overview

Table 13.9

in USD millions, for the nine months ended September 30

	Alternative Investments	
	2010	2009
Gross written premiums and policy fees	–	–
Net earned premiums and policy fees	–	–
Net investment income	6	6
Net capital gains/(losses) and impairments on investments	–	–
Other income	9	7
Total BOP revenues	15	14
Insurance benefits and losses, incl. PH dividends, net	–	–
Administrative and other operating expense (excl. depreciation/amortization)	18	18
Other expenses (excl. items not included in BOP)	–	–
Depreciation, amortization and impairments of property, equipment and intangible assets	–	–
Interest expense on debt	18	18
Business operating profit before non-controlling interests	(20)	(23)
Business operating profit	(20)	(23)

	Holding & Financing		Headquarters		Eliminations		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	97	103	3	3	–	–	100	105
	57	62	6	6	–	–	63	68
	369	327	23	3	(3)	(6)	395	331
	–	(60)	–	–	–	–	–	(60)
	35	125	599	800	(100)	(53)	543	880
	461	454	629	810	(104)	(60)	1,001	1,218
	56	1	1	4	–	–	57	5
	68	(125)	651	777	(100)	(54)	637	617
	43	86	–	–	–	–	43	86
	–	–	56	48	–	–	57	48
	767	747	1	–	(4)	(6)	781	760
	(473)	(255)	(80)	(20)	–	–	(573)	(298)
	(473)	(255)	(80)	(20)	–	–	(573)	(298)

Non-Core
Businesses –
Overview

Table 13.10

in USD millions, for the nine months ended September 30

	Total	
	2010	2009
Gross written premiums and policy fees	383	509
Net earned premiums and policy fees	365	491
Insurance benefits and losses, net	993	(51)
Policyholder dividends and participation in profits, net	441	711
Total net technical expenses	42	19
Net underwriting result	(1,111)	(188)
Net investment income	156	249
Net capital gains/(losses) and impairments on investments	869	772
Net non-technical result (excl. items not included in BOP)	(169)	(1,266)
Business operating profit before non-controlling interests	(255)	(433)
Non-controlling interests	1	–
Business operating profit	(256)	(433)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 1,027 million in order to ensure a fair reflection of sustainable operating profit and comparability (see note 1 to the unaudited Consolidated financial statements).

14. Events after the balance sheet date

On October 27, 2010 the Group announced that it has signed an agreement to participate in a private share subscription and capital increase program in respect of New China Life Insurance Co., Ltd. (NCI). As part of this program, the Group will purchase up to 280 million new NCI shares at a fixed price of RMB 10 per share, or a total of up to USD 420 million. The transaction seeks to maintain the Group's current 20 percent ownership stake in NCI.

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