

Consolidated financial statements (unaudited) 2011

Zurich Financial Services Group
Results for the nine months to September 30, 2011

Consolidated financial statements (unaudited)

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Consolidated income statements (unaudited)

in USD millions	Notes	Restated		Restated	
		2011	2010	2011	2010
		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		11,002	11,051	36,391	36,232
Policy fees		584	670	1,876	1,875
Gross written premiums and policy fees		11,587	11,721	38,267	38,108
Less premiums ceded to reinsurers		(1,493)	(1,339)	(5,436)	(4,423)
Net written premiums and policy fees		10,094	10,382	32,830	33,685
Net change in reserves for unearned premiums		553	585	(1,039)	(114)
Net earned premiums and policy fees		10,647	10,968	31,791	33,571
Farmers management fees and other related revenues		696	697	2,071	2,096
Net investment result on Group investments	3	3,399	2,309	7,616	6,288
Net investment income on Group investments		1,799	1,747	5,454	5,307
Net capital gains/(losses) and impairments on Group investments		1,601	563	2,162	981
Net investment result on unit-linked investments	3	(8,210)	4,900	(7,406)	5,264
Net gain/(loss) on divestments of businesses		7	53	17	54
Other income		369	382	1,082	1,023
Total revenues		6,909	19,309	35,171	48,297
Benefits, losses and expenses					
Insurance benefits and losses, gross of reinsurance	6	9,919	8,959	28,723	28,663
Less ceded insurance benefits and losses	6	(1,214)	(738)	(4,041)	(3,002)
Insurance benefits and losses, net of reinsurance	6	8,705	8,221	24,681	25,661
Policyholder dividends and participation in profits, net of reinsurance	6	(7,851)	5,080	(6,477)	5,925
Underwriting and policy acquisition costs, net of reinsurance		2,336	2,075	6,338	6,547
Administrative and other operating expense		2,184	2,414	6,003	5,906
Interest expense on debt	11	154	132	441	414
Interest credited to policyholders and other interest		126	126	370	394
Total benefits, losses and expenses		5,653	18,047	31,356	44,848
Net income before income taxes		1,256	1,262	3,816	3,448
Income tax expense	10	(4)	(489)	(561)	(996)
attributable to policyholders	10	345	(280)	374	(276)
attributable to shareholders	10	(349)	(210)	(935)	(720)
Net income after taxes		1,252	773	3,254	2,452
attributable to non-controlling interests		13	17	45	53
attributable to shareholders		1,239	756	3,210	2,399
in USD					
Basic earnings per share	12	8.49	5.20	22.00	16.51
Diluted earnings per share	12	8.43	5.15	21.83	16.38
in CHF					
Basic earnings per share	12	7.41	5.53	19.22	17.58
Diluted earnings per share	12	7.36	5.48	19.07	17.43

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

Consolidated financial statements *continued*

Consolidated statements of comprehensive income (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
2010		
Comprehensive income for the period, as restated	2,399	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
2011		
Comprehensive income for the period	3,210	266
Details of movements during the period		
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		961
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		(606)
Deferred income tax (before foreign currency translation effects)		(108)
Foreign currency translation effects		20

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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
	115	(490)	28	(907)	1,476	3,875	(22)	3,853
	21	(489)	41	(1,199)	2,140			
	104	(1)	–	–	(173)			
	(16)	–	(13)	322	(514)			
	6	–	–	(30)	22			
	29	(1,218)	37	(152)	(1,038)	2,172	36	2,209
	76	(1,243)	47	(182)	(341)			
	(7)	25	–	–	(588)			
	(39)	–	(10)	40	(117)			
	(1)	–	–	(10)	9			

Consolidated financial statements *continued*

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
2010		
Comprehensive income for the period, as restated	756	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
2011		
Comprehensive income for the period	1,239	542
Details of movements during the period		
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		814
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		(83)
Deferred income tax (before foreign currency translation effects)		(127)
Foreign currency translation effects		(62)

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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
	46	871	–	(318)	1,783	2,539	203	2,744
	(400)	871	–	(279)	1,940			
	448	–	–	–	145			
	(8)	–	–	62	(309)			
	6	–	–	(101)	6			
	34	(832)	3	(220)	(472)	767	(92)	675
	(69)	(858)	4	(379)	(487)			
	168	26	–	–	111			
	(42)	–	(1)	101	(69)			
	(24)	–	–	59	(27)			

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

Consolidated financial statements *continued*

Consolidated balance sheets (unaudited)

Assets	in USD millions, as of	Notes	09/30/11	Restated 12/31/10	Restated 01/01/10
Investments					
Total Group investments			198,229	195,898	195,658
Cash and cash equivalents			8,954	8,182	10,318
Equity securities			11,095	13,729	12,581
Debt securities			144,954	140,254	136,723
Real estate held for investment			8,742	8,274	7,789
Mortgage loans			11,593	11,851	12,736
Other loans			12,702	13,419	15,279
Investments in associates and joint ventures			189	188	232
Investments for unit-linked contracts			100,277	107,947	99,167
Total investments		3	298,506	303,845	294,825
Reinsurers' share of reserves for insurance contracts		4	19,780	18,816	18,751
Deposits made under assumed reinsurance contracts			2,384	2,837	3,870
Deferred policy acquisition costs		7	16,783	16,281	16,146
Deferred origination costs		7	847	866	856
Accrued investment income			2,355	2,749	2,744
Receivables			14,527	13,935	13,782
Other assets			5,006	3,736	3,318
Mortgage loans given as collateral			241	743	1,102
Deferred tax assets			1,846	2,067	2,421
Assets held for sale ¹			–	–	67
Property and equipment			1,559	1,689	1,942
Goodwill		8	2,086	2,104	2,297
Other intangible assets		8	5,850	5,954	7,044
Total assets			371,769	375,623	369,168

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	09/30/11	Restated 12/31/10	Restated 01/01/10
Liabilities					
	Reserve for premium refunds		516	518	649
	Liabilities for investment contracts	5	47,830	50,667	46,124
	Deposits received under ceded reinsurance contracts		1,615	1,362	1,558
	Deferred front-end fees		5,726	5,626	5,543
	Reserves for insurance contracts	4	242,967	242,719	242,172
	Obligations to repurchase securities		2,084	3,330	3,976
	Accrued liabilities		2,873	3,011	2,839
	Other liabilities		19,076	18,396	18,299
	Collateralized loans		241	743	1,102
	Deferred tax liabilities		4,123	4,554	4,412
	Senior and subordinated debt	11	11,450	11,457	11,469
	Total liabilities		338,501	342,382	338,142
Equity					
	Share capital		10	10	10
	Additional paid-in capital		9,861	11,630	11,400
	Net unrealized gains/(losses) on available-for-sale investments		2,735	2,468	387
	Cash flow hedges		85	56	(9)
	Cumulative foreign currency translation adjustment		(2,338)	(1,120)	(396)
	Revaluation reserve		163	126	98
	Retained earnings		21,358	18,259	17,174
	Common shareholders' equity		31,874	31,429	28,665
	Preferred securities		–	475	561
	Shareholders' equity		31,874	31,905	29,226
	Non-controlling interests		1,394	1,336	1,799
	Total equity		33,267	33,241	31,025
	Total liabilities and equity		371,769	375,623	369,168

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

Consolidated financial statements *continued*

Consolidated statements of cash flows (unaudited)

in USD millions, for the nine months ended September 30	2011	Restated 2010
Cash flows from operating activities		
Net income attributable to shareholders	3,210	2,399
Adjustments for:		
Net (gain)/loss on divestments of businesses	(17)	(54)
Income from equity method accounted investments	(9)	(13)
Depreciation, amortization and impairments of fixed and intangible assets	716	749
Other non-cash items	551	369
Underwriting activities:	(5,327)	8,520
<i>Reserves for insurance contracts, gross</i>	(1,150)	5,572
<i>Reinsurers' share of reserves for insurance contracts</i>	(975)	(171)
<i>Liabilities for investment contracts</i>	(3,401)	3,377
<i>Deferred policy acquisition costs</i>	(526)	(510)
<i>Deferred origination costs</i>	22	(5)
<i>Deposits made under assumed reinsurance contracts</i>	460	426
<i>Deposits received under ceded reinsurance contracts</i>	244	(168)
Investments:	7,526	(10,379)
<i>Net capital (gains)/losses on total investments and impairments</i>	6,588	(5,104)
<i>Net change in trading securities and derivatives</i>	(174)	154
<i>Net change in money market investments</i>	1,473	156
<i>Sales and maturities</i>		
<i>Debt securities</i>	84,548	73,781
<i>Equity securities</i>	39,174	40,396
<i>Other</i>	68,250	37,284
<i>Purchases</i>		
<i>Debt securities</i>	(84,063)	(79,840)
<i>Equity securities</i>	(40,155)	(39,282)
<i>Other</i>	(68,115)	(37,925)
Proceeds from sale and repurchase agreements	(1,294)	(569)
Movements in receivables and payables	(184)	166
Net changes in other operational assets and liabilities	(360)	499
Deferred income tax, net	(378)	(305)
Net cash provided by/(used in) operating activities	4,434	1,382

in USD millions, for the nine months ended September 30	2011	Restated 2010
Cash flows from investing activities		
Sales of property and equipment	60	83
Purchases of property and equipment	(171)	(138)
Disposal of equity method accounted investments, net	5	3
Acquisitions of companies, net of cash acquired	(110)	–
Divestments of companies, net of cash balances	11	(26)
Dividends from equity method accounted investments	1	–
Net cash used in investing activities	(202)	(78)
Cash flows from financing activities		
Dividends paid	(2,863)	(2,215)
Issuance of share capital	78	74
Net movement in treasury shares and preferred securities	20	(69)
Redemption of preferred securities and repayments to non-controlling interests	(476)	–
Issuance of debt	1,417	508
Repayments of debt outstanding	(1,545)	(200)
Net cash provided by/(used in) financing activities	(3,368)	(1,903)
Foreign currency translation effects on cash and cash equivalents	232	(426)
Change in cash and cash equivalents excluding change in cash held as collateral for securities lending	1,095	(1,025)
Cash and cash equivalents as of January 1, excluding cash held as collateral for securities lending	9,726	10,749
Cash and cash equivalents as of September 30, excluding cash held as collateral for securities lending	10,821	9,724
Change in cash held as collateral for securities lending	–	(302)
Cash and cash equivalents as of January 1, including cash held as collateral for securities lending	9,726	11,241
Cash and cash equivalents as of September 30, including cash held as collateral for securities lending	10,821	9,914
of which:		
– cash and cash equivalents – Group investments	8,954	8,637
– cash and cash equivalents – unit linked	1,868	1,277
Other supplementary cash flow disclosures		
Other interest income received	5,832	5,366
Dividend income received	1,367	1,165
Other interest expense paid	(794)	(807)
Income tax received (paid)	(920)	(868)

As of September 30, 2011 and 2010, cash and cash equivalents held to meet local regulatory requirements were USD 1,147 million and USD 903 million, respectively.

Cash and cash equivalents

in USD millions, as of September 30	2011	Restated 2010
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	6,940	5,842
Cash equivalents	3,882	3,881
Cash held as collateral for securities lending	–	190
Total	10,821	9,914

Consolidated financial statements *continued*

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, 2009, as previously reported	10	11,400	387
Total adjustments due to restatement	–	–	–
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 ⁴	–	(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 of non-controlling interests	–	–	–
Balance as of September 30, 2010	10	11,531	3,117
Balance as of December 31, 2010, as previously reported	10	11,630	2,468
Total adjustments due to restatement	–	–	–
Balance as of December 31, 2010, as restated	10	11,630	2,468
Issuance of share capital ¹	–	207	–
Dividends to shareholders ²	–	(1,912)	–
Redemption of preferred securities ³	–	(15)	–
Share-based payment transactions	–	(38)	–
Treasury share transactions ⁴	–	(11)	–
Total comprehensive income for the period, net of tax	–	–	266
<i>Net income</i>	–	–	–
<i>Net unrealized gains/(losses) on available-for-sale investments</i>	–	–	266
<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 of non-controlling interests	–	–	–
Balance as of September 30, 2011	10	9,861	2,735

¹ The number of common shares issued as of September 30, 2011 was 147,365,078 (September 30, 2010: 146,487,089, December 31, 2010: 146,586,896, December 31, 2009: 147,473,068).

² As approved by the Annual General Meeting on March 31, 2011, the dividend of CHF 17 per share was paid out of the capital contribution reserve. The difference of USD 795 million between the dividend at transaction day exchange rates amounting to USD 2,706 million and the dividend at historical exchange rates amounting to USD 1,912 million is reflected in the cumulative foreign currency translation adjustment.

³ Zurich RegCaPS Funding Trusts II, V & VI redeemed USD 575 million of Trust Capital Securities II, V & VI on March 30, 2011 (Series II), on April 4, 2011 (Series V) and on April 25, 2011 (Series VI) respectively.

⁴ The number of treasury shares deducted from equity as of September 30, 2011 amounted to 1,378,841 (September 30, 2010: 1,406,444, December 31, 2010: 1,399,080, December 31, 2009: 3,269,338).

	Cash flow hedges	Cumulative foreign currency translation adjustment	Revaluation reserve	Retained earnings	Common shareholders' equity	Preferred securities	Shareholders' equity	Non-controlling interests	Total equity
	(9)	(396)	98	17,253	28,743	561	29,304	1,800	31,104
	-	-	-	(79)	(79)	-	(79)	(1)	(79)
	(9)	(396)	98	17,174	28,665	561	29,226	1,799	31,025
	-	-	-	-	193	-	193	-	193
	-	-	-	(2,202)	(2,202)	(9)	(2,210)	(6)	(2,228)
	-	-	-	-	(59)	-	(59)	-	(59)
	-	-	-	20	17	(86)	(69)	-	(69)
	-	-	-	(14)	(14)	-	(14)	-	(14)
	115	(490)	28	1,483	3,866	9	3,875	(22)	3,853
	-	-	-	2,390	2,390	9	2,399		
	-	-	-	-	2,730	-	2,730		
	115	-	-	-	115	-	115		
	-	(490)	-	-	(490)	-	(490)		
	-	-	28	-	28	-	28		
	-	-	-	(907)	(907)	-	(907)		
	-	-	-	-	-	-	-	(423)	(423)
	106	(886)	126	16,462	30,467	475	30,942	1,349	32,291
	56	(1,125)	126	18,344	31,509	475	31,984	1,337	33,321
	-	5	-	(85)	(79)	-	(79)	(1)	(80)
	56	(1,120)	126	18,259	31,429	475	31,905	1,336	33,241
	-	-	-	-	207	-	207	-	207
	-	-	-	-	(1,912)	(4)	(1,916)	(21)	(1,937)
	-	-	-	-	(15)	(462)	(476)	-	(476)
	-	-	-	-	(38)	-	(38)	-	(38)
	-	-	-	45	34	(14)	20	-	20
	29	(1,218)	37	3,054	2,168	4	2,172	36	2,209
	-	-	-	3,206	3,206	4	3,210		
	-	-	-	-	266	-	266		
	29	-	-	-	29	-	29		
	-	(1,218)	-	-	(1,218)	-	(1,218)		
	-	-	37	-	37	-	37		
	-	-	-	(152)	(152)	-	(152)		
	-	-	-	-	-	-	-	42	42
	85	(2,338)	163	21,358	31,874	-	31,874	1,394	33,267

Consolidated financial statements *continued*

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, 2011 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 Annual Report 2010 of the Group.

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. In the unaudited Consolidated financial statements inter-segment revenues and transfers are eliminated.

The unaudited Consolidated financial statements should be read in conjunction with the Group's Annual Report 2010.

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.

In the Group's General Insurance business in Germany, prior year results were misstated for a period of time due to some errors in adjustments between local GAAP and IFRS. This resulted in an incorrect reserves for losses, unearned premium reserves and deferred acquisition costs for some specific products. The errors identified by management, have resulted in a restatement of equity of USD 80 million and USD 79 million as of December 31, 2010 and January 1, 2010 respectively. For the nine months ended September 30, 2010 the impact on net income after taxes was a gain of USD 6 million and on business operating profit a gain of USD 11 million. The impact on various line items as of December 31, 2010 in the consolidated balance sheet and September 30, 2010 in the consolidated income statement are set out in the restatement and reclassification tables. Consolidated income statements, consolidated balance sheets, consolidated statements of cash flows, consolidated statements of changes in equity and notes 4, 6, 7, 10, 12 and 15 have been restated accordingly.

In addition, there were further restatements on the balance sheet and reclassifications as previously disclosed in the half year report 2011:

- Certain balances erroneously reported as cash and cash equivalents amounting to USD 376 million and USD 723 million as of December 31, 2010, and January 1, 2010, respectively, are now presented as other loans. In addition, certain balances erroneously reported as unit-linked cash and cash equivalents amounting to USD 5,619 million and USD 4,917 million as of December 31, 2010, and January 1, 2010, respectively, are now presented under unit-linked other loans. These changes, as well as a change in presentation of certain debt during 2011 result in a decrease of net cash provided by operating activities of USD 1,000 million, a decrease in net cash used in financing activities of USD 416 million, an increase of foreign currency translation effects of USD 1 million and a decrease of cash and cash equivalents by USD 6,223 million as presented in the consolidated statements of cash flow as of September 30, 2010. These changes in presentation are reflected in the consolidated balance sheets, consolidated income statements, consolidated statements of cash flows and note 3.
- Premium taxes erroneously reported under administrative and other operating expense amounting to USD 117 million for the nine months ended September 30, 2010, are now presented under underwriting and policy acquisition costs.

- 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 "other liabilities" to "future life policyholders' benefits" and "liabilities for investment contracts" as well as from "future life policyholders' benefits" to "liabilities for investment contracts", from "liabilities for investment contracts" to "reserves for unit-linked contracts" and from "reserves for unit-linked contracts" to "liabilities for investment contracts" are set out in notes 4 and 5.

All amounts in the unaudited Consolidated financial statements are shown in USD million, 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 1.1 summarizes the principal exchange rates that have been used for translation purposes. Net gains on foreign currency transactions included in the consolidated income statements were USD 81 million and USD 137 million for the nine months ended September 30, 2011 and 2010, respectively. Foreign currency exchange forward and swap gains and (losses) included in these amounts were USD 81 million and USD (5) million for the nine months ended September 30, 2011 and 2010, respectively.

Table 1.1

Principal exchange rates

USD per foreign currency unit	Balance sheets		Income statements and cash flows	
	09/30/2011	12/31/2010	09/30/2011	09/30/2010
	Euro	1.3454	1.3391	1.4076
Swiss franc	1.1053	1.0707	1.1446	0.9396
British pound	1.5631	1.5596	1.6146	1.5342

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, 2011, with no material impact on the Group's financial position or performance:

- Amendments to IAS 24 "Related Party Disclosures"
- Amendments to IAS 32 "Financial Instruments: Presentation" – Classification of Rights Issues
- Several minor amendments as part of the IASB's annual improvement project including amendments regarding IFRS 3 "Business Combinations", IFRS 7 "Financial Instruments Disclosures", IAS 27 "Consolidated and Separate financial statements", IAS 34 "Interim Financial Reporting" and IFRIC 13 "Customer Loyalty Programmes"
- IFRIC 14 "IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

The Group has not early-adopted the following standard:

- IFRS 9 "Financial Instruments" required to be effective for reporting periods beginning on or after January 1, 2013

Significant transactions and events

Transfer of UK run-off business

During the second quarter 2011, one of the Group's non-core operations in the UK, Zurich Specialties London Limited, entered into a reinsurance agreement to transfer the risk associated with a run-off portfolio as of April 1, 2011. This agreement is a first step in a transaction by which, subject to local regulatory and court approvals, the policies will be transferred to the reinsurer, who will then directly assume the rights and obligations under the policies. As of the date of the transaction, both, premiums ceded to reinsurers and ceded insurance benefits and losses increased by USD 0.7 billion. This transaction forms an integral part of the Group's strategy to divest most of its non-core business and focus on enhancing its proposition in its chosen target markets.

Consolidated financial statements *continued*

Table 1.2					
in USD millions, for the nine months ended September 30, 2010					
	As reported	Reclassifications	Restatement	As restated	
Restatement and reclassifications of consolidated income statement	Revenues				
	Gross written premiums	36,232	–	–	36,232
	Policy fees	1,875	–	–	1,875
	Gross written premiums and policy fees	38,108	–	–	38,108
	Less premiums ceded to reinsurers	(4,423)	–	–	(4,423)
	Net written premiums and policy fees	33,685	–	–	33,685
	Net change in reserves for unearned premiums	(122)	–	8	(114)
	Net earned premiums and policy fees	33,563	–	8	33,571
	Farmers management fees and other related revenues	2,096	–	–	2,096
	Net investment result on Group investments	6,288	–	–	6,288
	Net investment income on Group investments	5,307	–	–	5,307
	Net capital gains/(losses) and impairments on Group investments	981	–	–	981
	Net investment result on unit-linked investments	5,264	–	–	5,264
	Net gain/(loss) on divestments of businesses	54	–	–	54
	Other income	1,023	–	–	1,023
	Total revenues	48,289	–	8	48,297
	Benefits, losses and expenses				
	Insurance benefits and losses, gross of reinsurance	28,663	–	–	28,663
	Less ceded insurance benefits and losses	(3,002)	–	–	(3,002)
	Insurance benefits and losses, net of reinsurance	25,661	–	–	25,661
	Policyholder dividends and participation in profits, net of reinsurance	5,925	–	–	5,925
	Underwriting and policy acquisition costs, net of reinsurance	6,433	117	(3)	6,547
	Administrative and other operating expense	6,023	(117)	–	5,906
	Interest expense on debt	414	–	–	414
	Interest credited to policyholders and other interest	394	–	–	394
	Total benefits, losses and expenses	44,852	–	(3)	44,848
	Net income before income taxes	3,437	–	11	3,448
	Income tax expense	(991)	–	(5)	(996)
	attributable to policyholders	(276)	–	–	(276)
	attributable to shareholders	(715)	–	(5)	(720)
	Net income after taxes	2,446	–	6	2,452
	attributable to non-controlling interests	53	–	–	53
attributable to shareholders	2,393	–	6	2,399	
in USD					
Basic earnings per share	16.48			16.51	
Diluted earnings per share	16.34			16.38	
in CHF					
Basic earnings per share	17.53			17.58	
Diluted earnings per share	17.39			17.43	

Reclassification on consolidated balance sheet

Table 1.3			
in USD millions, as of December 31, 2010			
	As reported	Restatement	As revised
Investments			
Total Group investments	195,898	–	195,898
Cash and cash equivalents	8,182	–	8,182
Equity securities	13,729	–	13,729
Debt securities	140,254	–	140,254
Real estate held for investment	8,274	–	8,274
Mortgage loans	11,851	–	11,851
Other loans	13,419	–	13,419
Investments in associates	188	–	188
Investments for unit-linked contracts	107,947	–	107,947
Total investments	303,845	–	303,845
Reinsurers' share of reserves for insurance contracts	18,809	7	18,816
Deposits made under assumed reinsurance contracts	2,837	–	2,837
Deferred policy acquisition costs	16,326	(45)	16,281
Deferred origination costs	866	–	866
Accrued investment income	2,749	–	2,749
Receivables	13,935	–	13,935
Other assets	3,736	–	3,736
Mortgage loans given as collateral	743	–	743
Deferred tax assets	2,067	–	2,067
Property and equipment	1,689	–	1,689
Goodwill	2,104	–	2,104
Other intangible assets	5,954	–	5,954
Total assets	375,661	(38)	375,623
Liabilities			
Reserve for premium refunds	518	–	518
Liabilities for investment contracts	50,667	–	50,667
Deposits received under ceded reinsurance contracts	1,362	–	1,362
Deferred front-end fees	5,626	–	5,626
Reserves for insurance contracts	242,646	72	242,719
Obligations to repurchase securities	3,330	–	3,330
Accrued liabilities	3,011	–	3,011
Other liabilities	18,396	–	18,396
Collateralized loans	743	–	743
Deferred tax liabilities	4,585	(31)	4,554
Senior and subordinated debt	11,457	–	11,457
Total liabilities	342,340	42	342,382
Equity			
Shareholders' equity	31,984	(79)	31,905
Non-controlling interests	1,337	(1)	1,336
Total equity	33,321	(80)	33,241
Total liabilities and equity	375,661	(38)	375,623

Consolidated financial statements *continued*

2. Acquisitions and divestments

Transactions in 2011

Recent developments

In line with the ongoing restructuring of the banking industry in Spain a number of banks and savings institutions are engaged in different forms of cooperation or merger. In 2008, the Group acquired a 50.0 percent interest in the general insurance company Can Soluciones Integrales S.A. from, and entered into distribution agreements with, Caja de Ahorros y Monte de Piedad de Navarra (Caja Navarra) based in Spain. On June 21, 2011, Caja Navarra merged all its assets and liabilities into Banca Civica. The Group is continuing to review and assess, as details emerge, the effects of this merger and of related industry developments on the determination of its control over this investment and its distribution agreement.

Acquisitions

On October 5, 2011 the Group completed the acquisition of a 51.0 percent participation in the life insurance, pension and general insurance operations of Santander in Brazil and Argentina. Between November 2 and November 4 2011 the Group also completed the acquisition of a 51.0 percent participation in the life insurance, pension and general insurance operations of Santander in Chile, Mexico and Uruguay. The total initial consideration amounted to approximately USD 1.2 billion, subject to final purchase price and other adjustments. In addition, an earn-out component based on future performance under the distribution agreement and a protection mechanism component has been agreed. As part of the transaction, the Group entered into long-term strategic distribution arrangements with Santander in Latin America. This transaction is in line with the Group's emerging-market strategy in both Global Life and General Insurance and significantly expands the Group's presence in Latin America.

On September 30, 2011, the Group completed the acquisition of 100 percent of Malaysian Assurance Alliance Bhd (MAA), a composite insurer based in Malaysia, together with 100 percent of four related services companies. The acquisition of MAA is aligned with the Group's emerging-market strategy of expanding the Group's presence in the Asia-Pacific region. The total purchase price amounted to approximately USD 110 million subject to purchase price adjustment, of which approximately USD 22 million will be held-back in escrow for up to two years subject to claims. In addition, the Group is required to inject approximately USD 172 million of capital into MAA within three months of completion of the transaction. As of September 30, 2011, the purchase price paid was recorded as an unconsolidated investment in other assets.

On July 12, 2011, as part of its preparations for local regulatory changes, the Group completed the acquisition of 75.0 percent of 2Plan Group Limited, an independent financial advice firm based in the UK. The total purchase price for the acquisition amounted to zero. The remaining 25.0 percent shareholding continues to be held by members of the founder management team who have options to sell their remaining shareholding to the Group at a price contingent upon the achievement of certain levels of future profits.

Divestments

On June 30, 2011, the Group sold all of its shares in Lonsec Limited, including three wholly owned subsidiaries, a research and broking company based in Australia, in an effort to focus on its core business lines, recording a pre-tax gain on disposal in aggregate of USD 10 million. On July 1, 2011, the Group entered into a business outsourcing agreement for one of its operations for which a pre-tax gain of USD 7 million was realized. Total cash and net assets divested in 2011 were USD 8 million and USD 6 million, respectively. The total consideration received in 2011, net of immaterial transaction costs, amounted to USD 17 million, subject to purchase price adjustments.

Transactions in 2010

Acquisitions

On November 1, 2010 the Group completed the acquisition of 80.0 percent of PT Zurich Topas Life (formerly PT Mayapada Life), a life insurer based in Indonesia focused on the distribution of group and individual life and health plans. Mayapada Group will continue to hold 20.0 percent of PT Zurich Topas Life. Through this transaction, the Group established its presence in the Indonesian life insurance market. Total acquisition costs amounted to less than USD 1 million. PT Zurich Topas Life has been included in the Group's Consolidated financial statements as of January 1, 2011.

On December 1, 2010 the Group completed the acquisition of 99.99 percent of Compagnie Libanaise d'Assurances SAL, a composite insurer based in Lebanon with branch operations in the United Arab Emirates, Kuwait and Oman. With this transaction the Group accelerated the expansion of its operations in the Middle East. Following a preliminary purchase price adjustment the total purchase price reduced to USD 33 million. Based on immaterial net assets acquired

the residual goodwill amounted to USD 33 million and represents expected growth opportunities in the region.

Divestments and loss of control

On February 15, 2010, Royal Bafokeng Finance (Pty) Limited (RBF), an investment company based in South Africa and wholly owned by Royal Bafokeng Holdings (Pty) Limited, based in South Africa and responsible for the management and development of the commercial assets of the Royal Bafokeng Nation, increased its shareholding in Zurich Insurance Company South Africa Limited (ZICSA), of which the Group owned 73.61 percent, by 15.1 percent from 10.0 percent to 25.1 percent for a consideration of USD 32 million in cash with option rights to increase its shareholding up to 51.0 percent or sell the entire stake back to the Group. To appropriately reflect the nature of the put and call options on the shares of ZICSA, the Group has reclassified the 25.1 percent non-controlling interest of RBF as a liability measured at fair value in the Consolidated financial statements. Following this transaction and the acquisition of 0.44 percent of ZICSA shares, the Group owned 58.95 percent of ZICSA shares as of December 31, 2010.

The Group lost control from an accounting perspective in CaixaSabadell Vida, S.A. de Seguros y Reaseguros and CaixaSabadell Compagnia d'Assegurances Generals, S.A. as of September 30, 2010, following the merger of the bank distribution partner Caixa d'Estalvis de Sabadell (Caixa Sabadell) together with two other Spanish savings banks to form Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa (Unnim) on July 1, 2010. Subsequently, on November 16, 2010 the Group entered into a definitive agreement to sell back to Unnim its 50 percent stakes in the life and general insurance bancassurance companies, CaixaSabadell Vida, S.A. de Seguros y Reaseguros and CaixaSabadell Compagnia d'Assegurances Generals, S.A., respectively, jointly owned with Unnim (the Unnim Jointly Owned Companies). The Group derecognized the assets and liabilities at their carrying amount and recognized its retained investment in the Unnim Jointly Owned Companies as an equity security classified as available-for-sale as of September 30, 2010. USD 52 million was recorded within net gain on divestments of businesses in 2010. Following approval by the relevant regulatory authorities, the transaction was closed on February 28, 2011. Unnim paid a cash consideration of USD 393 million (EUR 285 million) to the Group in exchange for the Group's Unnim Jointly Owned Companies stakes, which the Group acquired in 2008 from Caixa Sabadell.

As of December 31, 2010 the Group no longer has control in Futuro de Bolivia S.A. Administradora de Fondos de Pensiones following changes in the regulatory environment. The Group derecognized the assets and liabilities at their carrying amount and recorded a net loss of USD 16 million within net gain/(loss) on divestments of businesses. During 2010, the Group also divested all of its shares in Trent Insurance Company Limited, a company based in the UK and Maryland Insurance Company, a company based in the U.S., for a pre-tax gain on disposal in aggregate of USD 2 million with immaterial cash and net assets sold.

Consolidated financial statements *continued*

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	
	2011	2010	2011	2010	2011	2010
Cash and cash equivalents	49	39	5	8	54	47
Equity securities	1,406	1,222	(8,513)	3,393	(7,107)	4,615
Debt securities	4,282	4,168	727	1,849	5,009	6,017
Real estate held for investment	645	573	69	211	714	785
Mortgage loans	374	379	(112)	(348)	263	30
Other loans	659	605	183	7	843	612
Investments in associates and joint ventures	9	13	(50)	(37)	(41)	(24)
Derivative financial instruments ¹	–	–	1,102	20	1,102	20
Investment result, gross	7,424	6,998	(6,588)	5,104	836	12,102
Investment expenses	(626)	(550)	–	–	(626)	(550)
Investment result, net	6,798	6,448	(6,588)	5,104	210	11,552

¹ Net capital gains/(losses) on derivatives attributable to cash flow hedge ineffectiveness amounted to USD (20) million and USD (3) million for the nine months ended September 30, 2011 and 2010, respectively.

Rental operating expenses for real estate held for investment included in investment expenses for total investments amounted to USD 150 million and USD 143 million for the nine months ended September 30, 2011 and 2010, 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	
	2011	2010	2011	2010	2011	2010
Cash and cash equivalents	46	38	1	–	47	38
Equity securities	263	240	329	(91)	592	149
Debt securities	4,060	3,952	687	1,342	4,747	5,294
Real estate held for investment	399	343	111	26	510	369
Mortgage loans	374	379	(112)	(348)	263	30
Other loans	482	509	183	17	666	526
Investments in associates and joint ventures	9	13	(50)	(37)	(41)	(24)
Derivative financial instruments ¹	–	–	1,012	71	1,012	71
Investment result, gross for Group investments	5,634	5,473	2,162	981	7,796	6,453
Investment expenses for Group investments	(180)	(165)	–	–	(180)	(165)
Investment result, net for Group investments	5,454	5,307	2,162	981	7,616	6,288

¹ Net capital gains/(losses) on derivatives attributable to cash flow hedge ineffectiveness amounted to USD (20) million and USD (3) million for the nine months ended September 30, 2011 and 2010, respectively.

For the nine months ended September 30, 2011 and 2010, respectively, impairment charges on Group investments included in net capital gains/(losses) amounted to USD 359 million and USD 854 million, including USD 112 and USD 382 million, respectively for impairment charges on mortgage loans and investments in associates and joint ventures.

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	
	2011	2010	2011	2010	2011	2010
Cash and cash equivalents	2	1	4	9	7	10
Equity securities	1,143	982	(8,842)	3,484	(7,699)	4,466
Debt securities	222	216	40	506	262	723
Real estate held for investment	246	231	(42)	185	204	416
Other loans	177	96	–	(10)	177	86
Derivative financial instruments	–	–	90	(51)	90	(51)
Investment result, gross for unit-linked contracts	1,790	1,526	(8,750)	4,123	(6,960)	5,649
Investment expenses for unit-linked contracts	(446)	(385)	–	–	(446)	(385)
Investment result, net unit-linked contracts	1,344	1,141	(8,750)	4,123	(7,406)	5,264

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	
	2011	2010	2011	2010	2011	2010
Securities at fair value through profit or loss:	(8,857)	3,663	449	1,115	(8,408)	4,777
Net capital gains/(losses) on Group investments	(15)	179	410	608	394	787
<i>of which:</i>						
<i>Trading securities</i>	6	19	4	6	10	26
<i>Securities designated at fair value through profit or loss</i>	(21)	159	405	602	384	761
Net capital gains/(losses) for unit-linked contracts	(8,842)	3,484	40	506	(8,802)	3,991
Available-for-sale securities:	344	(270)	277	695	621	425
Realized capital gains on Group investments	676	283	984	991	1,660	1,274
Realized capital losses on Group investments	(125)	(98)	(666)	(239)	(791)	(337)
Impairments on Group investments	(206)	(454)	(41)	(57)	(247)	(512)
Held-to-maturity securities ¹	–	–	–	39	–	39
Total net capital gains/(losses) and impairments	(8,513)	3,393	727	1,849	(7,786)	5,242

¹ 2010 gain arises entirely from the reversal of impairments.

Consolidated financial statements *continued*

Details of total investments by category	Table 3.3a		Total investments	
	as of		09/30/11	12/31/10
	USD millions	% of total	USD millions	% of total
Cash and cash equivalents	10,821	3.6	9,726	3.2
Equity securities:				
Fair value through profit or loss	79,593	26.7	89,695	29.5
<i>of which:</i>				
<i>Trading securities</i>	441	0.1	473	0.2
<i>Securities designated at fair value through profit or loss</i>	79,152	26.5	89,223	29.4
Available-for-sale ¹	7,730	2.6	9,798	3.2
Total equity securities	87,323	29.3	99,494	32.7
Debt securities:				
Fair value through profit or loss	18,092	6.1	16,245	5.3
<i>of which:</i>				
<i>Trading securities</i>	46	0.0	43	0.0
<i>Securities designated at fair value through profit or loss</i>	18,046	6.0	16,202	5.3
Available-for-sale	132,475	44.4	128,257	42.2
Held-to-maturity	5,679	1.9	5,129	1.7
Total debt securities	156,246	52.3	149,630	49.2
Real estate held for investment	12,702	4.3	12,355	4.1
Mortgage loans	11,593	3.9	11,851	3.9
Other loans	19,632	6.6	20,601	6.8
Investments in associates and joint ventures	189	0.1	188	0.1
Total investments	298,506	100.0	303,845	100.0

¹ As of September 30, 2011 and December 31, 2010 this includes the Group's investment of 15 percent and 20 percent, respectively, in New China Life Insurance Company Ltd. over which the Group has no significant influence.

Details
of Group
investments
by category

Table 3.3b

as of

	Group investments			
	09/30/11		12/31/10	
	USD millions	% of total	USD millions	% of total
Cash and cash equivalents	8,954	4.5	8,182	4.2
Equity securities:				
Fair value through profit or loss	3,366	1.7	3,931	2.0
<i>of which:</i>				
<i>Trading securities</i>	441	0.2	473	0.2
<i>Securities designated at fair value through profit or loss</i>	2,924	1.5	3,458	1.8
Available-for-sale ¹	7,730	3.9	9,798	5.0
Total equity securities	11,095	5.6	13,729	7.0
Debt securities:				
Fair value through profit or loss	6,799	3.4	6,869	3.5
<i>of which:</i>				
<i>Trading securities</i>	46	0.0	43	0.0
<i>Securities designated at fair value through profit or loss</i>	6,753	3.4	6,826	3.5
Available-for-sale	132,475	66.8	128,257	65.5
Held-to-maturity	5,679	2.9	5,129	2.6
Total debt securities	144,954	73.1	140,254	71.6
Real estate held for investment	8,742	4.4	8,274	4.2
Mortgage loans	11,593	5.8	11,851	6.0
Other loans	12,702	6.4	13,419	6.9
Investments in associates and joint ventures	189	0.1	188	0.1
Total Group investments	198,229	100.0	195,898	100.0

¹ As of September 30, 2011, and December 31, 2010, this includes the Group's investment of 15 percent and 20 percent, respectively, in New China Life Insurance Company Ltd. over which the Group has no significant influence.

Cash and investments with a carrying value of USD 6,303 million and USD 5,176 million were deposited with regulatory authorities as of September 30, 2011, and December 31, 2010, respectively.

Consolidated financial statements *continued*

Securities under security lending and repurchase agreements

As of September 30, 2011 and December 31, 2010, investments included USD 6,989 million and USD 5,873 million, respectively, of loaned securities. These loaned securities were mainly debt securities. Liabilities for cash collateral received for securities lending comprised USD 333 million and USD 485 million as of September 30, 2011 and December 31, 2010, respectively. Non-cash collateral received for loaned securities comprised mainly equity and debt securities and amounted to USD 7,029 million and USD 5,663 million as of September 30, 2011 and December 31, 2010, respectively. The Group can sell or repledge the collateral only in the event of default by a counterparty.

As of September 30, 2011 and December 31, 2010, respectively, debt securities with a carrying value of USD 2,099 million and USD 3,383 million have been sold to financial institutions under repurchase agreements. These securities continue to be recognized as investments in the Group's consolidated balance sheets. Obligations to repurchase these securities amounted to USD 2,084 million and USD 3,330 million as of September 30, 2011 and December 31, 2010, 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			
	09/30/11		12/31/10	
	USD millions	% of total	USD millions	% of total
Cash and cash equivalents	1,868	1.9	1,544	1.4
Equity securities	76,227	76.0	85,765	79.5
Debt securities	11,293	11.3	9,376	8.7
Real estate	3,959	3.9	4,081	3.8
Other loans	6,930	6.9	7,182	6.7
Total investments for unit-linked contracts	100,277	100.0	107,947	100.0

Investments held under unit-linked investments contracts are classified as designated at fair value through profit or loss.

Accrued interest on unit-linked investments disclosed under accrued investment income amounted to USD 248 million and USD 247 million as of September 30, 2011 and December 31, 2010, respectively.

Table 3.4

Net unrealized gains/(losses) on Group investments included in other comprehensive income

in USD millions, as of	Total	
	09/30/11	12/31/10
Equity securities: available-for-sale	1,010	1,880
Debt securities: available-for-sale	4,044	2,262
Other	147	76
Less: amount of net unrealized gains/(losses) on investments attributable to:		
Life policyholder dividends and other policyholder liabilities	(1,218)	(662)
Life deferred acquisition costs	(135)	(154)
Deferred income taxes	(1,023)	(869)
Non-controlling interests	(5)	(9)
Total¹	2,819	2,524

¹ Net unrealized gains include net gains arising on cash flow hedges of USD 85 million and USD 56 million as of September 30, 2011 and December 31, 2010, 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	
	09/30/11	12/31/10	09/30/11	12/31/10	09/30/11	12/31/10
Reserves for losses and loss adjustment expenses	68,387	68,107	(12,558)	(12,093)	55,829	56,014
Reserves for unearned premiums	17,341	16,081	(2,579)	(2,185)	14,762	13,895
Future life policyholders' benefits	81,011	79,315	(2,582)	(2,423)	78,429	76,891
Policyholders' contract deposits and other funds	18,254	17,430	(2,202)	(2,246)	16,052	15,184
Reserves for unit-linked contracts	57,974	61,786	–	–	57,974	61,786
Total reserves for insurance contracts¹	242,967	242,719	(19,922)	(18,949)	223,046	223,770

¹ The total reserves for insurance contracts ceded are gross of allowances for uncollectible amounts of USD 142 million and USD 132 million as of September 30, 2011 and December 31, 2010, respectively.

Table 4.2

Development of reserves for losses and loss adjustment expenses	in USD millions					
	Gross		Ceded		Net	
	2011	2010	2011	2010	2011	2010
As of January 1	68,107	68,126	(12,093)	(12,182)	56,014	55,944
Losses and loss adjustment expenses incurred:						
Current year	21,399	21,543	(3,700)	(2,937)	17,699	18,605
Prior years	(1,142)	(1,331)	170	481	(972)	(850)
Total incurred	20,257	20,212	(3,530)	(2,456)	16,728	17,756
Losses and loss adjustment expenses paid:						
Current year	(7,102)	(7,708)	544	663	(6,558)	(7,045)
Prior years	(12,830)	(12,112)	2,450	1,978	(10,380)	(10,134)
Total paid	(19,932)	(19,820)	2,994	2,642	(16,938)	(17,178)
Acquisitions/(divestments) and transfers	41	(12)	(6)	6	36	(6)
Foreign currency translation effects	(87)	(570)	77	101	(10)	(469)
As of September 30	68,387	67,936	(12,558)	(11,890)	55,829	56,046

Consolidated financial statements *continued*

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 2011. The decrease of USD 185 million in total net reserves includes USD 972 million of favorable reserve development emerging from reserves established in prior years from various regions and lines of business. Favorable development was especially experienced in Switzerland's motor line of business and in North America, where the general liability, motor liability, medical malpractice and lines of business and the direct markets book of business were the main contributors. This positive development was partially offset by adverse development related to weather events during the last few days of 2010 in the UK and Germany and adverse experience in North America's workers compensation business and some general liability portfolios in Germany.

Table 4.3

Development of future life policyholders' benefits	in USD millions					
	Gross		Ceded		Net	
	2011	2010	2011	2010	2011	2010
As of January 1	79,315	79,271	(2,423)	(2,199)	76,891	77,072
Premiums	6,450	6,303	(381)	(408)	6,069	5,896
Claims	(7,038)	(7,075)	318	278	(6,720)	(6,797)
Fee income and other expenses	(1,592)	(1,266)	61	91	(1,531)	(1,174)
Interest and bonuses credited to policyholders	2,596	2,288	(152)	(90)	2,445	2,197
Change in assumptions	352	469	(15)	(75)	337	394
Acquisitions/transfers ¹	178	1,223	–	(96)	178	1,127
Increases recorded in other comprehensive income	114	158	–	–	114	158
Foreign currency translation effects	641	(1,832)	5	33	646	(1,799)
As of September 30	81,011	79,538	(2,582)	(2,465)	78,429	77,073

¹ The 2011 net movement mainly includes reclassifications of USD 212 million transferred from other liabilities to future life policyholders' benefits, partly offset by USD (28) million transferred to liabilities for investment contracts (see note 1). The 2010 net movement mainly includes USD 2,673 million related to the transfer from other reserve categories and USD (1,508) million related to the loss of control in Caixa Sabadell (see note 2).

Table 4.4

Policyholders' contract deposits and other funds gross		09/30/11	12/31/10
in USD millions, as of			
Annuities		1,318	1,293
Universal life and other contracts		11,593	11,164
Policyholder dividends		5,343	4,973
Total		18,254	17,430

Development of policyholders' contract deposits and other funds	in USD millions	Gross		Ceded		Net	
		2011	2010	2011	2010	2011	2010
		As of January 1	17,430	18,857	(2,246)	(2,457)	15,184
Premiums	1,039	1,625	(43)	(76)	996	1,549	
Claims	(1,003)	(1,406)	131	199	(872)	(1,207)	
Fee income and other expenses	(264)	(262)	14	6	(250)	(256)	
Interest and bonuses credited to policyholders	543	770	(59)	(60)	484	709	
Changes in assumptions	(1)	(1)	–	–	(1)	(1)	
Transfers ¹	–	(1,478)	–	100	–	(1,379)	
Increase recorded in other comprehensive income	449	1,524	–	–	449	1,524	
Foreign currency translation effects	60	(171)	1	8	62	(163)	
As of September 30		18,254	19,457	(2,202)	(2,280)	16,052	17,177

¹ The 2010 net movement mainly includes USD (1,372) million related to the transfer to other reserve categories and USD (7) million related to the loss of control in Caixa Sabadell (see note 2).

Development of reserves for unit-linked contracts	in USD millions	Gross		Ceded		Net	
		2011	2010	2011	2010	2011	2010
		As of January 1	61,786	58,204	–	–	61,786
Premiums	6,823	6,103	–	–	6,823	6,103	
Claims	(6,203)	(4,470)	–	–	(6,203)	(4,470)	
Fee income and other expenses	(1,182)	(1,123)	–	–	(1,182)	(1,123)	
Interest and bonuses credited/(charged) to policyholders	(3,379)	3,003	–	–	(3,379)	3,003	
Acquisitions/transfers ¹	(143)	(131)	–	–	(143)	(131)	
Foreign currency translation effects	272	(1,441)	–	–	272	(1,441)	
As of September 30		57,974	60,145	–	–	57,974	60,145

¹ The 2011 net movement includes a reclassification of USD 120 million from liabilities for investment contracts to reserves for unit-linked contracts, partly offset by a reclassification of USD (262) million to liabilities for investment contracts (see note 1). The 2010 net movement mainly includes USD (160) million related to the loss of control in Caixa Sabadell (see note 2).

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

Table 5.1

Table 5.1		09/30/11	12/31/10
Liabilities for investment contracts	in USD millions, as of		
	Liabilities related to unit-linked investment contracts	41,527	44,941
	Liabilities related to investment contracts (amortized cost)	734	592
	Liabilities related to investment contracts with DPF	5,569	5,134
	Total	47,830	50,667

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

Table 5.2		2011	2010
Development of liabilities for investment contracts	in USD millions		
	As of January 1	50,667	46,124
	Premiums	4,868	5,009
	Claims	(4,436)	(3,795)
	Fee income and other expenses	(436)	(524)
	Interest and bonuses charged/(credited) to policyholders	(3,394)	2,687
	Acquisitions/transfers ¹	411	(1,209)
	Increase/(decrease) recorded in other comprehensive income	(3)	7
	Foreign currency translation effects	155	(1,277)
As of September 30	47,830	47,022	

¹ The 2011 movement mainly includes USD 262 million transferred from reserves for unit-linked contracts to liabilities for investment contracts, USD 246 million transferred from other liabilities to liabilities for investment contracts and USD 28 million transferred from future life policyholders' benefits to liabilities for investment contracts, partly offset by USD (120) million transferred from liabilities for investment contracts to reserves for unit-linked contracts (see note 1). The 2010 movement includes USD (1,202) million related to the transfer to and from reserves for insurance contracts.

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	
	2011	2010	2011	2010	2011	2010
Losses and loss adjustment expenses	20,257	20,212	(3,530)	(2,456)	16,728	17,756
Life insurance death and other benefits	7,700	7,771	(345)	(347)	7,355	7,425
Change in future life policyholders' benefits	766	680	(167)	(199)	598	481
Total insurance benefits and losses	28,723	28,663	(4,041)	(3,002)	24,681	25,661

Table 6.2

Policyholder dividends and participation in profits

in USD millions, for the nine months ended September 30	Gross		Ceded		Net	
	2011	2010	2011	2010	2011	2010
Change in policyholders' contract deposits and other funds	482	626	–	(4)	482	622
Change in reserves for unit-linked products	(3,936)	2,854	–	–	(3,936)	2,854
Change in liabilities for investment contracts – unit-linked	(3,364)	2,486	–	–	(3,364)	2,486
Change in liabilities for investment contracts – other	159	160	–	–	159	160
Change in unit-linked liabilities related to UK capital gains tax	181	(196)	–	–	181	(196)
Total policyholder dividends and participation in profits	(6,477)	5,930	–	(4)	(6,477)	5,925

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7. Deferred policy acquisition costs and deferred origination costs

Table 7.1

Development of deferred policy acquisition costs	General Insurance		Global Life		Other segments ¹		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
in USD millions								
As of January 1	3,426	3,339	12,686	12,276	169	531	16,281	16,146
Acquisition costs deferred	2,300	2,230	1,424	1,271	442	764	4,167	4,266
Amortization	(2,158)	(2,149)	(1,086)	(676)	(396)	(933)	(3,640)	(3,758)
Amortization charged/ (credited) to other comprehensive income	–	–	(40)	(259)	–	–	(40)	(259)
Transfers	–	(1)	–	–	–	–	–	(1)
Foreign currency translation effects	6	(11)	9	(347)	–	(1)	15	(359)
As of September 30	3,575	3,409	12,993	12,265	215	361	16,783	16,035

¹ Net of eliminations from inter-segment transactions

Table 7.2

Development of deferred origination costs	2011		2010	
	2011	2010	2011	2010
in USD millions				
As of January 1	866	856		
Origination costs deferred	81	91		
Amortization	(103)	(85)		
Foreign currency translation effects	3	(25)		
As of September 30	847	837		

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, 2011	2,241	2,528	2,607	1,025	3,967	195	12,563
Less: accumulated amortization/impairments	(136)	(1,622)	(326)	–	(2,344)	(76)	(4,505)
Net carrying value as of January 1, 2011	2,104	906	2,281	1,025	1,623	119	8,059
Additions and transfers	42	–	48	–	345	–	434
Amortization	–	(75)	(96)	–	(311)	(10)	(492)
Amortization charged to other comprehensive income	–	60	–	–	–	–	60
Impairments	–	–	–	–	(77)	–	(77)
Foreign currency translation effects	(60)	2	1	–	12	(3)	(48)
Net carrying value as of September 30, 2011	2,086	893	2,233	1,025	1,592	106	7,936
Plus: accumulated amortization/impairments	123	1,641	415	–	2,540	83	4,802
Gross carrying value as of September 30, 2011	2,208	2,534	2,648	1,025	4,131	190	12,737

As of September 30, 2011, the intangible assets related to non-controlling interests were USD 135 million for the present value of future profits (PVFP) of acquired insurance contracts, USD 1,027 million for distribution agreements and USD 5 million for software.

Additions to goodwill include USD 33 million for the acquisitions of Compagnie Libanaise d'Assurance, USD 2 million related to the acquisition of PT Zurich Topas Life (formerly PT Mayapada Life) and USD 6 million related to earn-out payments to Deutsche Bank Group for the acquisition of Zurich Life and Pensions S.p.A., Italy (formerly DWS Vita S.p.A.).

Extensions of existing distribution agreements resulted in net additions of USD 29 million in the Italian Life insurance operations and USD 14 million in the Turkish General insurance operations.

The decision to decentralize its Direct insurance efforts in the Group's General Insurance operations in Switzerland resulted in an impairment of USD 53 million for software which will no longer be used.

Table 8.2

Intangible assets
by segment –
current period

in USD millions, for the nine months ended September 30	Goodwill	PVFP	Distribution agreements	Attorney-in-fact relationships	Software	Other intangible assets	Total
General Insurance	844	–	527	–	552	101	2,024
Global Life	418	893	1,706	–	341	6	3,364
Farmers	819	–	–	1,025	409	–	2,254
Other Operating Businesses	5	–	–	–	288	–	292
Non-Core Businesses	–	–	–	–	1	–	1
Net carrying value as of September 30, 2011	2,086	893	2,233	1,025	1,592	106	7,936

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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, 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	(39)	(87)	(560)	–	(11)	–	(696)
Amortization	–	(83)	(106)	–	(271)	(12)	(472)
Amortization charged to other comprehensive income	–	(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

As of September 30, 2010, the intangible assets related to non-controlling interests were USD 151 million for the present value of future profits (PVFP) of acquired insurance contracts, USD 1,083 million for distribution agreements and USD 6 million for software.

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 8.4

Intangible assets by segment – prior period	in USD millions, as of December 31, 2010						
	Goodwill	PVFP	Distribution agreements	Attorney- in-fact relationships	Software	Other intangible assets	Total
General Insurance	869	–	538	–	576	94	2,077
Global Life	411	906	1,742	–	348	25	3,433
Farmers	819	–	–	1,025	428	–	2,273
Other Operating Businesses	5	–	–	–	268	–	273
Non-Core Businesses	–	–	–	–	2	–	2
Net carrying value as of December 31, 2010	2,104	906	2,281	1,025	1,623	119	8,059

9. Restructuring provisions

Table 9			
Restructuring provisions	in USD millions		
		2011	2010
	As of January 1	155	119
	Provisions made during the period	171	61
	Provisions used during the period	(75)	(53)
	Provisions reversed during the period	(3)	–
	Foreign currency translation effects	(4)	–
	As of September 30	244	127

During the first nine months of 2011 the Group initiated several restructuring programs, recording a total charge to income of USD 132 million. A further USD 36 million was recorded in respect of restructuring programs initiated in prior years. The main restructuring program impacted several European countries within the General Insurance operations with estimated costs of USD 112 million. In addition, the Group recorded USD 53 million of software impairments as outlined in note 8.

During the first nine months of 2010, the Group initiated several restructuring programs, recording a total charge to income of USD 20 million. A further charge of USD 41 million was recorded in respect of restructuring programs initiated in prior years.

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10. Income taxes

Table 10.1

in USD millions, for the nine months ended September 30		2011	2010
Income tax expense – current/deferred split	Current	939	1,043
	Deferred	(378)	(46)
	Total income tax expense/(benefit)	561	996

Table 10.2

in USD millions, for the nine months ended September 30		2011	2010
Income tax expense – policyholder/shareholder attribution	Total income tax expense/(benefit) attributable to policyholders	(374)	276
	Total income tax expense/(benefit) attributable to shareholders	935	720
	Total income tax expense/(benefit)	561	996

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 10.3

in USD millions, for the nine months ended September 30		Rate	2011	Rate	2010
Expected and actual income tax expense	Net income before income taxes		3,816		3,448
	Less: income tax (expense)/benefit attributable to policyholders		374		(276)
	Net income before income taxes attributable to shareholders		4,189		3,172
	Expected income tax expense attributable to shareholders computed at the Swiss statutory tax rate	22.0%	922	22.0%	698
	Increase/(reduction) in taxes resulting from:				
	<i>Tax rate differential in foreign jurisdictions</i>		159		103
	<i>Tax exempt and lower taxed income</i>		(65)		(68)
	<i>Non-deductible expenses</i>		75		44
	<i>Tax losses previously unrecognized or no longer recognized</i>		17		37
	<i>Prior year adjustments and other</i>		(173)		(94)
	Actual income tax expense attributable to shareholders	22.3%	935	22.7%	720
	Plus: income tax expense/(benefit) attributable to policyholders		(374)		276
	Actual income tax expense/(benefit)	14.7%	561	28.9%	996

Table 10.3 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.

11. Senior and subordinated debt

Table 11.1

Debt		09/30/11	12/31/10
in USD millions, as of			
Senior debt			
Zurich Capital Markets	Various debt instruments payable within 1 year	–	400
Zurich Finance (USA), Inc.	3.50% CHF 300 million bond, due November 2011 ^{1,6}	332	322
	4.50% EUR 1 billion bond, due September 2014 ^{2,6}	1,360	1,353
	4.875% EUR 800 million bond, due April 2012 ⁶	1,075	1,069
	6.50% EUR 600 million bond, due October 2015 ^{3,6}	805	801
Zurich Finance (Luxembourg) S.A.	3.25% USD 750 million bond, due September 2013 ^{5,6}	770	765
Zurich Insurance Company Ltd	3.875% CHF 1 billion bond, due July 2011	–	1,071
	3.75% CHF 500 million bond, due September 2013 ⁶	550	531
	2.25% CHF 500 million bond, due July 2017 ⁶	548	–
	2.875% CHF 250 million bond, due July 2021 ⁶	272	–
Other	Various debt instruments payable in more than 1 year	141	141
Senior debt		5,853	6,453
Subordinated debt			
Zurich Insurance Company Ltd	12.0% EUR 143 million capital notes, undated ⁶	191	190
	7.5% EUR 425 million bond, due July 2039 ⁶	567	564
	4.25% CHF 700 million bond, undated ⁶	762	736
	4.625% CHF 500 million bond, undated ⁶	543	–
Zurich Finance (UK) plc	6.625% GBP 450 million bond, undated notes ^{4,6}	694	692
Zurich Finance (USA), Inc.	5.75% EUR 500 million bond, due October 2023 ⁶	665	661
	4.5% EUR 500 million bond, due June 2025 ^{5,6}	710	696
ZFS Finance (USA) Trust II	Series II 6.45% USD 700 million ECAPS, due December 2065	674	673
ZFS Finance (USA) Trust IV	Series IV 5.875% USD 500 million Trust Preferred Securities, due May 2062	250	250
ZFS Finance (USA) Trust V	Series V 6.5% USD 1 billion Trust Preferred Securities, due May 2067	497	497
Other	Various debt instruments payable in more than 1 year	44	44
Subordinated debt		5,597	5,004
Total senior and subordinated debt		11,450	11,457

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 percent of the total) and fair value hedge (20 percent of the total).

³ The bond is part of a qualifying cash flow hedge (100 percent).

⁴ The holders of these notes benefit from the Replacement Capital Covenant which states that if Series IV and V Fixed/Floating Trust Preferred Securities, issued by ZFS Finance (USA) Trusts IV and V, are called before 2042 and 2047 respectively, the Group will issue a replacement debt instrument with terms and provisions that are as or more equity-like than the replaced notes.

⁵ These bonds are part of qualifying fair value hedges (100 percent).

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, 2011 or December 31, 2010.

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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 18 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 to USD 5,853 million as of September 30, 2011, from USD 6,453 million as of December 31, 2010, primarily due to the USD 400 million repayment of commercial paper in July, 2011 by Zurich Capital Markets and the CHF 1 billion senior bond issued by Zurich Insurance Company Ltd, which matured on July 27, 2011. These repayments were partially offset by the issuance of two senior notes in July 2011 totalling CHF 750 million, issued by Zurich Insurance Company Ltd under the EMTN Programme.

ii) Subordinated debt

Subordinated debt securities are obligations of the Group which, in case of liquidation of the Group, rank junior to all present and future senior indebtedness and certain other obligations of the Group.

Subordinated debt increased to USD 5,597 million as of September 30, 2011, from USD 5,004 million as of December 31, 2010, mainly as a result of a new CHF 500 million issue under the EMTN Programme in March 2011 to refinance the early redemption of hybrid debt that were classified as "Preferred Securities" in Shareholders' equity as of December 31, 2010 and the translation effects of the depreciation of the U.S. dollar against the currencies in which the bonds were issued.

Table 11.2

Description and features of significant subordinated debt	Table 11.2		
	Coupon conditions	Call/ redemption date	Redemption conditions
Description			
12.00% EUR 143 million 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 million bond, due July 2039	7.5% payable annually up to July 24, 2019 and then reset quarterly to 3-month EURIBOR plus 5.85%.	Quarterly on or after July 24, 2019	Redeemable in whole or in part at par plus any accrued interest.
4.25% CHF 700 million bond, undated notes	4.25% payable annually up to May 26, 2016 and then reset quarterly to 3-month CHF-Libor plus 3.046%.	Quarterly on or after May 26, 2016	Redeemable in whole or in part at par plus any accrued interest.
4.625% CHF 500 million bond, undated notes	4.625% payable annually up to May 16, 2018 and then reset to the prevailing 7 year CHF mid swap rate plus 2.691%.	Annually on or after May 16, 2018	Redeemable in whole or in part at par plus any accrued interest.
6.625% GBP 450 million bond, undated notes	6.625% payable annually up to October 2, 2022 and then reset every 5 years to the reset rate of interest plus 2.85%. 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 million 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 million bond, due June 2025	4.5% payable annually up to June 15, 2015 and then reset quarterly to 3-month EURIBOR plus 2.20%.	Quarterly on or after June 15, 2015	Redeemable in whole at par plus any accrued interest.
Series II 6.45% Fixed/Adjustable Rate USD 700 million ECAPS, due December 2065	6.45% payable semi-annually until June 15, 2016 and then reset quarterly to the adjustable rate plus 2.00%. ²	Quarterly on or after June 15, 2016	Redeemable in whole or in part at par plus any accrued interest.
Series IV 5.875% USD 500 million 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 billion 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.

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% for Series II.

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	09/30/11		12/31/10	
	Carrying value	Undiscounted cash flow	Carrying value	Undiscounted cash flow
< 1 year	1,407	1,993	1,793	2,355
1 to 2 years	1,330	1,824	1,080	1,603
2 to 3 years	1,360	1,832	1,297	1,749
3 to 4 years	135	536	1,388	1,797
4 to 5 years	823	1,220	919	1,273
5 to 10 years	820	2,233	–	1,278
> 10 years	5,574	7,494	4,981	6,805
Total	11,450	17,132	11,457	16,861

Debt maturities reflect original contractual dates without taking early redemption options into account. For call/redemption dates, refer to table 11.2. The total notional amount of debt due in each period is not materially different from the total carrying amount disclosed in table 11.3. Undiscounted cash flows include interest and principal cash flows on debt outstanding as of September 30, 2011 and December 31, 2010, respectively. All debt is assumed to mature within 20 years of the balance sheet date at the latest without refinancing. Floating interest rates are assumed to remain constant as of September 30, 2011 and December 31, 2010, respectively. The aggregated cash flows are translated into U.S. dollars at end-of-period rates.

	2011	2010
Senior debt	199	191
Subordinated debt	242	223
Total	441	414

Interest expense on debt

Interest expense on debt increased to USD 441 million from USD 414 million. The higher interest expense was mainly due to foreign exchange fluctuations offset by the positive impact of early redemptions in December 2010 and new issuances at lower rates.

Credit facilities

The Group has access to a syndicated revolving credit facility of USD 3 billion that terminates in September 2012. Zurich Insurance Company Ltd and Farmers Group, Inc. are guarantors of the facility and can draw up to USD 2,750 million and USD 250 million, respectively. No borrowings were outstanding under this facility as of September 30, 2011 or December 31, 2010.

In addition, Zurich Insurance Company Ltd has access to three other revolving credit facilities totalling USD 441 million, of which USD 75 million will expire in 2013 and USD 366 million will expire in 2014. No borrowings were outstanding under these facilities as of September 30, 2011 or December 31, 2010.

12. Earnings per share

Earnings per share	Table 12 for the nine months ended September 30			
	Net income attributable to common shareholders (in USD millions) ¹	Weighted average number of shares	Per share (USD)	Per share (CHF) ²
2011				
Basic earnings per share	3,206	145,723,143	22.00	19.22
Effect of potentially dilutive shares related to share-based compensation plans		1,114,568	(0.17)	(0.15)
Diluted earnings per share	3,206	146,837,711	21.83	19.07
2010				
Basic earnings per share	2,390	144,751,398	16.51	17.58
Effect of potentially dilutive shares related to share-based compensation plans		1,168,704	(0.13)	(0.14)
Diluted earnings per share	2,390	145,920,102	16.38	17.43

¹ Excludes the net income attributable to preferred shareholders of USD 4 million and USD 9 million for the nine months ended September 30, 2011 and 2010, respectively.

² The translation from USD to CHF is shown for information purposes only and has been calculated at the Group's average exchange rates for the nine months ended September 30, 2011 and 2010, respectively.

Consolidated financial statements *continued*

13. Legal proceedings and regulatory investigations

The Group and its subsidiaries are continuously involved in legal proceedings, claims 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.

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 Ltd (Zurich Life) and Geneva Life Insurance Company Ltd (Geneva Life), wholly owned direct and indirect subsidiaries of Zurich Insurance Company Ltd (ZIC). 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 faced increasing financial difficulties during the downturn of the real estate activity in the early 1990s, until they collapsed in 1996. Both Geneva Life and Zurich Life set off the loans against the policy reserves. The Guaranty Fund and the liquidators of the pension and investment funds alleged, inter alia, that the loans were illegal and that the corporate defendants were de facto members of the management of the funds. They also alleged that the life insurance companies and other parties involved were jointly responsible for consolidated damages. All suits have either been withdrawn or dismissed, except one suit regarding an accounting issue. In this last pending procedure, the Commercial Court in Zurich ordered Zurich Life in April 2011 to pay the amount of CHF 777'992 plus interest to the Vera Pension Fund. Zurich Life appealed this decision before the Swiss Federal Supreme Court. In August 2011, the Federal Supreme Court dismissed Zurich Life's appeal. This decision is final, and these matters are now considered closed.

An action entitled Fuller-Austin Asbestos Settlement Trust, et al. v. Zurich American Insurance Company (ZAIC), 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 (collectively, the Fuller-Austin Case). In addition to ZAIC and four of its insurance company subsidiaries, ZIC and Orange Stone Reinsurance Dublin (Orange Stone) are named as defendants. The plaintiffs, who are historical policyholders of the Home Insurance Company (Home), plead claims for fraudulent transfer, alter ego liability and unfair business practices relating to the recapitalization of Home, which occurred in 1995 following regulatory review and approval. The 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. The plaintiffs further allege that the defendants should be held responsible for Home's alleged obligations under their Home policies. The trial judge designated the plaintiffs' claims for constructive fraudulent transfer for adjudication before all other claims; he subsequently ordered an initial bench trial on certain threshold elements of those fraudulent transfer claims and on certain of defendants' affirmative defenses. The trial commenced on November 1, 2010, and trial testimony has now concluded. Closing arguments are scheduled for February 2012.

A similar action entitled API, Inc. Asbestos Settlement Trust (API), et al. v. ZAIC, et al., was filed in March 2009 in the District Court for the Second Judicial District, County of Ramsey, Minnesota (API Case). ZAIC and two of its insurance company subsidiaries were named as defendants. The 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. As in the Fuller-Austin Case, the plaintiffs allege that API is an insured under policies issued by Home, primarily in the 1970s. The complaint seeks to hold the defendants liable for Home's policy obligations under various theories of vicarious liability tied to the recapitalization of Home, and it also alleges that the defendants are liable for damages under theories of fraudulent transfer and tortious interference with contract. The court ruled on the defendants' motions to dismiss the amended complaint, and dismissed the plaintiffs' fraudulent transfer, tortious interference with contract and consumer fraud claims against all the defendants. The motions were denied as to the remaining claims, as the court found that the plaintiffs' vicarious liability theories could not be disposed of on a motion to dismiss. Pretrial discovery has substantially concluded. Summary judgment motions were filed on July 1, 2011 and oral argument on the motions has been scheduled for November 22, 2011. If the case is not decided on summary judgment, a trial will follow. The Group maintains that the Fuller-Austin and API Cases are without merit and intends to continue to defend itself vigorously.

Zurich Financial Services (now Zurich Financial Services Ltd) was a defendant in putative class-action securities lawsuits relating to its divestiture of its interest in Converium (now Scor Holding (Switzerland) AG). On July 25, 2008, Zurich Financial Services Ltd and the class-action plaintiffs entered into an amended stipulation of settlement that called for a payment of USD 28 million to settle the case in two parts on behalf of all persons and entities who had purchased Converium securities between January 7, 2002 and September 2, 2004: one settlement in the U.S. court, covering all

U.S. persons and entities, and all other persons who had purchased Converium securities on U.S. markets, and another settlement in the Amsterdam Court of Appeal, in the Netherlands, covering all non-U.S. persons and entities who had purchased Converium securities on non-U.S. markets. The U.S. and Dutch settlements are both subject to court approval and are independent of each other. The U.S. court approved the U.S. settlement on December 12, 2008, and the ruling became final in June 2009. The Dutch settlement papers were filed with the Dutch court on July 9, 2010. On November 12, 2010, the Amsterdam Court of Appeal provisionally ruled that it has jurisdiction to consider the petition for approval of the settlement. Notice of the proposed settlement was then mailed and published to the class members. A group of ten institutional investors filed an objection to certain aspects of the proposed settlement. The Amsterdam Court of Appeal held a fairness hearing on October 3, 2011 to decide whether to declare the proposed settlement binding on the class. A decision is expected by mid-January 2012.

Zurich Financial Services Ltd is a defendant in a putative class action pending in California state court captioned Benjamin Fogel v. Farmers Group, Inc (Fogel Case). The case, originally filed in August 2003, is brought on behalf of a putative class of all policyholders of the Farmers Exchanges from 1999 to the present. The plaintiff alleges that Farmers Group, Inc. and certain of its affiliates (Farmers), which acted as the attorneys-in-fact for policyholders of the Farmers Exchanges, collected excessive and unreasonable management fees. The complaint seeks, amongst other things, disgorgement, as well as damages and injunctive relief. In February 2005, the trial court granted Farmers' motion for summary judgment, and the plaintiff appealed. In 2008, a California appellate court reversed the trial court's ruling and reinstated the litigation. On September 9, 2009, the 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 proposed settlement, a sum of USD 455 million will be made available to approximately 12.5 million policyholders who may qualify for a distribution under the settlement, with any residual amount going to the Farmers Exchanges. The Group will also pay attorneys' fees to class action counsel of up to USD 90 million, as well as the costs of administering the settlement. On December 12, 2010, the parties executed the settlement agreement, all terms of which are subject to the court's final approval. On January 12, 2011, the parties filed a motion seeking preliminary approval of the proposed settlement. On February 3, 2011, the court granted a motion to intervene by a class member who objects to certain aspects of the proposed settlement. The hearing on the motion for preliminary approval was held on March 2, 2011, and the court granted the motion. Notices were mailed and published to class members, and a number of objections and opt-out requests were submitted. On October 31, 2011, the court granted a motion by the State of Montana to intervene so it could object to certain aspects of the proposed settlement. The court scheduled the final approval hearing for November 9, 2011. If the court approves the settlement, the appeal period (which is 60 days) will run from entry of the court's judgment.

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 proceeding could have a material impact on results of operations in the particular reporting period in which it is resolved.

Consolidated financial statements *continued*

14. Related party transactions

In the normal course of business, the Group enters into various transactions with related companies, including various reinsurance and cost-sharing arrangements. These transactions are not considered material to the Group, either individually or in aggregate. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions.

The table below sets out related party transactions with equity method accounted investments, as well as other related parties, such as the Group's distribution partners of the jointly owned companies in Spain, reflected in the consolidated income statements and consolidated balance sheets.

Table 14

Related party transactions included in the Consolidated financial statements

in USD millions		
Consolidated income statement for the periods ended		
	09/30/11	09/30/10
Net earned premiums and policy fees	21	8
Net investment income/(expense)	(137)	(84)
Net investment expense	–	1
Other income/(expense)	(3)	(36)
Losses and loss adjustment expenses	(3)	(4)
Administrative and other operating expenses	3	2
Consolidated balance sheet as of		
	09/30/11	12/31/10
Cash and cash equivalents	229	475
Other loans	366	537
Total unit-linked investments	3,387	3,196
Receivables	19	1
Policyholders' collateral and other loans	21	9
Reserves for losses and loss adjustment expenses	(9)	(11)

15. 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 is the segment through which the Group provides a variety of motor, home and commercial products and services for individuals, as well as small and large businesses.

Global Life pursues a strategy of providing market-leading unit-linked, protection and corporate propositions 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 and small commercial lines of 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 business segments.

Other Operating Businesses predominantly consist of the Group's Headquarter and Holding and Financing activities. In addition, certain alternative investment positions not allocated to business 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 includes the Group's banking activities.

As of January 1, 2011, the Group implemented changes in the way it manages two of the three core segments at a secondary level.

The General Insurance segment is managed based on market-facing businesses, including:

- Global Corporate
- North America Commercial
- Europe
- Latin America
- Asia-Pacific
- Middle East and Africa

The Global Life segment is managed on a regional-based structure within a global framework, including:

- North America
- Latin America
- Europe
- Asia-Pacific and Middle East

The 2010 segmental results have been restated to reflect these changes, with no impact on the Group's financial position or performance.

Consolidated financial statements *continued*

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, non-operational 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.

Consolidated financial statements *continued*

Table 15.1

Business operating profit by business segment

in USD millions, for the nine months ended September 30

	General Insurance		Global Life	
	2011	2010	2011	2010
Revenues				
Direct written premiums ¹	25,453	23,865	6,862	6,778
Assumed written premiums	1,594	1,662	68	78
Gross Written Premiums	27,047	25,528	6,930	6,856
Policy fees	–	–	1,662	1,707
Gross written premiums and policy fees	27,047	25,528	8,592	8,563
Less premiums ceded to reinsurers	(4,347)	(3,976)	(503)	(574)
Net written premiums and policy fees	22,700	21,551	8,088	7,989
Net change in reserves for unearned premiums	(992)	(757)	(23)	(19)
Net earned premiums and policy fees	21,708	20,794	8,066	7,971
Farmers management fees and other related revenues	–	–	–	–
Net investment result on Group investments	2,136	2,173	3,462	3,322
Net investment income on Group investments	2,131	2,144	3,125	2,906
Net capital gains/(losses) and impairments on Group investments	5	28	337	416
Net investment result on unit-linked investments	–	–	(7,273)	4,865
Other income	622	489	745	657
Total BOP revenues	24,466	23,456	5,000	16,815
<i>of which: inter-segment revenues</i>	<i>(374)</i>	<i>(307)</i>	<i>(264)</i>	<i>(192)</i>
Benefits, losses and expenses				
Insurance benefits and losses, net ¹	15,704	14,762	7,007	6,933
Losses and loss adjustment expenses, net	15,696	14,744	50	50
Life insurance death and other benefits, net	8	18	6,868	6,838
(Decrease)/increase in future life policyholders' benefits, net ¹	–	–	89	45
Policyholder dividends and participation in profits, net	6	3	(6,436)	5,482
Income tax expense/(benefit) attributable to policyholders	–	–	(374)	276
Underwriting and policy acquisition costs, net	4,090	4,025	1,570	1,157
Administrative and other operating expense (excl. depreciation/amortization)	2,731	2,310	1,713	1,296
Interest credited to policyholders and other interest	18	29	308	316
Restructuring provisions and other items not included in BOP	(252)	(120)	(97)	(83)
Total BOP benefits, losses and expenses (before interest, depreciation and amortization)	22,297	21,010	3,692	15,379
Business operating profit (before interest, depreciation and amortization)	2,169	2,445	1,308	1,436
Depreciation and impairments of property and equipment	71	61	23	23
Amortization and impairments of intangible assets	209	234	221	232
Interest expense on debt	157	166	37	52
Business operating profit before non-controlling interests	1,732	1,984	1,027	1,129
Non-controlling interests	–	12	22	31
Business operating profit	1,732	1,972	1,005	1,098
Supplementary information				
Additions and capital improvements to property, equipment and intangible assets ²	287	299	112	96

¹ The Global Life segment includes approximately USD 671 million and USD 879 million of gross written premiums and future life policyholders' benefits for certain universal life-type contracts in the Group's Spanish operations for the nine months ended September 30, 2011 and 2010, respectively (see note 3 of the Group's Annual Report 2010).

² As of September 30, 2011 and December 31, 2010, respectively

	Farmers		Other Operating Businesses		Non-Core Businesses		Eliminations		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	-	-	-	-	97	110	-	-	32,412	30,753
	2,261	3,722	102	100	116	105	(163)	(187)	3,979	5,480
	2,261	3,722	102	100	213	215	(163)	(187)	36,391	36,232
	-	-	-	-	214	168	-	-	1,876	1,875
	2,261	3,722	102	100	427	383	(163)	(187)	38,267	38,108
	-	-	(43)	(40)	(706)	(20)	163	187	(5,436)	(4,423)
	2,261	3,722	60	60	(279)	362	-	-	32,830	33,685
	(29)	657	3	3	1	3	-	(1)	(1,039)	(114)
	2,232	4,379	63	63	(277)	365	-	(1)	31,791	33,571
	2,071	2,096	-	-	-	-	-	-	2,071	2,096
	102	122	400	395	928	626	(636)	(649)	6,393	5,988
	102	122	400	395	332	389	(636)	(649)	5,454	5,307
	-	-	-	-	597	237	-	-	939	681
	-	-	-	-	(132)	399	-	-	(7,406)	5,264
	46	73	656	543	80	80	(1,067)	(819)	1,082	1,023
	4,451	6,670	1,119	1,001	599	1,470	(1,703)	(1,469)	33,932	47,943
	(51)	(53)	(970)	(869)	(45)	(47)	1,703	1,469	-	-
	1,587	2,916	57	57	325	993	-	-	24,681	25,661
	1,587	2,916	3	1	(619)	48	10	(3)	16,728	17,756
	-	-	42	54	438	515	-	-	7,355	7,425
	-	-	12	2	506	430	(10)	3	598	481
	-	-	-	-	(47)	441	-	(1)	(6,477)	5,925
	-	-	-	-	-	-	-	-	(374)	276
	674	1,362	-	-	7	7	(4)	(3)	6,338	6,547
	973	1,559	742	637	175	158	(1,047)	(804)	5,287	5,156
	-	1	6	1	44	48	(6)	(2)	370	394
	(4)	(596)	21	42	-	(5)	-	-	(330)	(762)
	3,231	5,242	827	737	505	1,641	(1,057)	(810)	29,495	43,199
	1,220	1,428	292	264	94	(171)	(646)	(659)	4,437	4,745
	40	52	9	17	4	3	-	-	147	156
	84	80	54	40	1	8	-	-	569	594
	-	-	816	781	76	74	(646)	(659)	441	414
	1,096	1,295	(588)	(573)	13	(255)	-	-	3,280	3,581
	-	-	-	-	1	1	-	-	22	44
	1,096	1,295	(588)	(573)	13	(256)	-	-	3,258	3,537
	130	236	76	91	(1)	24	-	-	605	747

Consolidated financial statements *continued*

Table 15.2

Reconciliation of
BOP to net income
after income taxes

in USD millions, for the nine months ended September 30

	General Insurance		Global Life	
	2011	2010	2011	2010
Business operating profit	1,732	1,972	1,005	1,098
Revenues/(expenses) not included in BOP:				
Net capital gains/(losses) on investments and impairments, net of policyholder allocation	482	130	422	33
Net gain/(loss) on divestments of businesses	–	5	17	49
Restructuring provisions	(134)	(29)	(31)	(17)
Other adjustments	(117)	(91)	(66)	(66)
Add back:				
Business operating profit attributable to non-controlling interests	–	12	22	31
Net income before shareholders' taxes	1,962	1,999	1,369	1,128
Income tax expense/(benefit) attributable to policyholders	–	–	(374)	276
Net income before income taxes	1,962	1,999	995	1,405
Income tax expense (attributable to policyholders and shareholders)				
Net income after taxes				

¹ Includes USD 570 million settlement cost related to the FOGEL case (see note 13).

	Farmers		Other Operating Businesses		Non-Core Businesses		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	1,096	1,295	(588)	(573)	13	(256)	3,258	3,537
	(4)	1	294	148	28	(13)	1,223	299
	-	-	-	-	-	1	17	54
	(3)	(14)	-	-	-	(1)	(168)	(61)
	(1)	(582) ¹	21	42	-	(4)	(162)	(701)
	-	-	-	-	1	1	22	44
	1,088	700	(272)	(383)	42	(272)	4,189	3,172
	-	-	-	-	-	-	(374)	276
	1,088	700	(272)	(383)	42	(272)	3,816	3,448
							(561)	(996)
							3,254	2,452

Consolidated financial statements *continued*

Table 15.3

Assets and liabilities by business segment	in USD millions, as of	General Insurance		Global Life	
		09/30/11	12/31/10	09/30/11	12/31/10
Assets					
Total Group Investments		86,254	85,967	103,327	100,976
Cash and cash equivalents		8,763	9,024	3,092	2,564
Equity securities		4,986	5,561	3,917	5,201
Debt securities		64,538	64,136	68,559	64,471
Real estate held for investment		3,004	2,940	5,297	4,893
Mortgage loans		1,518	1,495	8,574	8,538
Other loans		3,436	2,806	13,798	15,212
Investments in associates and joint ventures		9	6	90	97
Investments for unit-linked contracts		–	–	88,780	96,139
Total investments		86,254	85,967	192,107	197,116
Reinsurers' share of reserves for insurance contracts		13,788	13,320	2,088	1,997
Deposits made under assumed reinsurance contracts		80	120	15	11
Deferred policy acquisition costs		3,575	3,426	12,993	12,686
Deferred origination costs		–	–	847	866
Goodwill		844	869	418	411
Other intangible assets		1,180	1,208	2,946	3,022
Other assets		15,337	14,743	6,923	7,367
Total assets (after cons. of investments in subsidiaries)		121,057	119,654	218,337	223,476
Liabilities					
Liabilities for investment contracts		–	–	47,830	50,912
Reserves for insurance contracts, gross		82,397	80,242	136,753	138,536
Reserves for losses and loss adjustment expenses, gross		64,739	63,864	53	58
Reserves for unearned premiums, gross		16,299	15,084	218	201
Future life policyholders' benefits, gross		93	103	75,819	74,901
Policyholders' contract deposits and other funds, gross		1,265	1,192	14,184	13,397
Reserves for unit-linked contracts, gross		–	–	46,478	49,978
Senior debt		5,598	5,152	587	457
Subordinated debt		1,693	1,700	283	793
Other liabilities		13,472	14,315	17,166	17,960
Total liabilities		103,160	101,408	202,619	208,659
Equity					
Common shareholders' equity					
Preferred securities					
Shareholders' equity					
Non-controlling interests					
Total equity					
Total liabilities and equity					

	Farmers		Other Operating Businesses		Non-Core Businesses		Eliminations		Total	
	09/30/11	12/31/10	09/30/11	12/31/10	09/30/11	12/31/10	09/30/11	12/31/10	09/30/11	12/31/10
	4,289	4,526	20,431	20,110	14,182	14,757	(30,255)	(30,438)	198,229	195,898
	1,108	808	8,129	7,158	3,314	3,148	(15,452)	(14,521)	8,954	8,182
	98	83	1,825	2,597	270	287	–	–	11,095	13,729
	1,332	1,296	4,533	4,070	6,976	7,261	(984)	(980)	144,954	140,254
	136	135	44	45	261	261	–	–	8,742	8,274
	–	–	–	–	1,501	1,819	–	–	11,593	11,851
	1,616	2,204	5,896	6,235	1,776	1,900	(13,819)	(14,937)	12,702	13,419
	–	–	5	5	85	80	–	–	189	188
	–	–	–	–	11,497	11,808	–	–	100,277	107,947
	4,289	4,526	20,431	20,110	25,679	26,565	(30,255)	(30,438)	298,506	303,845
	–	212	–	–	4,619	4,328	(714)	(1,041)	19,780	18,816
	1,786	2,201	–	–	533	530	(30)	(26)	2,384	2,837
	214	167	–	–	1	1	–	–	16,783	16,281
	–	–	–	–	–	–	–	–	847	866
	819	819	5	5	–	–	–	–	2,086	2,104
	1,435	1,453	288	269	1	2	–	–	5,850	5,954
	930	1,202	3,040	2,714	1,595	1,149	(2,292)	(2,255)	25,533	24,919
	9,474	10,581	23,764	23,097	32,429	32,575	(33,292)	(33,759)	371,769	375,623
	–	–	–	–	–	–	–	(246)	47,830	50,667
	2,311	2,711	66	57	22,136	22,194	(696)	(1,021)	242,967	242,719
	1,510	1,938	46	46	2,683	2,953	(645)	(752)	68,387	68,107
	802	773	2	5	24	25	(3)	(7)	17,341	16,081
	–	–	18	6	5,129	4,569	(48)	(265)	81,011	79,315
	–	–	–	–	2,804	2,839	–	2	18,254	17,430
	–	–	–	–	11,496	11,807	–	–	57,974	61,786
	9	–	22,427	24,064	2,483	2,462	(25,250)	(25,681)	5,853	6,453
	–	–	5,553	5,000	170	170	(2,103)	(2,659)	5,597	5,004
	1,628	2,024	4,299	2,366	4,933	5,026	(5,243)	(4,152)	36,254	37,539
	3,948	4,735	32,344	31,487	29,722	29,852	(33,292)	(33,759)	338,501	342,382
									31,874	31,429
									–	475
									31,874	31,905
									1,394	1,336
									33,267	33,241
									371,769	375,623

Consolidated financial statements *continued*

Table 15.4

in USD millions, for the nine months ended September 30

General Insurance –
Customer segment
overview

	Global Corporate		North America Commercial	
	2011	2010	2011	2010
Gross written premiums and policy fees	6,528	5,917	7,278	7,408
Net earned premiums and policy fees	4,024	3,626	5,569	5,660
Insurance benefits and losses, net	3,369	2,654	3,729	3,755
Policyholder dividends and participation in profits, net	(1)	–	6	7
Total net technical expenses	787	745	1,626	1,707
Net underwriting result	(131)	227	208	191
Net investment income	451	419	750	828
Net capital gains/(losses) and impairments on investments	1	7	4	19
Net non-technical result (excl. items not included in BOP)	(89)	(62)	(195)	(188)
Business operating profit before non-controlling interests	233	591	767	850
Non-controlling interests	–	–	–	–
Business operating profit	232	591	767	850
Ratios, as % of net earned premiums and policy fees				
Loss ratio	83.7%	73.2%	67.0%	66.3%
Expense ratio	19.5%	20.5%	29.3%	30.3%
Combined ratio	103.2%	93.7%	96.3%	96.6%

	Europe		International Markets		GI Global Functions including Group Reinsurance		Eliminations		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	10,366	9,745	3,358	2,857	305	416	(787)	(815)	27,047	25,528
	9,585	9,341	2,494	2,121	36	46	–	–	21,708	20,794
	6,859	6,767	1,837	1,456	(89)	131	–	–	15,704	14,762
	–	(3)	–	–	–	–	–	–	6	3
	2,446	2,346	856	754	22	14	(2)	(7)	5,735	5,559
	280	232	(199)	(88)	103	(100)	2	7	263	470
	711	689	177	159	44	48	(2)	2	2,131	2,144
	–	2	–	–	–	–	–	–	5	28
	(267)	(363)	(83)	(18)	(34)	(18)	(1)	(9)	(667)	(659)
	724	560	(105)	52	113	(70)	–	–	1,732	1,984
	(3)	(6)	2	18	–	–	–	–	–	12
	727	566	(108)	35	113	(70)	–	–	1,732	1,972
	71.6%	72.4%	73.7%	68.6%	nm	nm	n/a	n/a	72.3%	71.0%
	25.5%	25.1%	34.3%	35.5%	nm	nm	n/a	n/a	26.4%	26.7%
	97.1%	97.5%	108.0%	104.2%	nm	nm	n/a	n/a	98.8%	97.7%

Consolidated financial statements *continued*

Table 15.5

General Insurance –
Revenues by region

in USD millions, for the nine months ended September 30

	Gross written premiums and policy fees from external customers		of which Global Corporate	
	2011	2010	2011	2010
Middle East	85	41	60	41
Africa				
South Africa	437	486		
Morocco	101	84		
Subtotal Africa	538	570	–	–
Latin America				
Argentina	199	167		
Brazil	424	312		
Chile	204	160		
Mexico	227	194		
Venezuela	195	170		
Rest of Latin America	25	27		
Subtotal Latin America	1,274	1,030	–	–
North America				
United States	8,706	8,676		
Rest of North America	716	690		
Subtotal North America	9,422	9,366	2,289	2,106
Asia-Pacific				
Australia	856	696		
Hong Kong	136	117		
Japan	542	451		
Taiwan	97	89		
Rest of Asia-Pacific	183	142		
Subtotal Asia-Pacific	1,813	1,495	451	360
Europe				
United Kingdom	3,103	3,101		
Germany	2,833	2,537		
Switzerland	3,044	2,576		
Italy	1,494	1,520		
Spain	1,296	1,274		
Rest of Europe	2,134	1,990		
Subtotal Europe	13,905	12,998	3,453	3,179
Total	27,037	25,500	6,254	5,685

General Insurance –
Non-current assets
by region

Table 15.6

in USD millions, as of

	Property/equipment and intangible assets	
	09/30/11	12/31/10
Middle East	34	–
Africa		
South Africa	19	25
Morocco	32	35
Subtotal Africa	51	60
Latin America		
Argentina	6	4
Brazil	145	151
Chile	1	1
Mexico	9	11
Venezuela	11	8
Rest of Latin America	9	8
Subtotal Latin America	180	183
North America		
United States	256	232
Rest of North America	7	8
Subtotal North America	262	240
Asia-Pacific		
Australia	76	79
Hong Kong	6	7
Japan	35	34
Taiwan	18	19
Rest of Asia-Pacific	3	2
Subtotal Asia-Pacific	138	141
Europe		
United Kingdom	194	212
Germany	223	225
Switzerland	607	674
Italy	55	65
Spain	549	543
Rest of Europe	631	668
Subtotal Europe	2,260	2,386
Total	2,925	3,012

Consolidated financial statements *continued*

Table 15.7

in USD millions, for the nine months ended September 30

Global Life –
Overview

	North America		Latin America	
	2011	2010	2011	2010
Revenues				
Life insurance deposits	244	171	192	108
Gross written premiums ¹	376	355	477	498
Policy fees	212	211	19	22
Gross written premiums and policy fees	588	566	497	520
Net earned premiums and policy fees	428	405	482	461
Net investment income on Group investments	249	257	99	88
Net capital gains/(losses) and impairments on Group investments	–	3	–	–
Net investment result on Group investments	250	260	99	88
Net investment income on unit-linked investments	(20)	(22)	6	6
Net capital gains/(losses) and impairments on unit-linked investments	(52)	15	(29)	18
Net investment result on unit-linked investments	(72)	(7)	(23)	23
Other income	74	73	11	16
Total BOP revenues	680	732	569	589
Benefits, losses and expenses				
Insurance benefits and losses, net ¹	242	227	349	346
Policyholder dividends and participation in profits, net	(55)	(2)	(21)	24
Income tax expense/(benefit) attributable to policyholders	–	–	–	–
Underwriting and policy acquisition costs, net	91	83	89	68
Administrative and other operating expense (excl. depreciation/amortization)	97	96	103	78
Interest credited to policyholders and other interest	113	126	4	4
Restructuring provisions and other items not included in BOP	1	1	–	–
Total BOP benefits, losses and expenses	488	530	525	520
Business operating profit (before interest, depreciation and amortization)	192	202	44	69
Depreciation and impairments of property and equipment	1	1	1	1
Amortization and impairments of intangible assets	16	20	1	2
Interest expense on debt	2	2	–	–
Business operating profit before non-controlling interests	174	180	41	67
Non-controlling interests	–	–	2	4
Business operating profit	174	180	40	63
Supplementary information				
Gross written premiums and policy fees from external customers	588	566	497	520
Property, equipment and intangible assets ²	177	193	74	77

¹ Europe includes approximately USD 671 million and USD 879 million of gross written premiums and future life policyholders' benefits for certain universal life-type contracts in the Group's Spanish operations for the nine months ended September 30, 2011 and 2010, respectively (see note 1 of the Group's Annual Report 2010).

² As of September 30, 2011, and December 31, 2010, respectively

	Europe		Asia-Pacific and Middle East		Other		Eliminations		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	8,603	8,649	1,433	969	285	433	-	-	10,758	10,331
	5,665	5,636	352	334	88	76	(29)	(43)	6,930	6,856
	1,329	1,344	99	129	3	2	-	-	1,662	1,707
	6,994	6,980	450	462	91	78	(29)	(43)	8,592	8,563
	6,696	6,654	375	394	85	62	-	(6)	8,066	7,971
	2,710	2,509	58	43	9	9	-	-	3,125	2,906
	328	420	9	(7)	-	-	-	-	337	416
	3,038	2,929	67	36	9	9	-	-	3,462	3,322
	1,504	1,315	76	61	22	13	-	-	1,588	1,374
	(7,580)	2,913	(1,075)	536	(126)	9	-	-	(8,861)	3,491
	(6,075)	4,228	(999)	598	(104)	22	-	-	(7,273)	4,865
	301	287	148	121	218	163	(7)	(3)	745	657
	3,959	14,099	(409)	1,149	208	256	(7)	(9)	5,000	16,815
	6,291	6,203	78	112	48	46	-	-	7,007	6,933
	(5,297)	4,842	(970)	605	(92)	20	-	(6)	(6,436)	5,482
	(383)	273	10	3	-	-	-	-	(374)	276
	1,195	791	121	149	76	67	(1)	-	1,570	1,157
	1,125	806	235	194	158	124	(5)	(3)	1,713	1,296
	170	165	21	22	-	-	-	-	308	316
	(97)	(78)	(1)	(5)	-	-	-	-	(97)	(83)
	3,003	13,001	(507)	1,081	189	256	(7)	(9)	3,692	15,379
	956	1,098	97	68	18	-	-	-	1,308	1,436
	18	18	3	4	-	-	-	-	23	23
	199	204	2	3	3	4	-	-	221	232
	35	50	-	-	1	-	-	-	37	52
	705	825	92	61	14	(4)	-	-	1,027	1,129
	21	27	(1)	-	-	-	-	-	22	31
	684	799	93	61	14	(4)	-	-	1,005	1,098
	6,951	6,939	449	427	59	52	-	-	8,544	8,504
	3,414	3,569	12	11	61	62	-	-	3,738	3,912

Consolidated financial statements *continued*

Table 15.8

Farmers –
Overview

in USD millions, for the nine months ended September 30

	Total	
	2011	2010
Farmers Management Services		
Management fees and other related revenues	2,071	2,096
Management and other related expenses	1,077	1,072
Gross management result	995	1,024
Other net income (excl. items not included in BOP)	25	24
Business operating profit before non-controlling interest	1,020	1,048
Business operating profit	1,020	1,048
Farmers Re		
Gross written premiums and policy fees	2,261	3,722
Net earned premiums and policy fees	2,232	4,379
Insurance benefits and losses, net	(1,587)	(2,916)
Total net technical expenses	(674)	(1,362)
Net underwriting result	(30)	101
Net non-technical result (excl. items not relevant for BOP)	43	65
Net investment result income	62	81
Business operating profit before non-controlling interests	76	248
Business operating profit	76	248
Farmers business operating profit	1,096	1,295
Ratios, as % of net earned premiums and policy fees		
Farmers Re Combined ratio	101.3%	97.7%
Supplementary information		
Property, equipment and intangible assets ¹	2,462	2,468

¹ As of September 30, 2011 and December 31, 2010, respectively

Consolidated financial statements *continued*

Table 15.9

in USD millions, for the nine months ended September 30

	Alternative Investments	
	2011	2010
Gross written premiums and policy fees	–	–
Net earned premiums and policy fees	–	–
Net investment income	4	6
Other income	9	9
Total BOP revenues	14	15
Insurance benefits and losses, incl. PH dividends, net	–	–
Administrative and other operating expense (excl. depreciation/amortization)	10	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	(14)	(20)
Business operating profit	(14)	(20)

	Holding and Financing		Headquarters		Eliminations		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	99	97	3	3	–	–	102	100
	56	57	6	6	–	–	63	63
	369	369	33	23	(6)	(3)	400	395
	58	35	712	599	(124)	(100)	656	543
	483	461	752	629	(129)	(104)	1,119	1,001
	54	56	3	1	–	–	57	57
	32	68	823	651	(123)	(100)	742	637
	36	43	(8)	–	–	–	28	43
	–	–	63	56	–	–	63	57
	804	767	1	1	(6)	(4)	816	781
	(443)	(473)	(131)	(80)	–	–	(588)	(573)
	(443)	(473)	(131)	(80)	–	–	(588)	(573)

Consolidated financial statements *continued*

Table 15.10

in USD millions, for the nine months ended September 30

Non-Core
Businesses –
Overview

	Total	
	2011	2010
Gross written premiums and policy fees	427	383
Net earned premiums and policy fees	(277)	365
Insurance benefits and losses, net	325	993
Policyholder dividends and participation in profits, net	(47)	441
Total net technical expenses	66	42
Net underwriting result	(621)	(1,111)
Net investment income	88	156
Net capital gains/(losses) and impairments on investments	708	869
Net non-technical result (excl. items not included in BOP)	(161)	(169)
Business operating profit before non-controlling interests	13	(255)
Non-controlling interests	1	1
Business operating profit	13	(256)

16. Events after the balance sheet date

On October 25, 2011, the Group announced the successful placement of CHF 425 million of seven-year senior notes which mature in 2018 to investors in the Swiss institutional market. The coupons have been set at 2.375 percent. These notes will be issued by Zurich Insurance Company Ltd under the EMTN Programme.

For an update on acquisition and divestments see note 2.

Consolidated financial statements *continued*

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