

# Consolidated financial statements (unaudited) 2011

Zurich Financial Services Group  
Results for the three months to March 31, 2011

# Consolidated financial statements (unaudited)

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## Consolidated income statements (unaudited)

in USD millions, for the three months ended March 31	Notes	2011	Restated 2010
<b>Revenues</b>			
Gross written premiums		13,510	14,257
Policy fees		581	727
Gross written premiums and policy fees		14,091	14,983
Less premiums ceded to reinsurers		(1,584)	(1,525)
Net written premiums and policy fees		12,507	13,458
Net change in reserves for unearned premiums		(1,679)	(1,533)
Net earned premiums and policy fees		10,828	11,925
Farmers management fees and other related revenues		682	703
Net investment result on Group investments	3	1,699	1,970
Net investment income on Group investments		1,780	1,779
Net capital gains/(losses) and impairments on Group investments		(81)	191
Net investment result on unit-linked investments	3	303	4,533
Other income		345	311
<b>Total revenues</b>		<b>13,858</b>	<b>19,443</b>
<b>Benefits, losses and expenses</b>			
Insurance benefits and losses, gross of reinsurance	6	9,216	10,247
Less ceded insurance benefits and losses	6	(697)	(1,341)
Insurance benefits and losses, net of reinsurance	6	8,519	8,906
Policyholder dividends and participation in profits, net of reinsurance	6	529	4,781
Underwriting and policy acquisition costs, net of reinsurance		1,938	2,299
Administrative and other operating expense		1,794	1,674
Interest expense on debt	10	136	144
Interest credited to policyholders and other interest		122	141
<b>Total benefits, losses and expenses</b>		<b>13,038</b>	<b>17,945</b>
<b>Net income before income taxes</b>		<b>820</b>	<b>1,497</b>
Income tax expense	9	(175)	(545)
attributable to policyholders	9	24	(236)
attributable to shareholders	9	(199)	(309)
<b>Net income after taxes</b>		<b>644</b>	<b>952</b>
attributable to non-controlling interests		7	17
attributable to shareholders		637	935
in USD			
Basic earnings per share	11	4.36	6.46
Diluted earnings per share	11	4.33	6.41
in CHF			
Basic earnings per share	11	4.10	6.83
Diluted earnings per share	11	4.07	6.77

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 three months ended March 31

	Net income attributable to shareholders	Net unrealized gains/(losses) on available- for-sale investments
<b>2010</b>		
Comprehensive income for the period	935	914
Details of movements during the period		
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		1,274
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		(75)
Deferred income tax (before foreign currency translation effects)		(262)
Foreign currency translation effects		(23)
<b>2011</b>		
Comprehensive income for the period	637	(262)
Details of movements during the period		
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		(334)
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		(13)
Deferred income tax (before foreign currency translation effects)		82
Foreign currency translation effects		3

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

	Cash flow hedges	Cumulative foreign currency translation adjustment	Revaluation reserve	Net actuarial gains/(losses) on pension plans	Total other comprehensive income attributable to shareholders	Total comprehensive income attributable to shareholders	Comprehensive income attributable to non-controlling interests	Total comprehensive income
	35	(691)	4	(142)	119	1,055	(83)	971
	161	(690)	4	(242)	506			
	(117)	(1)	–	–	(193)			
	(9)	–	–	62	(210)			
	–	–	–	39	16			
	(57)	(214)	–	62	(471)	166	75	241
	32	(215)	–	139	(378)			
	(89)	1	–	–	(101)			
	20	–	–	(49)	53			
	(21)	–	–	(28)	(46)			

Consolidated financial statements *continued*

## Consolidated balance sheets (unaudited)

Assets	in USD millions, as of	Notes	03/31/11	12/31/10	Restated 12/31/09
<b>Investments</b>					
Total Group investments			201,580	195,898	195,658
Cash and cash equivalents			10,282	8,182	10,318
Equity securities			13,570	13,729	12,581
Debt securities			143,279	140,254	136,723
Real estate held for investment			8,523	8,274	7,789
Mortgage loans			12,041	11,851	12,736
Other loans			13,695	13,419	15,279
Investments in associates and joint ventures			191	188	232
Investments for unit-linked contracts			111,349	107,947	99,167
<b>Total investments</b>		3	<b>312,930</b>	<b>303,845</b>	<b>294,825</b>
Reinsurers' share of reserves for insurance contracts		4	18,985	18,809	18,751
Deposits made under assumed reinsurance contracts			2,583	2,837	3,870
Deferred policy acquisition costs		7	17,324	16,326	16,181
Deferred origination costs		7	900	866	856
Accrued investment income			2,750	2,749	2,744
Receivables			16,128	13,935	13,782
Other assets			3,814	3,736	3,318
Mortgage loans given as collateral			779	743	1,102
Deferred tax assets			2,022	2,067	2,421
Assets held for sale <sup>1</sup>			–	–	67
Property and equipment			1,738	1,689	1,942
Goodwill		8	2,165	2,104	2,297
Other intangible assets		8	6,123	5,954	7,044
<b>Total assets</b>			<b>388,241</b>	<b>375,661</b>	<b>369,202</b>

<sup>1</sup> 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	Restated		
			03/31/11	12/31/10	12/31/09
<b>Liabilities</b>					
	Reserve for premium refunds		491	518	649
	Liabilities for investment contracts	5	52,498	50,667	46,124
	Deposits received under ceded reinsurance contracts		1,373	1,362	1,558
	Deferred front-end fees		5,868	5,626	5,543
	Reserves for insurance contracts	4	251,792	242,646	242,094
	Obligations to repurchase securities		2,977	3,330	3,976
	Accrued liabilities		2,830	3,011	2,839
	Other liabilities		21,129	18,396	18,299
	Collateralized loans		779	743	1,102
	Deferred tax liabilities		4,541	4,585	4,445
	Debt related to capital markets	10	400	400	25
	Senior and subordinated debt	10	11,965	11,057	11,444
	<b>Total liabilities</b>		<b>356,644</b>	<b>342,340</b>	<b>338,098</b>
<b>Equity</b>					
	Share capital		10	10	10
	Additional paid-in capital		9,732	11,630	11,400
	Net unrealized gains/(losses) on available-for-sale investments		2,206	2,468	387
	Cash flow hedges		(1)	56	(9)
	Cumulative foreign currency translation adjustment		(1,339)	(1,125)	(396)
	Revaluation reserve		126	126	98
	Retained earnings		19,067	18,344	17,253
	<b>Common shareholders' equity</b>		<b>29,801</b>	<b>31,509</b>	<b>28,743</b>
	Preferred securities		332	475	561
	<b>Shareholders' equity</b>		<b>30,133</b>	<b>31,984</b>	<b>29,304</b>
	Non-controlling interests		1,464	1,337	1,800
	<b>Total equity</b>		<b>31,597</b>	<b>33,321</b>	<b>31,104</b>
	<b>Total liabilities and equity</b>		<b>388,241</b>	<b>375,661</b>	<b>369,202</b>

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 three months ended March 31	2011	Restated 2010
<b>Cash flows from operating activities</b>		
Net income attributable to shareholders	637	935
Adjustments for:		
Income from equity method accounted investments	(2)	(4)
Depreciation, amortization and impairments of fixed and intangible assets	202	219
Other non-cash items	320	(516)
Underwriting activities:	1,784	6,773
Reserves for insurance contracts, gross	2,080	5,236
Reinsurers' share of reserves for insurance contracts	84	(570)
Liabilities for investment contracts	(234)	2,400
Deferred policy acquisition costs	(383)	(214)
Deferred origination costs	(3)	(6)
Deposits made under assumed reinsurance contracts	261	8
Deposits received under ceded reinsurance contracts	(22)	(81)
Investments:	777	(5,436)
Net capital (gains)/losses on total investments and impairments	144	(4,356)
Net change in trading securities and derivatives	(94)	(63)
Net change in money market investments	509	(7)
Sales and maturities		
Debt securities	25,695	51,024
Equity securities	15,345	14,695
Other	18,014	12,512
Purchases		
Debt securities	(26,997)	(52,473)
Equity securities	(14,507)	(13,719)
Other	(17,332)	(13,049)
Proceeds from sale and repurchase agreements	(448)	65
Movements in receivables and payables	(1,609)	(506)
Net changes in debt for capital markets	–	375
Net changes in other operational assets and liabilities	(370)	(556)
Deferred income tax, net	(48)	162
Net cash provided by/(used in) operating activities	1,242	1,510

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



in USD millions, for the three months ended March 31	2011	Restated 2010
<b>Cash flows from investing activities</b>		
Sales of property and equipment	14	21
Purchase of property and equipment	(64)	(56)
Disposal of equity method accounted investments, net	–	2
Divestments of companies, net of cash balances	–	32
<b>Net cash used in investing activities</b>	<b>(49)</b>	<b>(1)</b>
<b>Cash flows from financing activities</b>		
Issuance of share capital	36	36
Net movement in treasury shares and preferred securities	10	7
Redemption of preferred securities and repayments to non-controlling interests	(150)	–
Issuance of debt	534	–
<b>Net cash provided by/(used in) financing activities</b>	<b>429</b>	<b>44</b>
Foreign currency translation effects on cash and cash equivalents	455	(727)
<b>Change in cash and cash equivalents excluding change in cash held as collateral for securities lending</b>	<b>2,077</b>	<b>825</b>
Cash and cash equivalents as of January 1, excluding cash held as collateral for securities lending	9,726	10,749
<b>Cash and cash equivalents as of March 31, excluding cash held as collateral for securities lending</b>	<b>11,803</b>	<b>11,573</b>
Change in cash held as collateral for securities lending	–	(332)
Cash and cash equivalents as of January 1, including cash held as collateral for securities lending	9,726	11,242
<b>Cash and cash equivalents as of March 31, including cash held as collateral for securities lending</b>	<b>11,803</b>	<b>11,734</b>
of which:		
– cash and cash equivalents – Group investments	10,282	10,699
– cash and cash equivalents – unit linked	1,521	1,036
<b>Other supplementary cash flow disclosures</b>		
Other interest income received	1,898	1,939
Dividend income received	332	300
Other interest expense paid	(148)	(186)
Income tax received (paid)	29	(147)

As of March 31, 2011 and 2010, cash and cash equivalents held to meet local regulatory requirements were USD 756 million and USD 992 million, respectively.

## Cash and cash equivalents

in USD millions, as of March 31	2011	Restated 2010
<b>Cash and cash equivalents comprise the following:</b>		
Cash at bank and in hand	7,183	6,114
Cash equivalents	4,620	5,459
Cash held as collateral for securities lending	–	161
<b>Total</b>	<b>11,803</b>	<b>11,734</b>

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

Consolidated financial statements *continued*

## Consolidated statements of changes in equity (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	10	11,400	387	
Issuance of share capital <sup>1</sup>	–	155	–	
Dividends to shareholders	–	–	–	
Share-based payment transactions	–	(107)	–	
Treasury share transactions <sup>4</sup>	–	(4)	–	
Change of ownership with no loss of control	–	–	–	
Total comprehensive income for the period, net of tax	–	–	914	
<i>Net income</i>	–	–	–	
<i>Net unrealized gains/(losses) on available-for-sale investments</i>	–	–	914	
<i>Cash flow hedges</i>	–	–	–	
<i>Cumulative foreign currency translation adjustment</i>	–	–	–	
<i>Net actuarial gains/(losses) on pension plans</i>	–	–	–	
Net changes in capitalization of non-controlling interests	–	–	–	
Balance as of March 31, 2010	10	11,444	1,301	
Balance as of December 31, 2010	10	11,630	2,468	
Issuance of share capital <sup>1</sup>	–	134	–	
Dividends to shareholders <sup>2</sup>	–	(1,911)	–	
Redemption of preferred securities <sup>3</sup>	–	(7)	–	
Share-based payment transactions	–	(97)	–	
Treasury share transactions <sup>4</sup>	–	(16)	–	
Total comprehensive income for the period, net of tax	–	–	(262)	
<i>Net income</i>	–	–	–	
<i>Net unrealized gains/(losses) on available-for-sale investments</i>	–	–	(262)	
<i>Cash flow hedges</i>	–	–	–	
<i>Cumulative foreign currency translation adjustment</i>	–	–	–	
<i>Net actuarial gains/(losses) on pension plans</i>	–	–	–	
Net changes in capitalization of non-controlling interests	–	–	–	
<b>Balance as of March 31, 2011</b>	<b>10</b>	<b>9,732</b>	<b>2,206</b>	

<sup>1</sup> The number of common shares issued as of March 31, 2011 was 147,191,925 (March 31, 2010: 148,131,663, December 31, 2010: 146,586,896, December 31, 2009: 147,473,068).

<sup>2</sup> As approved by the Annual General Meeting on March 31, 2011, the dividend of CHF 17 per share will be 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 1,911 million is reflected in the cumulative foreign currency translation adjustment.

<sup>3</sup> Zurich RegCaPS Funding Trust II redeemed USD 150 million of Trust Capital Securities II on March 30, 2011.

<sup>4</sup> The number of treasury shares deducted from equity as of March 31, 2011 amounted to 1,394,303 (March 31, 2010: 3,262,421, 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
	-	-	-	-	155	-	155	-	155
	-	-	-	(2,202)	(2,202)	(3)	(2,205)	(3)	(2,208)
	-	-	-	-	(107)	-	(107)	-	(107)
	-	-	-	16	12	(5)	7	-	7
	-	-	-	(3)	(3)	-	(3)	-	(3)
	35	(691)	4	791	1,052	3	1,055	(83)	971
	-	-	-	932	932	3	935		
	-	-	-	-	914	-	914		
	35	-	-	-	35	-	35		
	-	(691)	-	-	(691)	-	(691)		
	-	-	-	(142)	(142)	-	(142)		
	-	-	-	-	-	-	-	(44)	(44)
	26	(1,088)	102	15,855	27,650	556	28,206	1,670	29,876
	56	(1,125)	126	18,344	31,509	475	31,984	1,337	33,321
	-	-	-	-	134	-	134	-	134
	-	-	-	-	(1,911)	(3)	(1,914)	-	(1,914)
	-	-	-	-	(7)	(144)	(150)	-	(150)
	-	-	-	-	(97)	-	(97)	-	(97)
	-	-	-	27	10	-	10	-	10
	(57)	(214)	-	695	162	3	165	75	240
	-	-	-	634	634	3	637		
	-	-	-	-	(262)	-	(262)		
	(57)	-	-	-	(57)	-	(57)		
	-	(214)	-	-	(214)	-	(214)		
	-	-	-	62	62	-	62		
	-	-	-	-	-	-	-	53	53
	(1)	(1,339)	126	19,067	29,801	332	30,133	1,464	31,597

## 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 three months ended March 31, 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. For 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.

Certain balances erroneously reported as cash and cash equivalents amounting to USD 376 million as of December 31, 2010, 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 as of December 31, 2010, are now presented under unit-linked other loans. These changes in presentation are reflected in the consolidated balance sheets, consolidated income statements, consolidated statements of cash flows and notes 3 and 10. As of March 31, 2010, the impact of this reclassification in cash and cash equivalent amounts to USD 7,324 million. This change in presentation is reflected in the consolidated statement of cash flows.

Premium taxes erroneously reported under Administrative and other operating expense amounting to USD 38 million for the three months ended March 31, 2010, are now presented under Underwriting and policy acquisition costs.

The Group erroneously classified certain life insurance products. The classification has only been corrected for the current year as the impact on the Group's consolidated balance sheet and consolidated income statement is not material. The reclassifications in the balance sheet from other liabilities to reserves for future life policyholders' benefits and liabilities for investment contracts as well as the reclassification from reserves for future life policyholders' benefits to liabilities for investment contracts, and from liabilities for investment contracts to reserves for unit-linked contracts are shown in the notes 4 and 5.

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

Table 1 summarizes the principal exchange rates that have been used for translation purposes. Net gains on foreign currency transactions included in the consolidated income statements were USD 77 million and USD 58 million for the three months ended March 31, 2011 and 2010, respectively. Foreign currency exchange forward and swap gains and (losses) included in these amounts were USD 85 million and USD (100) million for the three months ended March 31, 2011 and 2010, respectively.

Principal  
exchange rates

	Balance sheets		Income statements and cash flows	
	03/31/2011	12/31/2010	03/31/2011	03/31/2010
	Euro	1.4184	1.3391	1.3681
Swiss franc	1.0916	1.0707	1.0633	0.9462
British pound	1.6047	1.5596	1.6018	1.5611

**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

## Consolidated financial statements *continued*

### 2. Acquisitions and divestments

#### Transactions in 2011

##### Acquisitions

On February 22, 2011 the Group signed a memorandum of understanding with Banco Santander, S.A. (Santander), a banking group based in Spain, to acquire a 51.0 percent participation in the life insurance, pension and general insurance operations of Santander in Brazil, Mexico, Chile, Argentina and Uruguay. As part of the transaction, the Group will enter into a 25-year strategic distribution arrangement with Santander in Latin America. The Group and Santander will enter into definitive agreements on the basis of the key principles agreed in the memorandum of understanding. This transaction will be a milestone in the implementation of the Group's emerging-market strategy in both Global Life and General Insurance, significantly expanding the Group's presence in Latin America. The initial consideration will amount to USD 1.67 billion subject to 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. The transaction is expected to close by the first quarter of 2012 and is subject to applicable anti-trust and insurance regulatory approvals, and other customary closing conditions.

#### Transactions in 2010

##### Acquisitions

On September 6, 2010 the Group, as a part of its preparations for local regulatory changes, signed an agreement to acquire 75.0 percent including a commitment to increase its investment up to 100.0 percent of 2Plan Group Limited, an independent financial advice firm based in the UK. Subject to the approval of the relevant regulatory authorities, the transaction is expected to close in the third quarter of 2011.

On November 1, 2010 the Group completed the acquisition of 80.0 percent of PT Zurich Topas Life (formerly PT Mayapada Life), a life insurer based in Indonesia focused on the distribution of group and individual life and health plans. Mayapada Group will continue to hold 20.0 percent of PT Zurich Topas Life. Through this transaction, the Group established its presence in the Indonesian life insurance market. Total acquisition costs amounted to less than USD 1 million. PT Zurich Topas Life has been included in the Group's consolidated financial statements from March 31, 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. The total purchase price amounted to USD 60 million of which USD 12 million will be paid during 2011 subject to purchase price and other adjustments. As of March 31, 2011, the Group was still in the process of preparing the initial accounting and, therefore, the total purchase price was recorded as an unconsolidated investment in other assets.

##### Divestments and loss of control

On February 15, 2010, Royal Bafokeng Finance (Pty) Limited (RBF), an investment company based in South Africa and wholly owned by Royal Bafokeng Holdings (Pty) Limited, based in South Africa and responsible for the management and development of the commercial assets of the Royal Bafokeng Nation, increased its 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 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 the 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 Companyia 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 has been recorded within Net gain on divestments of businesses. 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 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 three months ended March 31

	Net investment income		Net capital gains/ (losses) on investments and impairments		Investment result	
	2011	2010	2011	2010	2011	2010
Cash and cash equivalents	13	14	(10)	11	3	25
Equity securities	375	359	117	3,898	493	4,258
Debt securities	1,405	1,412	(143)	478	1,262	1,890
Real estate held for investment	208	198	43	122	251	320
Mortgage loans	122	133	(7)	(17)	115	116
Other loans	210	195	22	3	232	198
Investments in associates and joint ventures	2	4	(50)	(22)	(48)	(17)
Derivative financial instruments <sup>1</sup>	–	–	(116)	(118)	(116)	(118)
Investment result, gross	2,335	2,315	(144)	4,356	2,191	6,671
Investment expenses	(189)	(168)	–	–	(189)	(168)
<b>Investment result, net</b>	<b>2,146</b>	<b>2,148</b>	<b>(144)</b>	<b>4,356</b>	<b>2,002</b>	<b>6,503</b>

<sup>1</sup> Net capital gains/(losses) on derivatives attributable to cash flow hedge ineffectiveness amounted to USD 4 million and USD 14 million for the three months ended March 31, 2011 and 2010, respectively.

Rental operating expenses for real estate held for investment included in investment expenses for total investments amounted to USD 49 million for the three months period in both 2011 and 2010.

Table 3.1b

Investment  
result for  
Group  
investments

in USD millions, for the three months ended March 31

	Net investment income		Net capital gains/ (losses) on investments and impairments		Investment result	
	2011	2010	2011	2010	2011	2010
Cash and cash equivalents	12	13	–	2	11	15
Equity securities	84	66	57	85	141	151
Debt securities	1,336	1,335	(52)	248	1,284	1,583
Real estate held for investment	125	118	49	(7)	175	111
Mortgage loans	122	133	(7)	(17)	115	116
Other loans	160	169	22	–	182	169
Investments in associates and joint ventures	2	4	(50)	(22)	(48)	(17)
Derivative financial instruments <sup>1</sup>	–	–	(101)	(97)	(101)	(97)
Investment result, gross for Group investments	1,841	1,839	(81)	191	1,760	2,030
Investment expenses for Group investments	(61)	(60)	–	–	(61)	(60)
<b>Investment result, net for Group investments</b>	<b>1,780</b>	<b>1,779</b>	<b>(81)</b>	<b>191</b>	<b>1,699</b>	<b>1,970</b>

<sup>1</sup> Net capital gains/(losses) on derivatives attributable to cash flow hedge ineffectiveness amounted to USD 4 million and USD 14 million for the three months ended March, 2011 and 2010, respectively.

For the three months ended March 31, 2011 and 2010, respectively, impairment charges on Group investments included in net capital gains/(losses) amounted to USD 54 million and USD 114 million, including USD 8 million and USD 39 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 three months ended March 31		Net capital gains/ (losses) on investments		Investment result	
	Net investment income					
	2011	2010	2011	2010	2011	2010
Cash and cash equivalents	2	1	(10)	9	(8)	10
Equity securities	291	293	60	3,814	351	4,107
Debt securities	68	77	(91)	230	(23)	307
Real estate held for investment	83	80	(7)	129	76	209
Other loans	50	25	–	3	50	29
Derivative financial instruments	–	–	(16)	(21)	(16)	(21)
Investment result, gross for unit-linked contracts	494	477	(63)	4,164	431	4,641
Investment expenses for unit-linked contracts	(128)	(108)	–	–	(128)	(108)
<b>Investment result, net unit-linked contracts</b>	<b>366</b>	<b>368</b>	<b>(63)</b>	<b>4,164</b>	<b>303</b>	<b>4,533</b>

Table 3.2

Net capital gains, losses and impairments on equity and debt securities on total investments	in USD millions, for the three months ended March 31		Equity securities		Debt securities		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Securities at fair value through profit or loss:	109	3,936	(130)	318	(21)	4,254		
Net capital gains/(losses) on Group investments	49	122	(39)	88	10	210		
<i>of which:</i>								
<i>Trading securities</i>	12	18	(1)	1	11	19		
<i>Securities designated at fair value through profit or loss</i>	36	104	(38)	86	(1)	190		
Net capital gains/(losses) for unit-linked contracts	60	3,814	(91)	230	(31)	4,044		
Available-for-sale securities:	9	(37)	(13)	160	(5)	123		
Realized capital gains on Group investments	71	67	236	284	307	350		
Realized capital losses on Group investments	(21)	(32)	(244)	(120)	(265)	(152)		
Impairments on Group investments	(41)	(72)	(5)	(3)	(46)	(75)		
<b>Total net capital gains/(losses) and impairments</b>	<b>117</b>	<b>3,898</b>	<b>(143)</b>	<b>478</b>	<b>(25)</b>	<b>4,377</b>		

Consolidated financial statements *continued*

Details of total investments by category	Table 3.3a		Total investments	
	as of		12/31/10	
	USD millions	% of total	USD millions	% of total
Cash and cash equivalents	11,803	3.8	9,726	3.2
Equity securities:				
Fair value through profit or loss	92,142	29.4	89,695	29.5
<i>of which:</i>				
<i>Trading securities</i>	477	0.2	473	0.2
<i>Securities designated at fair value through profit or loss</i>	91,665	29.3	89,223	29.4
Available-for-sale <sup>1</sup>	9,772	3.1	9,798	3.2
<b>Total equity securities</b>	<b>101,915</b>	<b>32.6</b>	<b>99,494</b>	<b>32.7</b>
Debt securities:				
Fair value through profit or loss	17,125	5.5	16,245	5.3
<i>of which:</i>				
<i>Trading securities</i>	43	0.0	43	0.0
<i>Securities designated at fair value through profit or loss</i>	17,083	5.5	16,202	5.3
Available-for-sale	131,050	41.9	128,257	42.2
Held-to-maturity	5,456	1.7	5,129	1.7
<b>Total debt securities</b>	<b>153,632</b>	<b>49.1</b>	<b>149,630</b>	<b>49.2</b>
Real estate held for investment	12,685	4.1	12,355	4.1
Mortgage loans	12,041	3.8	11,851	3.9
Other loans	20,662	6.6	20,601	6.8
Investments in associates and joint ventures	191	0.1	188	0.1
<b>Total investments</b>	<b>312,930</b>	<b>100.0</b>	<b>303,845</b>	<b>100.0</b>

<sup>1</sup> Includes the Group's 20 percent investment in New China Life Insurance Company Ltd. as of both March 31, 2011 and December 31, 2010, over which the Group has no significant influence.

Details  
of Group  
investments  
by category

Table 3.3b

as of	Group investments			
	03/31/11		12/31/10	
	USD millions	% of total	USD millions	% of total
Cash and cash equivalents	10,282	5.1	8,182	4.2
Equity securities:				
Fair value through profit or loss	3,798	1.9	3,931	2.0
<i>of which:</i>				
<i>Trading securities</i>	477	0.2	473	0.2
<i>Securities designated at fair value through profit or loss</i>	3,320	1.6	3,458	1.8
Available-for-sale <sup>1</sup>	9,772	4.8	9,798	5.0
<b>Total equity securities</b>	<b>13,570</b>	<b>6.7</b>	<b>13,729</b>	<b>7.0</b>
Debt securities:				
Fair value through profit or loss	6,773	3.4	6,869	3.5
<i>of which:</i>				
<i>Trading securities</i>	43	0.0	43	0.0
<i>Securities designated at fair value through profit or loss</i>	6,730	3.3	6,826	3.5
Available-for-sale	131,050	65.0	128,257	65.5
Held-to-maturity	5,456	2.7	5,129	2.6
<b>Total debt securities</b>	<b>143,279</b>	<b>71.1</b>	<b>140,254</b>	<b>71.6</b>
Real estate held for investment	8,523	4.2	8,274	4.2
Mortgage loans	12,041	6.0	11,851	6.0
Other loans	13,695	6.8	13,419	6.9
Investments in associates and joint ventures	191	0.1	188	0.1
<b>Total Group investments</b>	<b>201,580</b>	<b>100.0</b>	<b>195,898</b>	<b>100.0</b>

<sup>1</sup> Includes the Group's 20 percent investment in New China Life Insurance Company Ltd. as of both March 31, 2011 and December 31, 2010, over which the Group has no significant influence.

Cash and investments with a carrying value of USD 5,152 million and USD 5,176 million were deposited with regulatory authorities as of March 31, 2011 and December 31, 2010, respectively.

## Consolidated financial statements *continued*

### Securities under security lending and repurchase agreements

As of March 31, 2011 and December 31, 2010, investments included USD 7,271 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 859 million and USD 485 million as of March 31, 2011 and December 31, 2010, respectively. Non-cash collateral received for loaned securities comprised mainly equity and debt securities and amounted to USD 6,762 million and USD 5,663 million as of March 31, 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 March 31, 2011 and December 31, 2010, respectively, debt securities with a carrying value of USD 2,989 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 2,977 million and USD 3,330 million as of March 31, 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			
	03/31/11		12/31/10	
	USD millions	% of total	USD millions	% of total
Cash and cash equivalents	1,521	1.4	1,544	1.4
Equity securities	88,345	79.3	85,765	79.5
Debt securities	10,353	9.3	9,376	8.7
Real estate	4,163	3.7	4,081	3.8
Other loans	6,967	6.3	7,182	6.7
<b>Total investments for unit-linked contracts</b>	<b>111,349</b>	<b>100.0</b>	<b>107,947</b>	<b>100.0</b>

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 236 million and USD 247 million as of March 31, 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	
	03/31/11	12/31/10
Equity securities: available-for-sale	2,113	1,880
Debt securities: available-for-sale	1,055	2,262
Other	(5)	76
<b>Less: amount of net unrealized gains/(losses) on investments attributable to:</b>		
Life policyholder dividends and other policyholder liabilities	(130)	(662)
Life deferred acquisition costs	(51)	(154)
Deferred income taxes	(769)	(869)
Non-controlling interests	(8)	(9)
<b>Total<sup>1</sup></b>	<b>2,205</b>	<b>2,524</b>

<sup>1</sup> Net unrealized gains/(losses) include net gains/(losses) arising on cash flow hedges of USD (1) million and USD 56 million as of March 31, 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	
	03/31/11	12/31/10	03/31/11	12/31/10	03/31/11	12/31/10
Reserves for losses and loss adjustment expenses	69,096	68,069	(11,976)	(12,093)	57,120	55,976
Reserves for unearned premiums	18,283	16,046	(2,405)	(2,179)	15,878	13,868
Future life policyholders' benefits	83,060	79,315	(2,528)	(2,423)	80,532	76,891
Policyholders' contract deposits and other funds	17,394	17,430	(2,220)	(2,246)	15,174	15,184
Reserves for unit-linked contracts	63,958	61,786	–	–	63,958	61,786
<b>Total reserves for insurance contracts<sup>1</sup></b>	<b>251,792</b>	<b>242,646</b>	<b>(19,130)</b>	<b>(18,942)</b>	<b>232,663</b>	<b>223,704</b>

<sup>1</sup> The total reserves for insurance contracts ceded are gross of allowances for uncollectible amounts of USD 144 million and USD 132 million as of March 31, 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	68,069	68,086	(12,093)	(12,182)	55,976	55,903
Losses and loss adjustment expenses incurred:						
Current year	6,610	7,776	(473)	(1,417)	6,136	6,359
Prior years	(195)	(413)	(77)	221	(272)	(192)
<b>Total incurred</b>	<b>6,414</b>	<b>7,363</b>	<b>(550)</b>	<b>(1,195)</b>	<b>5,864</b>	<b>6,168</b>
Losses and loss adjustment expenses paid:						
Current year	(1,214)	(1,495)	67	63	(1,147)	(1,432)
Prior years	(5,362)	(5,164)	770	710	(4,592)	(4,454)
<b>Total paid</b>	<b>(6,576)</b>	<b>(6,659)</b>	<b>837</b>	<b>773</b>	<b>(5,739)</b>	<b>(5,886)</b>
Acquisitions/(divestments) and transfers	(2)	–	–	–	(2)	–
Foreign currency translation effects	1,190	(1,490)	(170)	246	1,020	(1,244)
<b>As of March 31</b>	<b>69,096</b>	<b>67,300</b>	<b>(11,976)</b>	<b>(12,359)</b>	<b>57,120</b>	<b>54,941</b>

## 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 three months of 2011. The increase of USD 1,144 million in total net reserves included USD 272 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, medical malpractice and surety lines of business were the main contributors. This positive development was partially offset by adverse development of approximately USD 60 million in Europe related to weather events during the last few days of 2010 and adverse experience in North America's workers compensation business.

Table 4.3

Development of future life policyholders' benefits	in USD millions		Gross		Ceded		Net	
	2011	2010	2011	2010	2011	2010	2011	2010
As of January 1	79,315	79,271	(2,423)	(2,199)	76,891	77,072		
Premiums	2,475	2,383	(129)	(168)	2,346	2,215		
Claims	(2,353)	(2,692)	94	92	(2,259)	(2,600)		
Fee income and other expenses	(464)	(440)	(1)	43	(465)	(397)		
Interest and bonuses credited to policyholders	581	661	(9)	(19)	573	643		
Change in assumptions	(16)	53	1	(4)	(15)	48		
Acquisitions/transfers <sup>1</sup>	187	–	–	–	187	–		
(Decreases)/increases recorded in other comprehensive income	(23)	33	–	–	(23)	33		
Foreign currency translation effects	3,357	(3,524)	(61)	68	3,297	(3,456)		
<b>As of March 31</b>	<b>83,060</b>	<b>75,745</b>	<b>(2,528)</b>	<b>(2,187)</b>	<b>80,532</b>	<b>73,558</b>		

<sup>1</sup> The 2011 movement includes reclassifications of USD 212 million transferred from other liabilities to future life policyholders' benefits net of USD (27) million transferred to liabilities for investment contracts (see note 1).

Table 4.4

Policyholders' contract deposits and other funds gross	in USD millions, as of	
	03/31/11	12/31/10
Annuities	1,314	1,293
Universal life and other contracts	11,505	11,164
Policyholder dividends	4,576	4,973
<b>Total</b>	<b>17,394</b>	<b>17,430</b>

Table 4.5

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	334	635	(14)	(12)	319	623	
Claims	(374)	(519)	63	73	(311)	(446)	
Fee income and other expenses	(84)	(64)	(1)	(1)	(86)	(64)	
Interest and bonuses credited to policyholders	170	289	(20)	(22)	150	267	
(Decrease)/increase recorded in other comprehensive income	(507)	758	–	–	(507)	758	
Foreign currency translation effects	425	(516)	(1)	8	424	(507)	
<b>As of March 31</b>	<b>17,394</b>	<b>19,441</b>	<b>(2,220)</b>	<b>(2,411)</b>	<b>15,174</b>	<b>17,030</b>	

Table 4.6

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	2,220	2,173	(1)	(1)	2,219	2,172	
Claims	(2,113)	(1,562)	1	1	(2,113)	(1,561)	
Fee income and other expenses	(368)	(389)	–	–	(368)	(389)	
Interest and bonuses credited/(charged) to policyholders	401	2,314	–	–	401	2,314	
Acquisitions/transfers <sup>1</sup>	119	–	–	–	119	–	
Foreign currency translation effects	1,915	(2,737)	–	–	1,915	(2,737)	
<b>As of March 31</b>	<b>63,958</b>	<b>58,004</b>	<b>–</b>	<b>–</b>	<b>63,958</b>	<b>58,004</b>	

<sup>1</sup> The 2011 movement relates to the reclassification of liabilities for investment contracts to reserves for unit-linked contracts (see note 1).

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

Table 5.1

Liabilities for investment contracts	in USD millions, as of	
	03/31/11	12/31/10
Liabilities related to unit-linked investment contracts	46,141	44,941
Liabilities related to investment contracts (amortized cost)	839	592
Liabilities related to investment contracts with DPF	5,518	5,134
<b>Total</b>	<b>52,498</b>	<b>50,667</b>

Unit-linked investment contracts issued by the Group are recorded at a value reflecting the returns on investment funds which include selected equities, debt securities and derivatives. Policyholders bear the full risk of the returns on these investments.

The value of financial liabilities at amortized cost is based on a discounted cash flow valuation technique. The discount rate is determined by the current market assessment of the time value of money and risk specific to the liability.

Table 5.2

Development of liabilities for investment contracts	in USD millions	
	2011	2010
As of January 1	50,667	46,124
Premiums	1,336	1,650
Claims	(1,507)	(1,371)
Fee income and other expenses	(149)	(184)
Interest and bonuses charged/(credited) to policyholders	90	2,305
Acquisitions/transfers <sup>1</sup>	152	(2)
Increase/(decrease) recorded in other comprehensive income	(2)	4
Foreign currency translation effects	1,912	(2,563)
<b>As of March 31</b>	<b>52,498</b>	<b>45,962</b>

<sup>1</sup> The 2011 movement includes USD 246 million transferred from other liabilities to liabilities for investment contracts and USD 27 million transferred from future life policyholders' benefits to liabilities for investment contracts offset by USD (119) million transferred from liabilities for investment contracts to reserves for unit-linked contracts (see note 1).

## 6. Gross and ceded insurance revenues and expenses

Table 6.1

Insurance benefits and losses	in USD millions, for the three months ended March 31					
	Gross		Ceded		Net	
	2011	2010	2011	2010	2011	2010
Losses and loss adjustment expenses	6,414	7,363	(550)	(1,195)	5,864	6,168
Life insurance death and other benefits	2,568	3,043	(101)	(108)	2,467	2,935
Change in future life policyholders' benefits	233	(159)	(47)	(38)	187	(197)
<b>Total insurance benefits and losses</b>	<b>9,216</b>	<b>10,247</b>	<b>(697)</b>	<b>(1,341)</b>	<b>8,519</b>	<b>8,906</b>

Table 6.2

Policyholder dividends and participation in profits	in USD millions, for the three months ended March 31					
	Gross		Ceded		Net	
	2011	2010	2011	2010	2011	2010
Change in policyholders' contract deposits and other funds	163	233	–	–	163	232
Change in reserves for unit-linked products	310	2,333	–	–	310	2,333
Change in liabilities for investment contracts – unit-linked	19	2,299	–	–	19	2,299
Change in liabilities for investment contracts – other	49	60	–	–	49	60
Change in unit-linked liabilities related to UK capital gains tax	(13)	(143)	–	–	(13)	(143)
<b>Total policyholder dividends and participation in profits</b>	<b>529</b>	<b>4,782</b>	<b>–</b>	<b>–</b>	<b>529</b>	<b>4,781</b>

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## 7. Deferred policy acquisition costs and deferred origination costs

Table 7.1

Development of deferred policy acquisition costs	in USD millions		General Insurance		Global Life		Other segments <sup>1</sup>		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	As of January 1	3,472	3,374	12,686	12,276	169	531	16,326	16,181	
Acquisition costs deferred	767	822	456	393	161	320	1,384	1,535		
Amortization	(640)	(710)	(231)	(270)	(130)	(347)	(1,002)	(1,327)		
Amortization charged/ (credited) to other comprehensive income	–	–	77	(83)	–	–	77	(83)		
Foreign currency translation effects	67	(75)	473	(595)	–	–	540	(670)		
<b>As of March 31</b>	<b>3,665</b>	<b>3,412</b>	<b>13,460</b>	<b>11,720</b>	<b>199</b>	<b>505</b>	<b>17,324</b>	<b>15,636</b>		

<sup>1</sup> Net of eliminations from inter-segment transactions.

Table 7.2

Development of deferred origination costs	in USD millions		2011	2010
	As of January 1		866	856
Origination costs deferred		37	32	
Amortization		(34)	(27)	
Foreign currency translation effects		32	(49)	
<b>As of March 31</b>		<b>900</b>	<b>812</b>	



## 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	8	–	15	–	85	–	108
Divestments and transfers	–	–	–	–	(3)	–	(3)
Amortization	–	(24)	(31)	–	(98)	(3)	(157)
Amortization charged to other comprehensive income	–	24	–	–	–	–	24
Foreign currency translation effects	52	39	130	–	31	5	257
<b>Net carrying value as of March 31, 2011</b>	<b>2,165</b>	<b>945</b>	<b>2,395</b>	<b>1,025</b>	<b>1,638</b>	<b>120</b>	<b>8,288</b>
Plus: accumulated amortization/impairments	137	1,668	377	–	2,298	83	4,562
<b>Gross carrying value as of March 31, 2011</b>	<b>2,302</b>	<b>2,613</b>	<b>2,771</b>	<b>1,025</b>	<b>3,936</b>	<b>203</b>	<b>12,850</b>

As of March 31, 2011, the intangible assets related to non-controlling interests were USD 150 million for the present value of future profits (PVFP) of acquired insurance contracts, USD 1,106 million for distribution agreements and USD 6 million for software.

Additions to goodwill include 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.).

Additions to distribution agreements relate to a new distribution agreement between the Group's Turkish operations A.Ş. and Fortis bank.

Table 8.2

Intangible assets  
by segment –  
current period

in USD millions, as of March 31, 2011							
	Goodwill	PVFP	Distribution agreements	Attorney-in-fact relationships	Software	Other intangible assets	Total
General Insurance	901	–	574	–	585	96	2,156
Global Life	440	945	1,820	–	358	25	3,588
Farmers	819	–	–	1,025	418	–	2,263
Other Operating Businesses	5	–	–	–	275	–	280
Non-Core Businesses	–	–	–	–	2	–	2
<b>Net carrying value as of March 31, 2011</b>	<b>2,165</b>	<b>945</b>	<b>2,395</b>	<b>1,025</b>	<b>1,638</b>	<b>120</b>	<b>8,288</b>

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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	–	–	–	–	153	(1)	152
Divestments and transfers	–	–	–	–	(8)	–	(8)
Amortization	–	(32)	(37)	–	(86)	(4)	(159)
Amortization charged to other comprehensive income	–	(23)	–	–	–	–	(23)
Foreign currency translation effects	(40)	(53)	(176)	–	(36)	(6)	(310)
<b>Net carrying value as of March 31, 2010</b>	<b>2,257</b>	<b>1,029</b>	<b>2,962</b>	<b>1,025</b>	<b>1,593</b>	<b>127</b>	<b>8,993</b>
Plus: accumulated amortization/impairments	21	1,591	274	–	1,885	83	3,853
<b>Gross carrying value as of March 31, 2010</b>	<b>2,278</b>	<b>2,619</b>	<b>3,236</b>	<b>1,025</b>	<b>3,477</b>	<b>211</b>	<b>12,846</b>

As of March 31, 2010, the intangible assets related to non-controlling interests were USD 206 million for the present value of future profits (PVFP) of acquired insurance contracts, USD 1,385 million for distribution agreements and USD 7 million for software.

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
<b>Net carrying value as of December 31, 2010</b>	<b>2,104</b>	<b>906</b>	<b>2,281</b>	<b>1,025</b>	<b>1,623</b>	<b>119</b>	<b>8,059</b>

## 9. Income taxes

Table 9.1			
in USD millions, for the three months ended March 31			
		2011	2010
Income tax expense – current/deferred split	Current	255	361
	Deferred	(80)	184
	<b>Total income tax expense/(benefit)</b>	<b>175</b>	<b>545</b>

Table 9.2			
in USD millions, for the three months ended March 31			
		2011	2010
Income tax expense – policyholder/shareholder attribution	Total income tax expense/(benefit) attributable to policyholders	(24)	236
	Total income tax expense/(benefit) attributable to shareholders	199	309
	<b>Total income tax expense/(benefit)</b>	<b>175</b>	<b>545</b>

The Group is required to record taxes on policyholder earnings for life insurance policyholders in certain jurisdictions. Accordingly, the income tax expense or benefit attributable to these life insurance policyholder earnings is included in income tax expense. In certain jurisdictions an accrual for future policy fees that will cover the tax charge is included in insurance benefits and losses.

Table 9.3					
in USD millions, for the three months ended March 31					
	Rate	2011	Rate	2010	
Expected and actual income tax expense		820		1,497	
Less: income tax (expense)/benefit attributable to policyholders		24		(236)	
Net income before income taxes attributable to shareholders		843		1,261	
Expected income tax expense attributable to shareholders computed at the Swiss statutory tax rate	22.0%	186	22.0%	278	
Increase/(reduction) in taxes resulting from:					
<i>Tax rate differential in foreign jurisdictions</i>		(5)		60	
<i>Tax exempt and lower taxed income</i>		(2)		(22)	
<i>Non-deductible expenses</i>		29		14	
<i>Tax losses previously unrecognized or no longer recognized</i>		8		5	
<i>Prior year adjustments and other</i>		(17)		(26)	
Actual income tax expense attributable to shareholders	23.6%	199	24.5%	309	
Plus: income tax expense/(benefit) attributable to policyholders		(24)		236	
<b>Actual income tax expense/(benefit)</b>	<b>21.4%</b>	<b>175</b>	<b>36.4%</b>	<b>545</b>	

Table 9.3 sets out the factors that cause the actual income tax expense to differ from the expected expense computed by applying the Swiss Statutory tax rate of 22.0 percent, which is the rate applicable in the jurisdiction where the ultimate parent company is resident.

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## 10. Debt

Table 10.1

in USD millions, as of		03/31/11	12/31/10
<b>Debt</b>			
	<b>Debt related to capital markets</b>		
	Zurich Capital Markets Various debt instruments payable within 1 year	400	400
	<b>Debt related to capital markets</b>	<b>400</b>	<b>400</b>
	<b>Senior debt</b>		
	Zurich Finance (USA), Inc.		
	3.50% CHF 300 million bond, due November 2011 <sup>1,6</sup>	328	322
	4.50% EUR 1 billion bond, due September 2014 <sup>2,6</sup>	1,425	1,353
	4.875% EUR 800 million bond, due April 2012 <sup>6</sup>	1,133	1,069
	6.50% EUR 600 million bond, due October 2015 <sup>3,6</sup>	848	801
	Zurich Finance (Luxembourg) S.A.		
	3.25% USD 750 million bond, due September 2013 <sup>5,6</sup>	763	765
	Zurich Insurance Company Ltd		
	3.875% CHF 1 billion bond, due July 2011	1,092	1,071
	3.75% CHF 500 million bond, due September 2013 <sup>6</sup>	542	531
	Other Various debt instruments payable in more than 1 year	141	141
	<b>Senior debt</b>	<b>6,272</b>	<b>6,053</b>
	<b>Subordinated debt</b>		
	Zurich Insurance Company Ltd		
	12.0% EUR 143 million capital notes, undated <sup>6</sup>	201	190
	7.5% EUR 425 million bond, due July 2039 <sup>6</sup>	597	564
	4.25% CHF 700 million bond, undated <sup>6</sup>	751	736
	4.625% CHF 500 million bond, undated <sup>6</sup>	542	–
	Zurich Finance (UK) plc		
	6.625% GBP 450 million bond, undated notes <sup>4,6</sup>	712	692
	Zurich Finance (USA), Inc.		
	5.75% EUR 500 million bond, due October 2023 <sup>6</sup>	700	661
	4.5% EUR 500 million bond, due June 2025 <sup>5,6</sup>	724	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
	<b>Subordinated debt</b>	<b>5,693</b>	<b>5,004</b>
	<b>Total senior and subordinated debt</b>	<b>11,965</b>	<b>11,057</b>
	<b>Total debt</b>	<b>12,365</b>	<b>11,457</b>

<sup>1</sup> The bond is economically hedged, but hedge accounting treatment has not been applied.

<sup>2</sup> The bond is part of a qualifying cash flow hedge (80 percent of the total) and fair value hedge (20 percent of the total).

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

<sup>4</sup> 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.

<sup>5</sup> These bonds are part of qualifying fair value hedges (100 percent).

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

None of the debt instruments listed above were in default as of March 31, 2011 and December 31, 2010.

**Debt related to capital markets**

Debt related to capital markets remained unchanged as of March 31, 2011.

**Senior and subordinated debt**

To facilitate the issuance of debt, the Group has in place a Euro Medium Term Note Programme (EMTN Programme) allowing for the issuance of senior and subordinated notes up to a maximum of USD 15 billion. All issuances under this programme are either issued or guaranteed by Zurich Insurance Company Ltd. The Group has also issued debt instruments outside this programme when deemed appropriate.

**i) Senior debt**

Senior debt increased to USD 6,272 million as of March 31, 2011, from USD 6,053 million as of December 31, 2010, primarily due to the depreciation of the U.S. dollar against the Swiss franc, the euro and British pound.

**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 5,693 million as of March 31, 2011, from USD 5,004 million as of December 31, 2010, mainly as a result of a new issue under the EMTN Programme and the translation effects of the depreciation of the U.S. dollar against the currencies in which the bonds were issued.

On March 16, 2011 Zurich Insurance Company Ltd issued CHF 500 million of subordinated notes under the EMTN Programme. These subordinated bonds carry a fixed annual coupon of 4.625 percent, are first callable in 2018 and are undated. The notes have primarily been used to refinance the Zurich RegCaPS Trust Capital Securities Series II, V and VI called for redemption, included in preferred securities in Shareholders' equity.

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Table 10.2

Description and features of significant subordinated debt	Table 10.2		
	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%. <sup>1</sup>	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%. <sup>2</sup>	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.

<sup>1</sup> Reset rate of interest is equal to the gross redemption yield on the benchmark five-year Gilt as determined by the Calculation Bank.

<sup>2</sup> 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 percent for Series II.

in USD millions, as of	03/31/11		12/31/10	
	Carrying value	Undiscounted cash flow	Carrying value	Undiscounted cash flow
< 1 year	1,820	2,401	1,793	2,355
1 to 2 years	1,143	1,715	1,080	1,603
2 to 3 years	1,305	1,807	1,297	1,749
3 to 4 years	1,561	2,000	1,388	1,797
4 to 5 years	866	1,261	919	1,273
5 to 10 years	–	1,505	–	1,278
> 10 years	5,670	7,803	4,981	6,805
<b>Total</b>	<b>12,365</b>	<b>18,493</b>	<b>11,457</b>	<b>16,861</b>

Debt maturities reflect original contractual dates without taking early redemption options into account. For call/redemption dates, refer to table 10.2. The total notional amount of debt due in each period is not materially different from the total carrying amount disclosed in table 10.3. Undiscounted cash flows include interest and principal cash flows on debt outstanding as of March 31, 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 March 31, 2011 and December 31, 2010, respectively. The aggregated cash flows are translated into U.S. dollars at end-of-period rates.

in USD millions, for the three months ended March 31	2011	2010
Debt related to capital markets	1	1
Senior debt	61	67
Subordinated debt	74	76
<b>Total</b>	<b>136</b>	<b>144</b>

#### Interest expense on debt

Interest expense on debt decreased to USD 136 million from USD 144 million. The lower interest expense mostly related to senior debt and was driven by foreign exchange fluctuations. In aggregate, interest expense remained stable on subordinated debt on which interest expense on new issuances in November 2010 and March 2011 were offset by early redemptions in December 2010.

#### Credit facilities

The Group has access to a syndicated revolving credit facility of USD 3 billion that terminates in September 2012. Zurich Insurance Company Ltd and Farmers Group, Inc. are guarantors of the facility and can draw up to USD 2.75 billion and USD 250 million, respectively. No borrowings were outstanding under this facility as of March 31, 2011 or December 31, 2010.

In addition, Zurich Insurance Company Ltd has access to revolving credit facilities totaling USD 441 million, which will expire in June and July 2013. No borrowings have been drawn under these facilities as of March 31, 2011 or December 31, 2010.

Dunbar Bank and Zurich Bank had access to credit facilities totaling GBP 270 million as of December 31, 2010. None of these borrowings have been drawn as of December 31, 2010. As of March 31, 2011 Dunbar Bank and Zurich Bank had canceled these credit facilities.

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## 11. Earnings per share

Table 11					
Earnings per share	for the three months ended March 31	Net income	Weighted	Per share	Per share
		attributable to common shareholders (in USD millions) <sup>1</sup>	average number of shares	(USD)	(CHF) <sup>2</sup>
<b>2011</b>					
<b>Basic earnings per share</b>		<b>634</b>	<b>145,261,492</b>	<b>4.36</b>	<b>4.10</b>
Effect of potentially dilutive shares related to share-based compensation plans			1,125,127	(0.03)	(0.03)
<b>Diluted earnings per share</b>		<b>634</b>	<b>146,386,619</b>	<b>4.33</b>	<b>4.07</b>
<b>2010</b>					
<b>Basic earnings per share</b>		<b>932</b>	<b>144,306,215</b>	<b>6.46</b>	<b>6.83</b>
Effect of potentially dilutive shares related to share-based compensation plans			1,155,020	(0.05)	(0.05)
<b>Diluted earnings per share</b>		<b>932</b>	<b>145,461,235</b>	<b>6.41</b>	<b>6.77</b>

<sup>1</sup> Excludes the net income attributable to preferred shareholders of USD 3 million for the three months ended March 31, 2011 and 2010, respectively.

<sup>2</sup> 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 three months ended March 31, 2011 and 2010, respectively.



## 12. 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 were facing increasing financial difficulties during the downturn of the real estate activity in the early 1990s, until they collapsed in 1996. Both Geneva Life and Zurich Life set off the loans against the policy reserves. The Guaranty Fund and the liquidators of the pension and investment funds alleged, inter alia, that the loans were illegal and the corporate defendants were de facto members of the management of the funds. They also alleged that the life insurance companies and other parties involved were jointly responsible for consolidated damages. Whereas one suit regarding an accounting issue remains pending, the remaining suits have either been withdrawn or dismissed. The Commercial Court in Zurich has now given its decision in this last pending procedure ordering Zurich Life to pay the amount of CHF 777'992 plus interest to the Vera Pension Fund. Zurich Life will appeal this decision before the Swiss Federal Supreme Court. The Group maintains that this suit is without merit and intends to continue to defend itself vigorously.

An action entitled Fuller-Austin Asbestos Settlement Trust, et al. v. Zurich American Insurance Company (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 three of its insurance company subsidiaries, ZIC and Orange Stone Reinsurance Dublin (Orange Stone) are named as defendants. Plaintiffs, who are historical policyholders of the Home Insurance Company (Home), plead claims for fraudulent transfer, alter ego liability and unfair business practices relating to the recapitalization of Home, which occurred in 1995 following regulatory review and approval. Plaintiffs allege that pursuant to the recapitalization and subsequent transactions, various Zurich entities took assets of Home without giving adequate consideration in return, and contend that this forced Home into liquidation. Plaintiffs further allege that the defendants should be held responsible for Home's alleged obligations under their Home policies. The trial judge designated plaintiffs' claims for constructive fraudulent transfer for adjudication before all other claims; he subsequently ordered an initial bench trial on certain threshold elements of those fraudulent transfer claims and on certain of defendants' affirmative defenses. The trial commenced on November 1, 2010, with 12 days of trial in 2010. The trial resumed on April 14, 2011 and trial testimony is scheduled to conclude in early June 2011.

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 (Original Defendants). The Original Defendants removed the case to the U.S. District Court for the District of Minnesota, where it is now pending. The plaintiffs subsequently amended their complaint to add ZIC, Orange Stone and two additional ZAIC subsidiaries as defendants (Newly-Added Defendants). As in the Fuller-Austin Case, plaintiffs allege that API is an insured under policies issued by Home, primarily in the 1970s. The complaint seeks to hold defendants liable for Home's policy obligations under various theories of vicarious liability tied to the recapitalization of Home, and it also alleges that defendants are liable for damages under theories of fraudulent transfer and tortious interference with contract. Prior to the filing of the amended complaint, the Original Defendants moved to dismiss the case. After the amended complaint was filed, all defendants, including the Newly-Added Defendants, moved again to dismiss the amended complaint. On March 31, 2010, the court ruled on the original dismissal motion, and dismissed plaintiffs' claims against the Original Defendants under theories of fraudulent transfer (for plaintiffs' lack of standing to bring such a claim) and tortious interference with contractual relations, as well as a consumer fraud claim. On September 30, 2010, the court ruled on the motion to dismiss the amended complaint, and dismissed plaintiffs' fraudulent transfer, tortious interference with contract and consumer fraud claims against all defendants. The motion - consistent with the court's March 31, 2010 ruling - was denied as to the remaining claims, as the court found that plaintiffs' vicarious liability theories could not be disposed of on a motion to dismiss. Pretrial discovery has concluded. Summary judgment motions are scheduled to be filed on July 1, 2011, with additional briefing and argument to follow. 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.

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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. The Amsterdam Court of Appeal directed the parties to notify the class about the proposed settlement and will hold a hearing on October 3 and 4, 2011 to consider whether to declare the proposed settlement binding on the class.

Zurich Financial Services Ltd is a defendant in a putative class action pending in California state court captioned Benjamin Fogel v. Farmers Group, Inc (Fogel Case). The case, originally filed in August 2003, is brought on behalf of a putative class of all policyholders of the Farmers Exchanges from 1999 to the present. The plaintiff alleges that Farmers Group, Inc. and certain of its affiliates (Farmers), which acted as the attorneys-in-fact for policyholders of the Farmers Exchanges, collected excessive and unreasonable management fees. The complaint seeks, amongst other things, disgorgement, as well as damages and injunctive relief. In February 2005, the trial court granted Farmers' motion for summary judgment, and plaintiff appealed. In 2008, a California appellate court reversed the trial court's ruling and reinstated the litigation. On September 9, 2009, plaintiff filed a motion seeking to certify a nationwide class of all policyholders of the Farmers Exchanges since August 1, 1999. On October 7, 2010, the Group announced that it had agreed in principle to a proposed nationwide settlement of the Fogel Case. Under the terms of the settlement, a sum of USD 455 million will be made available to approximately 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 and they filed a motion on January 12, 2011 seeking preliminary approval of the settlement. On February 3, 2011, the court granted a motion to intervene by a class member who objects to parts of the settlement. The hearing on the motion for preliminary approval was held on March 2, 2011 and the motion for preliminary approval was granted. All terms of the settlement are subject to the court's final approval. The court scheduled the final approval hearing for September 7, 2011.

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.

### 13. Segment information

The Group pursues a customer-centric strategy and is managed on a matrix basis, reflecting both businesses and geography. The Group's operating segments have been identified on the basis of the businesses operated by the Group and how these are strategically managed to offer different products and services to specific customer groups. Segment information is presented accordingly. The Group's reportable segments are as follows:

**General Insurance** 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 lines and small commercial lines business in the U.S.

For the purpose of discussing financial performance the Group considers General Insurance, Global Life and Farmers to be its core 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 on a secondary level.

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

- 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*

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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 13.1

## Business operating profit by business segment

in USD millions, for the three months ended March 31

	General Insurance		Global Life	
	2011	2010	2011	2010
<b>Revenues</b>				
Direct written premiums <sup>1</sup>	9,594	9,441	2,629	2,698
Assumed written premiums	506	567	21	23
Gross Written Premiums	10,101	10,008	2,650	2,721
Policy fees	–	2	522	669
Gross written premiums and policy fees	10,101	10,010	3,172	3,389
Less premiums ceded to reinsurers	(1,439)	(1,358)	(173)	(204)
Net written premiums and policy fees	8,662	8,651	2,999	3,186
Net change in reserves for unearned premiums	(1,683)	(1,622)	(28)	(14)
Net earned premiums and policy fees	6,978	7,030	2,971	3,172
Farmers management fees and other related revenues	–	–	–	–
Net investment result on Group investments	722	734	974	1,100
Net investment income on Group investments	705	721	997	973
Net capital gains/(losses) and impairments on Group investments	17	14	(23)	127
Net investment result on unit-linked investments	–	–	202	4,343
Other income	166	164	232	196
<b>Total BOP revenues</b>	<b>7,866</b>	<b>7,928</b>	<b>4,379</b>	<b>8,811</b>
<i>of which: inter-segment revenues</i>	<i>(83)</i>	<i>(95)</i>	<i>(93)</i>	<i>(66)</i>
<b>Benefits, losses and expenses</b>				
Insurance benefits and losses, net	5,374	5,073	2,576	2,636
Losses and loss adjustment expenses, net	5,345	5,061	10	25
Life insurance death and other benefits, net	29	11	2,301	2,729
(Decrease)/increase in future life policyholders' benefits, net <sup>1</sup>	–	1	265	(119)
Policyholder dividends and participation in profits, net	2	(2)	398	4,565
Income tax expense/(benefit) attributable to policyholders	–	–	(24)	236
Underwriting and policy acquisition costs, net	1,317	1,374	390	427
Administrative and other operating expense (excl. depreciation/amortization)	806	753	486	400
Interest credited to policyholders and other interest	7	14	99	108
Restructuring provisions and other items not included in BOP	(31)	(34)	(9)	(29)
<b>Total BOP benefits, losses and expenses (before interest, depreciation and amortization)</b>	<b>7,475</b>	<b>7,179</b>	<b>3,916</b>	<b>8,343</b>
<b>Business operating profit (before interest, depreciation and amortization)</b>	<b>392</b>	<b>749</b>	<b>463</b>	<b>468</b>
Depreciation and impairments of property and equipment	22	21	8	8
Amortization and impairments of intangible assets	42	39	72	82
Interest expense on debt	50	55	16	18
Business operating profit before non-controlling interests	277	635	367	360
Non-controlling interests	2	13	6	9
<b>Business operating profit</b>	<b>276</b>	<b>621</b>	<b>362</b>	<b>351</b>
Supplementary information				
Additions and capital improvements to property, equipment and intangible assets <sup>2</sup>	67	42	29	12

<sup>1</sup> The Global Life segment includes approximately USD 277 million and USD 351 million of gross written premiums and future life policyholders' benefits for certain universal life-type contracts in the Group's Spanish operations for the three months ended March 31, 2011 and 2010, respectively (see note 1 of the Group's Annual Report 2010).

<sup>2</sup> As of March 31, 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
	-	-	-	-	30	38	-	-	12,253	12,177
	707	1,495	35	35	37	20	(49)	(61)	1,258	2,079
	707	1,495	35	35	67	58	(49)	(61)	13,510	14,257
	-	-	-	-	59	57	-	-	581	727
	707	1,495	35	35	126	115	(49)	(61)	14,091	14,983
	-	-	(13)	(13)	(8)	(11)	49	61	(1,584)	(1,525)
	707	1,495	22	23	118	104	-	-	12,507	13,458
	31	102	(1)	(1)	3	1	-	1	(1,679)	(1,533)
	738	1,597	21	22	120	105	-	1	10,828	11,925
	682	703	-	-	-	-	-	-	682	703
	36	42	140	130	32	149	(208)	(221)	1,695	1,935
	36	42	140	130	112	135	(208)	(221)	1,780	1,779
	-	-	-	-	(79)	15	-	-	(85)	156
	-	-	-	-	101	190	-	-	303	4,533
	17	26	213	179	25	25	(309)	(279)	345	311
	1,473	2,368	373	331	279	469	(517)	(500)	13,854	19,407
	(18)	(19)	(307)	(301)	(16)	(19)	517	500	-	-
	493	1,041	18	21	57	135	-	-	8,519	8,906
	493	1,041	1	-	7	40	9	(1)	5,864	6,168
	-	-	13	21	126	174	(1)	-	2,467	2,935
	-	-	5	-	(76)	(80)	(7)	1	187	(197)
	-	-	-	-	129	218	-	1	529	4,781
	-	-	-	-	-	-	-	-	(24)	236
	231	497	-	-	2	3	(1)	(2)	1,938	2,299
	332	335	227	196	42	44	(301)	(273)	1,592	1,456
	-	-	1	1	16	17	(1)	(1)	122	141
	(2)	(13)	25	20	-	-	-	-	(17)	(56)
	1,054	1,860	272	238	247	418	(304)	(274)	12,659	17,763
	<b>420</b>	<b>509</b>	<b>102</b>	<b>93</b>	<b>32</b>	<b>51</b>	<b>(214)</b>	<b>(226)</b>	<b>1,195</b>	<b>1,644</b>
	13	20	2	9	1	1	-	-	46	59
	27	26	16	11	-	1	-	-	157	159
	-	-	258	272	25	25	(214)	(226)	136	144
	380	462	(174)	(199)	6	24	-	-	857	1,281
	-	-	-	-	-	-	-	-	8	22
	<b>380</b>	<b>462</b>	<b>(174)</b>	<b>(199)</b>	<b>6</b>	<b>24</b>	<b>-</b>	<b>-</b>	<b>849</b>	<b>1,259</b>
	49	136	28	16	-	1	-	-	172	207

Consolidated financial statements *continued*

Table 13.2

Reconciliation of  
BOP to net income  
after income taxes

in USD millions, for the three months ended March 31

	General Insurance		Global Life	
	2011	2010	2011	2010
<b>Business operating profit</b>	<b>276</b>	<b>621</b>	<b>362</b>	<b>351</b>
Revenues/(expenses) not included in BOP:				
Net capital gains/(losses) on investments and impairments, net of policyholder allocation	4	40	53	(18)
Restructuring provisions	–	(5)	(4)	–
Other adjustments	(31)	(30)	(5)	(29)
Add back:				
Business operating profit attributable to non-controlling interests	2	13	6	9
<b>Net income before shareholders' taxes</b>	<b>251</b>	<b>641</b>	<b>412</b>	<b>313</b>
Income tax expense/(benefit) attributable to policyholders	–	–	(24)	236
<b>Net income before income taxes</b>	<b>251</b>	<b>641</b>	<b>388</b>	<b>549</b>
Income tax expense (attributable to policyholders and shareholders)				
<b>Net income after taxes</b>				



	Farmers		Other Operating Businesses		Non-Core Businesses		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	<b>380</b>	<b>462</b>	<b>(174)</b>	<b>(199)</b>	<b>6</b>	<b>24</b>	<b>849</b>	<b>1,259</b>
	(1)	2	(59)	21	6	(10)	4	36
	2	(3)	–	–	–	(1)	(2)	(8)
	(4)	(10)	25	20	–	1	(15)	(48)
	–	–	–	–	–	–	8	22
	<b>377</b>	<b>451</b>	<b>(208)</b>	<b>(158)</b>	<b>12</b>	<b>15</b>	<b>843</b>	<b>1,261</b>
	–	–	–	–	–	–	(24)	236
	<b>377</b>	<b>451</b>	<b>(208)</b>	<b>(158)</b>	<b>12</b>	<b>15</b>	<b>820</b>	<b>1,497</b>
							(175)	(545)
							<b>644</b>	<b>952</b>

Consolidated financial statements *continued*

Table 13.3

Assets and liabilities by business segment	in USD millions, as of	General Insurance		Global Life	
		03/31/11	12/31/10	03/31/11	12/31/10
<b>Assets</b>					
Total Group Investments		86,564	85,967	104,702	100,976
Cash and cash equivalents		8,711	9,024	3,322	2,564
Equity securities		5,773	5,561	4,821	5,201
Debt securities		64,277	64,136	67,054	64,471
Real estate held for investment		3,047	2,940	5,028	4,893
Mortgage loans		1,503	1,495	8,740	8,538
Other loans		3,245	2,806	15,640	15,212
Investments in associates and joint ventures		9	6	97	97
Investments for unit-linked contracts		–	–	99,468	96,139
<b>Total investments</b>		<b>86,564</b>	<b>85,967</b>	<b>204,170</b>	<b>197,116</b>
Reinsurers' share of reserves for insurance contracts		13,387	13,314	2,113	1,997
Deposits made under assumed reinsurance contracts		120	120	12	11
Deferred policy acquisition costs		3,665	3,472	13,460	12,686
Deferred origination costs		–	–	900	866
Goodwill		901	869	440	411
Other intangible assets		1,255	1,208	3,148	3,022
Other assets		15,924	14,743	7,601	7,367
<b>Total assets (after cons. of investments in subsidiaries)</b>		<b>121,814</b>	<b>119,693</b>	<b>231,846</b>	<b>223,476</b>
<b>Liabilities</b>					
Liabilities for investment contracts		–	–	52,498	50,912
Reserves for insurance contracts, gross		83,626	80,170	144,276	138,536
Reserves for losses and loss adjustment expenses, gross		65,028	63,826	54	58
Reserves for unearned premiums, gross		17,273	15,050	244	201
Future life policyholders' benefits, gross		97	103	78,531	74,901
Policyholders' contract deposits and other funds, gross		1,229	1,192	13,369	13,397
Reserves for unit-linked contracts, gross		–	–	52,078	49,978
Debt related to capital markets		–	–	–	–
Senior debt		4,959	5,152	545	457
Subordinated debt		1,708	1,700	259	793
Other liabilities		13,772	14,346	18,507	17,960
<b>Total liabilities</b>		<b>104,065</b>	<b>101,367</b>	<b>216,085</b>	<b>208,659</b>
<b>Equity</b>					
Common shareholders' equity					
Preferred securities					
Shareholders' equity					
Non-controlling interests					
Total equity					
<b>Total liabilities and equity</b>					

	Farmers		Other Operating Businesses		Non-Core Businesses		Eliminations		Total	
	03/31/11	12/31/10	03/31/11	12/31/10	03/31/11	12/31/10	03/31/11	12/31/10	03/31/11	12/31/10
	4,384	4,526	21,884	20,110	14,648	14,757	(30,601)	(30,438)	201,580	195,898
	758	808	4,588	7,158	2,858	3,148	(9,954)	(14,521)	10,282	8,182
	88	83	2,616	2,597	273	287	–	–	13,570	13,729
	1,311	1,296	4,163	4,070	7,491	7,261	(1,017)	(980)	143,279	140,254
	134	135	46	45	267	261	–	–	8,523	8,274
	–	–	–	–	1,798	1,819	–	–	12,041	11,851
	2,092	2,204	10,466	6,235	1,881	1,900	(19,629)	(14,937)	13,695	13,419
	–	–	5	5	80	80	–	–	191	188
	–	–	–	–	11,881	11,808	–	–	111,349	107,947
	4,384	4,526	21,884	20,110	26,529	26,565	(30,601)	(30,438)	312,930	303,845
	–	212	–	–	4,287	4,328	(802)	(1,041)	18,985	18,809
	1,940	2,201	–	–	537	530	(26)	(26)	2,583	2,837
	198	167	–	–	1	1	–	–	17,324	16,326
	–	–	–	–	–	–	–	–	900	866
	819	819	5	5	–	–	–	–	2,165	2,104
	1,444	1,453	275	269	2	2	–	–	6,123	5,954
	1,078	1,202	3,536	2,714	1,080	1,149	(1,988)	(2,255)	27,231	24,919
	<b>9,863</b>	<b>10,581</b>	<b>25,700</b>	<b>23,097</b>	<b>32,436</b>	<b>32,575</b>	<b>(33,417)</b>	<b>(33,759)</b>	<b>388,241</b>	<b>375,661</b>
	–	–	–	–	–	–	–	(246)	52,498	50,667
	2,528	2,711	63	57	22,083	22,194	(784)	(1,021)	251,792	242,646
	1,786	1,938	46	46	2,917	2,953	(734)	(752)	69,096	68,069
	742	773	6	5	24	25	(6)	(7)	18,283	16,046
	–	–	11	6	4,466	4,569	(44)	(265)	83,060	79,315
	–	–	–	–	2,797	2,839	–	2	17,394	17,430
	–	–	–	–	11,880	11,807	–	–	63,958	61,786
	–	–	623	623	1,624	1,624	(1,847)	(1,847)	400	400
	–	–	24,020	23,441	845	838	(24,097)	(23,835)	6,272	6,053
	–	–	5,691	5,000	177	170	(2,142)	(2,659)	5,693	5,004
	1,607	2,024	5,719	2,366	4,930	5,026	(4,547)	(4,152)	39,988	37,570
	<b>4,136</b>	<b>4,735</b>	<b>36,116</b>	<b>31,487</b>	<b>29,659</b>	<b>29,852</b>	<b>(33,417)</b>	<b>(33,759)</b>	<b>356,644</b>	<b>342,340</b>
									29,801	31,509
									332	475
									30,133	31,984
									1,464	1,337
									31,597	33,321
									<b>388,241</b>	<b>375,661</b>

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Table 13.4

General Insurance –  
Customer segment  
overview

in USD millions, for the three months ended March 31

	Global Corporate		North America Commercial	
	2011	2010	2011	2010
Gross written premiums and policy fees	2,635	2,490	2,197	2,253
Net earned premiums and policy fees	1,269	1,235	1,766	1,818
Insurance benefits and losses, net	1,323	884	1,206	1,173
Policyholder dividends and participation in profits, net	–	(2)	2	3
Total net technical expenses	236	246	532	588
Net underwriting result	(291)	106	27	54
Net investment income	148	139	261	278
Net capital gains/(losses) and impairments on investments	4	3	13	9
Net non-technical result (excl. items not included in BOP)	(13)	(22)	(47)	(63)
Business operating profit before non-controlling interests	(152)	226	254	277
Non-controlling interests	–	–	–	–
Business operating profit	(152)	226	254	278
Ratios, as % of net earned premiums and policy fees				
Loss ratio	104.3%	71.6%	68.3%	64.5%
Expense ratio	18.6%	19.8%	30.2%	32.5%
Combined ratio	122.9%	91.4%	98.5%	97.0%

	Europe		International Markets		GI Global Functions including Group Reinsurance		Eliminations		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	4,453	4,485	1,047	865	142	146	(372)	(231)	10,101	10,010
	3,142	3,277	781	691	19	9	–	–	6,978	7,030
	2,157	2,415	716	492	(29)	108	–	–	5,374	5,073
	–	(3)	–	–	–	–	–	–	2	(2)
	800	793	278	263	6	4	3	(3)	1,855	1,891
	185	72	(212)	(63)	42	(104)	(3)	3	(253)	68
	224	236	56	51	16	16	–	–	705	721
	–	1	–	–	–	–	–	–	17	14
	(82)	(84)	(13)	24	(40)	(18)	3	(4)	(192)	(168)
	327	225	(169)	12	17	(106)	–	–	277	635
	1	(2)	1	15	–	–	–	–	2	13
	326	227	(169)	(4)	17	(106)	–	–	276	621
	68.7%	73.7%	91.6%	71.2%	nm	nm	n/a	n/a	77.0%	72.2%
	25.5%	24.1%	35.5%	38.0%	nm	nm	n/a	n/a	26.6%	26.9%
	94.1%	97.8%	127.1%	109.2%	nm	nm	n/a	n/a	103.6%	99.0%

Consolidated financial statements *continued*

Table 13.5

General Insurance –  
Revenues by region

in USD millions, for the three months ended March 31

	Gross written premiums and policy fees from external customers		of which Global Corporate	
	2011	2010	2011	2010
Middle East	16	12	16	12
Africa				
South Africa	161	173		
Morocco	39	35		
Subtotal Africa	200	207	–	–
Latin America				
Argentina	70	62		
Brazil	154	105		
Chile	59	40		
Mexico	79	76		
Venezuela	47	41		
Rest of Latin America	8	6		
Subtotal Latin America	416	330	–	–
North America				
United States	2,727	2,737		
Rest of North America	208	194		
Subtotal North America	2,935	2,930	779	720
Asia-Pacific				
Australia	169	139		
Hong Kong	41	35		
Japan	179	152		
Taiwan	32	31		
Rest of Asia-Pacific	57	41		
Subtotal Asia-Pacific	478	397	112	79
Europe				
United Kingdom	878	995		
Germany	1,533	1,523		
Switzerland	1,756	1,596		
Italy	531	578		
Spain	553	606		
Rest of Europe	803	828		
Subtotal Europe	6,055	6,126	1,577	1,599
<b>Total</b>	<b>10,100</b>	<b>10,002</b>	<b>2,484</b>	<b>2,410</b>

General Insurance –  
Assets by region

Table 13.6

in USD millions, as of

	Property, equipment and intangible assets	
	03/31/11	12/31/10
Middle East	–	–
Africa		
South Africa	23	25
Morocco	38	35
Subtotal Africa	61	60
Latin America		
Argentina	4	4
Brazil	164	151
Chile	1	1
Mexico	11	11
Venezuela	7	8
Rest of Latin America	9	8
Subtotal Latin America	196	183
North America		
United States	231	232
Rest of North America	8	8
Subtotal North America	239	240
Asia-Pacific		
Australia	82	79
Hong Kong	6	7
Japan	33	34
Taiwan	19	19
Rest of Asia-Pacific	2	2
Subtotal Asia-Pacific	142	141
Europe		
United Kingdom	208	212
Germany	236	225
Switzerland	685	674
Italy	64	65
Spain	568	543
Rest of Europe	706	668
Subtotal Europe	2,468	2,386
<b>Total</b>	<b>3,106</b>	<b>3,012</b>

Consolidated financial statements *continued*

Table 13.7

in USD millions, for the three months ended March 31

Global Life –  
Overview

	North America		Latin America	
	2011	2010	2011	2010
<b>Revenues</b>				
Life insurance deposits	55	56	46	12
Gross written premiums <sup>1</sup>	125	116	130	168
Policy fees	70	71	7	8
Gross written premiums and policy fees	195	187	137	177
Net earned premiums and policy fees	143	135	136	156
Net investment income on Group investments	83	85	32	28
Net capital gains/(losses) and impairments on Group investments	–	1	–	–
Net investment result on Group investments	83	86	32	28
Net investment income on unit-linked investments	(10)	(10)	2	2
Net capital gains/(losses) and impairments on unit-linked investments	20	19	4	12
Net investment result on unit-linked investments	10	9	7	14
Other income	24	24	3	5
<b>Total BOP revenues</b>	<b>260</b>	<b>254</b>	<b>178</b>	<b>203</b>
<b>Benefits, losses and expenses</b>				
Insurance benefits and losses, net <sup>1</sup>	63	77	97	128
Policyholder dividends and participation in profits, net	15	10	9	13
Income tax expense/(benefit) attributable to policyholders	–	–	–	–
Underwriting and policy acquisition costs, net	39	36	26	16
Administrative and other operating expense (excl. depreciation/amortization)	34	31	30	18
Interest credited to policyholders and other interest	37	41	(1)	–
Restructuring provisions and other items not included in BOP	1	–	–	–
<b>Total BOP benefits, losses and expenses</b>	<b>189</b>	<b>196</b>	<b>162</b>	<b>175</b>
<b>Business operating profit (before interest, depreciation and amortization)</b>	<b>70</b>	<b>58</b>	<b>16</b>	<b>28</b>
Depreciation and impairments of property and equipment	–	–	–	–
Amortization and impairments of intangible assets	7	4	–	1
Interest expense on debt	1	1	–	–
<b>Business operating profit before non-controlling interests</b>	<b>63</b>	<b>53</b>	<b>15</b>	<b>27</b>
Non-controlling interests	–	–	–	3
<b>Business operating profit</b>	<b>63</b>	<b>53</b>	<b>15</b>	<b>24</b>
<b>Supplementary information</b>				
Gross written premiums and policy fees from external customers	195	187	137	177
Property, equipment and intangible assets <sup>2</sup>	190	193	79	77

<sup>1</sup> Europe includes approximately USD 277 million and USD 351 million of gross written premiums and future life policyholders' benefits for certain universal life-type contracts in the Group's Spanish operations for the three months ended March 31, 2011 and 2010, respectively (see note 1 of the Group's Annual Report 2010).

<sup>2</sup> As of March 31, 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
	2,639	2,949	385	303	83	35	-	-	3,207	3,354
	2,257	2,289	116	131	32	31	(9)	(14)	2,650	2,721
	417	515	27	73	1	1	-	-	522	669
	2,673	2,804	143	204	33	31	(9)	(14)	3,172	3,389
	2,545	2,679	119	177	28	25	-	-	2,971	3,172
	864	844	14	12	3	3	-	-	997	973
	(25)	138	3	(11)	-	-	-	-	(23)	127
	839	982	17	1	3	3	-	-	974	1,100
	433	430	15	10	6	6	-	-	446	439
	(179)	3,394	(64)	470	(25)	10	-	-	(244)	3,904
	254	3,824	(49)	480	(19)	16	-	-	202	4,343
	93	80	49	41	64	47	(2)	(1)	232	196
	<b>3,732</b>	<b>7,565</b>	<b>135</b>	<b>698</b>	<b>77</b>	<b>92</b>	<b>(2)</b>	<b>(1)</b>	<b>4,379</b>	<b>8,811</b>
	2,365	2,363	29	51	22	18	-	-	2,576	2,636
	433	4,043	(41)	484	(19)	15	-	-	398	4,565
	(26)	237	3	-	-	-	-	-	(24)	236
	268	282	33	78	23	15	-	-	390	427
	300	235	70	76	52	41	(2)	(1)	486	400
	56	60	7	7	-	-	-	-	99	108
	(10)	(23)	-	(5)	-	-	-	-	(9)	(29)
	<b>3,386</b>	<b>7,196</b>	<b>102</b>	<b>689</b>	<b>79</b>	<b>89</b>	<b>(2)</b>	<b>(1)</b>	<b>3,916</b>	<b>8,343</b>
	<b>346</b>	<b>369</b>	<b>33</b>	<b>10</b>	<b>(2)</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>463</b>	<b>468</b>
	6	6	1	1	-	-	-	-	8	8
	63	75	1	1	1	1	-	-	72	82
	16	17	-	-	-	-	-	-	16	18
	261	271	32	7	(4)	2	-	-	367	360
	5	6	-	-	-	-	-	-	6	9
	<b>256</b>	<b>265</b>	<b>32</b>	<b>7</b>	<b>(4)</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>362</b>	<b>351</b>
	2,660	2,791	142	195	24	23	-	-	3,159	3,373
	3,736	3,569	13	11	63	62	-	-	4,080	3,912

Consolidated financial statements *continued*

Table 13.8		
in USD millions, for the three months ended March 31		
	<b>2011</b>	<b>Total</b> 2010
<b>Farmers – Overview</b>		
<b>Farmers Management Services</b>		
Management fees and other related revenues	682	703
Management and other related expenses	366	361
Gross management result	316	342
Other net income (excl. items not included in BOP)	13	9
Business operating profit before non-controlling interest	329	351
Business operating profit	329	351
<b>Farmers Re</b>		
Gross written premiums and policy fees	707	1,495
Net earned premiums and policy fees	738	1,597
Insurance benefits and losses, net	(493)	(1,041)
Total net technical expenses	(231)	(497)
Net underwriting result	14	60
Net non-technical result (excl. items not relevant for BOP)	15	23
Net investment result income	22	28
Business operating profit before non-controlling interests	51	111
Business operating profit	51	111
<b>Farmers business operating profit</b>	<b>380</b>	<b>462</b>
Ratios, as % of net earned premiums and policy fees		
Farmers Re Combined ratio	98.1%	96.3%
Supplementary information		
Property, equipment and intangible assets <sup>1</sup>	2,475	2,468

<sup>1</sup> As of March 31, 2011 and December 31, 2010, respectively.



Consolidated financial statements *continued*

Table 13.9

in USD millions, for the three months ended March 31

Other Operating Businesses – Overview		Alternative Investments	
		2011	2010
	Gross written premiums and policy fees	–	–
	Net earned premiums and policy fees	–	–
	Net investment income	2	2
	Other income	2	3
	<b>Total BOP revenues</b>	<b>4</b>	<b>5</b>
	Insurance benefits and losses, incl. PH dividends, net	–	–
	Administrative and other operating expense (excl. depreciation/amortization)	3	5
	Other expenses (excl. items not included in BOP)	–	–
	Depreciation, amortization and impairments of property, equipment and intangible assets	–	–
	Interest expense on debt	6	6
	Business operating profit before non-controlling interests	(5)	(6)
	<b>Business operating profit</b>	<b>(5)</b>	<b>(6)</b>

	Holding and Financing		Headquarters		Eliminations		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	31	32	3	3	–	–	35	35
	19	20	2	2	–	–	21	22
	129	122	10	7	(2)	(1)	140	130
	22	9	212	200	(24)	(33)	213	179
	170	151	224	210	(26)	(34)	373	331
	18	21	1	–	–	–	18	21
	(17)	2	265	222	(24)	(33)	227	196
	26	21	–	–	–	–	26	21
	–	–	17	20	–	–	17	20
	254	267	–	–	(2)	(1)	258	272
	(110)	(160)	(59)	(33)	–	–	(174)	(199)
	<b>(110)</b>	<b>(160)</b>	<b>(59)</b>	<b>(33)</b>	<b>–</b>	<b>–</b>	<b>(174)</b>	<b>(199)</b>

Consolidated financial statements *continued*

Table 13.10

in USD millions, for the three months ended March 31

Non-Core  
Businesses –  
Overview

	<b>Total</b>	
	<b>2011</b>	2010
Gross written premiums and policy fees	126	115
Net earned premiums and policy fees	120	105
Insurance benefits and losses, net	57	135
Policyholder dividends and participation in profits, net	129	218
Total net technical expenses	22	27
Net underwriting result	(88)	(275)
Net investment income	31	64
Net capital gains/(losses) and impairments on investments	102	275
Net non-technical result (excl. items not included in BOP)	(39)	(40)
<b>Business operating profit before non-controlling interests</b>	<b>6</b>	<b>24</b>
<b>Business operating profit</b>	<b>6</b>	<b>24</b>

## 14. Events after the balance sheet date

On February 23, 2011, the Group announced the early redemption of USD 200 million of Trust Capital Securities V and USD 225 million of Trust Capital Securities VI at par together with accrued interest to be executed on April 4, 2011 (Series V) and on April 25, 2011 (Series VI), respectively.

On February 28, 2011, the Group announced that it has agreed to sell 25 percent of its investment in New China Life Insurance Co. to two undisclosed buyers reducing its total stake in the company to 15 percent. As of March 31, 2011, regulatory approval for the transaction has not been received.

## Consolidated financial statements *continued*

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