Consolidated financial statements (unaudited) 2013

Zurich Insurance Group
Results for the nine months to September 30, 2013

Consolidated financial statements (unaudited)

Contents

Consolidated income statements (unaudited)

in USD millions	Notes	2013	Restated 2012	2013	Restated 2012
		for the three months ended September 30	for the three months ended September 30	for the nine months ended September 30	for the nine months ended September 30
Revenues					
Gross written premiums		11,804	11,654	39,459	38,475
Policy fees		908	566	2,185	1,988
Gross written premiums and policy fees		12,712	12,220	41,643	40,463
Less premiums ceded to reinsurers		(1,532)	(1,586)	(5,145)	(4,926)
Net written premiums and policy fees		11,179	10,634	36,498	35,537
Net change in reserves for unearned premiums		509	508	(1,714)	(1,611)
Net earned premiums and policy fees		11,688	11,142	34,784	33,926
Farmers management fees and other related revenues		705	714	2,113	2,134
Net investment result on Group investments	3	1,941	2,007	5,264	6,141
Net investment income on Group investments		1,471	1,677	4,659	5,153
Net capital gains/(losses) and impairments on Group investments		470	330	605	988
Net investment result on unit-linked investments	3	2,951	3,981	8,587	7,946
Net gain/(loss) on divestments of businesses		–	(36)	(1)	(35)
Other income		434	480	1,280	1,274
Total revenues		17,720	18,289	52,027	51,386
Benefits, losses and expenses					
Insurance benefits and losses, gross of reinsurance	6	8,608	8,842	25,993	26,399
Less ceded insurance benefits and losses	6	(796)	(774)	(2,413)	(2,142)
Insurance benefits and losses, net of reinsurance	6	7,811	8,068	23,580	24,257
Policyholder dividends and participation in profits, net of reinsurance	6	3,277	4,179	9,594	8,741
Underwriting and policy acquisition costs, net of reinsurance		2,630	2,444	7,422	7,245
Administrative and other operating expense		2,196	2,310	6,284	6,383
Interest expense on debt	11	155	138	445	431
Interest credited to policyholders and other interest		88	136	387	398
Total benefits, losses and expenses		16,157	17,275	47,712	47,454
Net income before income taxes		1,563	1,014	4,315	3,932
Income tax expense	10	(434)	(338)	(1,177)	(1,009)
attributable to policyholders	10	(1)	(115)	(148)	(137)
attributable to shareholders	10	(433)	(223)	(1,029)	(872)
Net income after taxes		**1,129**	**676**	**3,137**	**2,923**
attributable to non-controlling interests		26	4	183	24
attributable to shareholders		1,103	672	2,954	2,898
in USD					
Basic earnings per share	12	7.47	4.57	20.05	19.78
Diluted earnings per share	12	7.44	4.55	19.95	19.68
in CHF					
Basic earnings per share	12	6.96	4.40	18.74	18.58
Diluted earnings per share	12	6.93	4.38	18.65	18.49

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

Consolidated financial statements (unaudited) *continued*

Consolidated statements of comprehensive income (unaudited)

in USD millions, for the nine months ended September 30

	Net income attributable to shareholders	Net unrealized gains/(losses) on available-for-sale investments	Cash flow hedges
2012			
Comprehensive income for the period, as restated	2,898	1,871	12
Details of movements during the period			
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		3,087	–
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		(668)	11
Deferred income tax (before foreign currency translation effects)		(584)	2
Foreign currency translation effects		35	–
2013			
Comprehensive income for the period	2,954	(2,073)	(101)
Details of movements during the period			
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		(1,616)	(80)
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		(973)	(51)
Reclassification to retained earnings		–	–
Deferred income tax (before foreign currency translation effects)		538	30
Foreign currency translation effects		(21)	(1)

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

	Cumulative foreign currency translation adjustment	Total other comprehensive income recycled through profit or loss	Revaluation reserve	Net actuarial gains/(losses) on pension plans	Total other comprehensive income not recycled through profit or loss	Total other comprehensive income attributable to shareholders	Total comprehensive income attributable to shareholders	Comprehensive income attributable to non-controlling interests	Total comprehensive income
	(511)	1,371	–	10	10	1,382	4,280	53	4,333
	(536)	2,550	–	41	41	2,591			
	25	(632)	–	–	–	(632)			
	–	(582)	–	5	5	(577)			
	–	35	–	(36)	(36)	(1)			
	(917)	(3,092)	6	(500)	(494)	(3,586)	(632)	100	(531)
	(1,029)	(2,726)	14	(427)	(413)	(3,139)			
	112	(912)	–	–	–	(912)			
	–	–	(5)	–	(5)	(5)			
	–	568	(3)	(30)	(33)	535			
	–	(22)	–	(43)	(43)	(65)			

Consolidated financial statements (unaudited) *continued*

in USD millions, for the three months ended September 30	Net income attributable to shareholders	Net unrealized gains/(losses) on available-for-sale investments	Cash flow hedges
2012			
Comprehensive income for the period, as restated	672	845	(7)
Details of movements during the period			
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		1,437	26
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		(295)	(28)
Deferred income tax (before foreign currency translation effects)		(345)	(8)
Foreign currency translation effects		49	3
2013			
Comprehensive income for the period	1,103	34	1
Details of movements during the period			
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		309	68
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		(382)	(74)
Deferred income tax (before foreign currency translation effects)		26	1
Foreign currency translation effects		80	6

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

Cumulative foreign currency translation adjustment	Total other comprehensive income recycled through profit or loss	Revaluation reserve	Net actuarial gains/(losses) on pension plans	Total other comprehensive income not recycled through profit or loss	Total other comprehensive income attributable to shareholders	Total comprehensive income attributable to shareholders	Comprehensive income attributable to non-controlling interests	Total comprehensive income
347	1,186	–	(108)	(108)	1,078	1,749	67	1,816
321	1,785	–	(109)	(109)	1,676			
26	(297)	–	–	–	(297)			
–	(353)	–	39	39	(314)			
–	52	–	(38)	(38)	14			
405	440	–	(473)	(473)	(33)	1,070	58	1,128
368	746	–	(333)	(333)	413			
37	(419)	–	–	–	(419)			
–	27	–	8	8	36			
–	86	–	(148)	(148)	(63)			

Consolidated financial statements (unaudited) *continued*

Consolidated balance sheets (unaudited)

Assets

in USD millions, as of	Notes	09/30/13	Restated 12/31/12	Restated 01/01/12
Investments				
Total Group investments	3	206,849	209,582	198,549
Cash and cash equivalents		7,788	9,098	8,835
Equity securities		12,384	12,341	13,037
Debt securities		155,913	155,594	144,139
Real estate held for investment		8,402	8,561	8,472
Mortgage loans		9,866	10,519	11,058
Other loans		12,372	13,385	12,928
Investments in associates and joint ventures		125	85	80
Investments for unit-linked contracts	3	129,569	123,913	111,911
Total investments	3	336,418	333,496	310,461
Reinsurers' share of reserves for insurance contracts	4	18,906	19,753	19,592
Deposits made under assumed reinsurance contracts		2,559	2,588	2,711
Deferred policy acquisition costs	7	18,631	18,346	17,420
Deferred origination costs	7	727	770	824
Accrued investment income		2,199	2,414	2,589
Receivables and other assets		19,446	18,425	17,831
Mortgage loans given as collateral		–	–	223
Deferred tax assets		2,186	1,853	2,076
Assets held for sale[1]		39	102	54
Property and equipment		1,541	1,530	1,580
Goodwill	8	2,072	2,107	2,060
Other intangible assets	8	7,111	7,448	8,062
Total assets		**411,833**	**408,831**	**385,481**

[1] September 30, 2013 included land and buildings formerly classified as real estate held for investment amounting to USD 39 million. December 31, 2012 included land and buildings formerly classified as real estate held for investment and held for own use amounting to USD 91 million and USD 10 million, respectively. January 1, 2012 included assets relating to the sale of a company in Bolivia (see note 5 of the Consolidated financial statements 2012).

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

Liabilities and equity

in USD millions, as of	Notes	09/30/13	Restated 12/31/12	Restated 01/01/12
Liabilities				
Reserve for premium refunds		499	706	611
Liabilities for investment contracts	5	63,446	57,437	50,309
Deposits received under ceded reinsurance contracts		1,290	1,558	1,560
Deferred front-end fees		5,641	6,073	5,720
Reserves for insurance contracts	4	265,013	265,233	253,207
Obligations to repurchase securities		1,423	1,539	1,794
Accrued liabilities		3,106	3,279	3,154
Other liabilities		19,003	18,368	18,265
Collateralized loans		–	–	223
Deferred tax liabilities		5,132	5,244	4,577
Liabilities held for sale[1]		–	–	55
Senior debt	11	5,977	6,660	6,541
Subordinated debt	11	6,934	5,861	5,476
Total liabilities		**377,464**	**371,957**	**351,493**
Equity				
Share capital		11	11	10
Additional paid-in capital		6,351	8,172	9,907
Net unrealized gains/(losses) on available-for-sale investments		2,450	4,523	2,800
Cash flow hedges		137	238	232
Cumulative foreign currency translation adjustment		(3,939)	(3,022)	(2,581)
Revaluation reserve		186	180	180
Retained earnings		26,868	24,403	20,951
Shareholders’ equity		32,062	34,505	31,499
Non-controlling interests		2,306	2,369	2,490
Total equity		**34,369**	**36,874**	**33,989**
Total liabilities and equity		**411,833**	**408,831**	**385,481**

[1] Related to the sale of a company in Bolivia (see note 5 of the Consolidated financial statements 2012).

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

Consolidated financial statements (unaudited) *continued*

Consolidated statements of cash flows (unaudited)

in USD millions, for the nine months ended September 30	2013	Restated 2012
Cash flows from operating activities		
Net income attributable to shareholders	2,954	2,898
Adjustments for:		
Net (gain)/loss on divestments of businesses	1	35
(Income)/expense from equity method accounted investments	(6)	(7)
Depreciation, amortization and impairments of fixed and intangible assets	699	739
Other non-cash items	380	(31)
Underwriting activities:	6,563	8,978
Reserves for insurance contracts, gross	*730*	5,727
Reinsurers' share of reserves for insurance contracts	*809*	224
Liabilities for investment contracts	*5,712*	3,599
Deferred policy acquisition costs	*(492)*	(755)
Deferred origination costs	*43*	57
Deposits made under assumed reinsurance contracts	*28*	149
Deposits received under ceded reinsurance contracts	*(268)*	(23)
Investments:	(7,662)	(9,714)
Net capital (gains)/losses on total investments and impairments	*(7,890)*	(7,587)
Net change in trading securities and derivatives	*(58)*	(101)
Net change in money market investments	*1,338*	115
Sales and maturities		
Debt securities	*85,274*	77,753
Equity securities	*47,910*	47,276
Other	*20,918*	28,206
Purchases		
Debt securities	*(89,709)*	(80,551)
Equity securities	*(47,656)*	(46,169)
Other	*(17,788)*	(28,656)
Proceeds from sale and repurchase agreements	(102)	(338)
Movements in receivables and payables	(300)	(640)
Net changes in other operational assets and liabilities	(852)	(351)
Deferred income tax, net	79	161
Net cash provided by/(used in) operating activities	1,754	1,732

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

in USD millions, for the nine months ended September 30	2013	Restated 2012
Cash flows from investing activities		
Sales of property and equipment	49	59
Purchases of property and equipment	(196)	(132)
(Acquisitions)/Disposals of equity method accounted investments, net	(24)	2
Acquisitions of companies, net of cash acquired	–	(97)
Divestments of companies, net of cash balances	–	(14)
Dividends from equity method accounted investments	–	1
Net cash provided by/(used in) investing activities	(171)	(182)
Cash flows from financing activities		
Dividends paid	(2,817)	(2,692)
Issuance of share capital	41	84
Net movement in treasury shares	13	25
Issuance of debt	1,547	1,834
Repayments of debt outstanding	(1,264)	(1,559)
Net cash provided by/(used in) financing activities	(2,480)	(2,308)
Foreign currency translation effects on cash and cash equivalents	(56)	61
Change in cash and cash equivalents	(954)	(696)
Cash and cash equivalents as of January 1	10,208	9,705
Cash and cash equivalents as of September 30	**9,254**	**9,009**
of which:		
– cash and cash equivalents – Group investments	7,788	8,026
– cash and cash equivalents – unit-linked	1,466	983
Other supplementary cash flow disclosures		
Other interest income received	4,953	5,415
Dividend income received	1,263	1,309
Other interest expense paid	(726)	(812)
Income taxes paid	(862)	(985)

Cash and cash equivalents

in USD millions, as of September 30	2013	Restated 2012
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	6,817	5,719
Cash equivalents	2,437	3,290
Total	**9,254**	**9,009**

As of September 30, 2013 and 2012, cash and cash equivalents held to meet local regulatory requirements were USD 1,405 million and USD 1,132 million, respectively.

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

Consolidated financial statements (unaudited) *continued*

Consolidated statements of changes in equity (unaudited)

in USD millions	Share capital	Additional paid-in capital
Balance as of December 31, 2011, as previously reported	10	9,907
Total adjustments due to restatement	–	–
Balance as of December 31, 2011, as restated	10	9,907
Issuance of share capital[1]	–	206
Dividends to shareholders[2]	–	(1,923)
Share-based payment transactions	–	(13)
Treasury share transactions[4]	–	1
Change in ownership interests with no loss of control	–	–
Total comprehensive income for the period, net of tax	–	–
Net income	–	–
Net unrealized gains/(losses) on available-for-sale investments	–	–
Cash flow hedges	–	–
Cumulative foreign currency translation adjustment	–	–
Revaluation reserve	–	–
Net actuarial gains/(losses) on pension plans	–	–
Net changes in capitalization of non-controlling interests	–	–
Balance as of September 30, 2012, as restated	11	8,178
Balance as of December 31, 2012, as previously reported	11	8,172
Total adjustments due to restatement	–	–
Balance as of December 31, 2012, as restated	11	8,172
Issuance of share capital[1]	–	149
Dividends to shareholders[3]	–	(1,933)
Share-based payment transactions	–	(45)
Treasury share transactions[4]	–	7
Reclassification from revaluation reserves	–	–
Total comprehensive income for the period, net of tax	–	–
Net income	–	–
Net unrealized gains/(losses) on available-for-sale investments	–	–
Cash flow hedges	–	–
Cumulative foreign currency translation adjustment	–	–
Revaluation reserve	–	–
Net actuarial gains/(losses) on pension plans	–	–
Net changes in capitalization of non-controlling interests	–	–
Balance as of September 30, 2013	**11**	**6,351**

[1] The number of common shares issued as of September 30, 2013 was 148,888,459 (September 30, 2012: 148,235,053, December 31, 2012: 148,300,123, December 31, 2011: 147,385,822).
[2] As approved by the Annual General Meeting on March 29, 2012, the dividend of CHF 17 per share was paid out of the capital contribution reserve. The difference of USD 840 million between the dividend at transaction day exchange rates amounting to USD 2,763 million and the dividend at historical exchange rates amounting to USD 1,923 million is reflected in the cumulative foreign currency translation adjustment.
[3] As approved by the Annual General Meeting on April 4, 2013, the dividend of CHF 17 per share was paid out of the capital contribution reserve. The difference of USD 718 million between the dividend at transaction day exchange rates amounting to USD 2,651 million and the dividend at historical exchange rates amounting to USD 1,933 million is reflected in the cumulative foreign currency translation adjustment.
[4] The number of treasury shares deducted from equity as of September 30, 2013 amounted to 1,323,302 (September 30, 2012: 1,353,134, December 31, 2012: 1,348,395, December 31, 2011: 1,373,392).

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

Net unrealized gains/(losses) on available-for-sale investments	Cash flow hedges	Cumulative foreign currency translation adjustment	Revaluation reserve	Retained earnings	Shareholders' equity	Non-controlling interests	Total equity
2,800	232	(2,581)	180	20,936	31,484	2,489	33,973
–	–	–	–	15	15	1	16
2,800	232	(2,581)	180	20,951	31,499	2,490	33,989
–	–	–	–	–	206	–	206
–	–	–	–	–	(1,923)	(37)	(1,960)
–	–	–	–	–	(13)	–	(13)
–	–	–	–	23	25	–	25
–	–	–	–	(5)	(5)	–	(5)
1,871	12	(511)	–	2,908	4,280	53	4,333
–	–	–	–	*2,898*	*2,898*		
1,871	–	–	–	–	*1,871*		
–	*12*	–	–	–	*12*		
–	–	*(511)*	–	–	*(511)*		
–	–	–	–	–	–		
–	–	–	–	*10*	*10*		
–	–	–	–	–	–	(81)	(81)
4,671	244	(3,093)	180	23,879	34,069	2,424	36,494
4,523	238	(3,022)	180	24,391	34,494	2,368	36,862
–	–	–	–	11	11	1	12
4,523	238	(3,022)	180	24,403	34,505	2,369	36,874
–	–	–	–	–	149	–	149
–	–	–	–	–	(1,933)	(166)	(2,099)
–	–	–	–	–	(45)	–	(45)
–	–	–	–	6	13	–	13
–	–	–	–	5	5	–	5
(2,073)	(101)	(917)	6	2,454	(632)	100	(531)
–	–	–	–	*2,954*	*2,954*		
(2,073)	–	–	–	–	*(2,073)*		
–	*(101)*	–	–	–	*(101)*		
–	–	*(917)*	–	–	*(917)*		
–	–	–	*6*	–	*6*		
–	–	–	–	*(500)*	*(500)*		
–	–	–	–	–	–	4	4
2,450	**137**	**(3,939)**	**186**	**26,868**	**32,062**	**2,306**	**34,369**

Consolidated financial statements (unaudited) *continued*

Zurich Insurance Group Ltd and its subsidiaries (collectively the Group) is a provider of insurance-based products. The Group also distributes non-insurance products, such as mutual funds, mortgages and other financial services products, from selected third-party providers. The Group operates mainly in Europe, the USA, Latin America and Asia Pacific through subsidiaries, as well as branch and representative offices.

Zurich Insurance Group Ltd, a Swiss corporation, is the holding company of the Group and is listed on the SIX Swiss Exchange. Zurich Insurance Group 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.

1. Basis of presentation

General information

The unaudited Consolidated financial statements for the nine months to September 30, 2013 of 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 2012 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 and losses as well as gains and losses on transfers of net assets, which are eliminated against equity. In the unaudited Consolidated financial statements inter-segment revenues and transfers are eliminated.

The unaudited Consolidated financial statements for the nine months to September 30, 2013 should be read in conjunction with the Group's Annual Report 2012.

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. Interim results are not necessarily indicative of full year results.

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

Table 1.1 summarizes the principal exchange rates used for translation purposes. Net gains/(losses) on foreign currency transactions included in the consolidated income statements were USD 25 million and USD 50 million for the nine months ended September 30, 2013 and 2012, respectively. Foreign currency exchange forward and swap gains/(losses) included in these amounts were USD (40) million and USD 156 million for the nine months ended September 30, 2013 and 2012, respectively.

Principal exchange rates

Table 1.1

USD per foreign currency unit	Consolidated balance sheets		Consolidated income statements and cash flows	
	09/30/13	12/31/12	**09/30/13**	09/30/12
Euro	1.3532	1.3188	1.3166	1.2819
Swiss franc	1.1058	1.0928	1.0695	1.0644
British pound	1.6178	1.6272	1.5459	1.5776

Implementation of new accounting standards

Table 1.2 shows new accounting standards or amendments to and interpretations of standards relevant to the Group that have been implemented for the financial year beginning January 1, 2013, with no material impact on the Group's financial position or performance.

Table 1.2

Standard/ Interpretation

		Effective date
New Standards		
IFRS 10	Consolidated Financial Statements[1]	January 1, 2013
IFRS 11	Joint Arrangements	January 1, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2013
IFRS 13	Fair Value Measurement	January 1, 2013
Amended Standards		
IAS 1	Presentation of items of Other Comprehensive Income (OCI)	July 1, 2012
IAS 19	Employee Benefits[1]	January 1, 2013
IAS 27	Separate Financial Statements	January 1, 2013
IAS 28	Investments in Associates and Joint Ventures	January 1, 2013
IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities	January 1, 2013

[1] Impacts set out in tables 1.4 and 1.5

The Group has not early-adopted the standards shown in table 1.3.

Table 1.3

Standard/ Interpretation

		Effective date
New Standards		
IFRS 9	Financial Instruments	Pending
Amended Standards		
IAS 32	Offsetting Financial Assets and Financial Liabilities	January 1, 2014

Restatements and reclassifications

Following the errors identified in Germany for the year ended December 31, 2012 (see note 1 of the Consolidated financial statements 2012), the nine months ended September 30, 2012 has been restated, with an increase in net income after taxes of USD 194 million and business operating profit of USD 264 million. The impacts in the consolidated income statement are set out in table 1.4. Consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows and notes 4, 6, 7, 10, 12 and 16 have been restated accordingly.

Tables 1.4 and 1.5 show the impacts of implementing IAS 19 "Employee Benefits" and IFRS 10 "Consolidated Financial Statements" on the consolidated income statement for the nine months ended September 30, 2012 and consolidated balance sheet as of December 31, 2012. Consolidated income statements, consolidated balance sheets, consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows and notes 3, 5, 6, 10, 12, 14, 15 and 16 have been restated accordingly.

The presentation of deferred bonuses allocated to policyholders has been aligned across the Group. There was no impact to the Group's consolidated income statement. As a result of this alignment there was a corresponding reduction in both deferred front-end fees and deferred policy acquisition costs. The impact of the reduction in deferred policy acquisition costs is set out in note 7.

Consolidated financial statements (unaudited) *continued*

The presentation of indemnity commission has been aligned across the Group with no impact on the Group's consolidated income statement. As a result of this alignment there is transfer from receivables and other assets to deferred policy acquisition costs. The impact of the increase in deferred policy acquisition costs is set out in note 7.

Restatement of the consolidated income statement

Table 1.4

in USD millions, for the nine months ended September 30, 2012	As reported	Germany	IAS 19	IFRS 10	As restated
Revenues					
Gross written premiums	38,475	–	–	–	38,475
Policy fees	1,988	–	–	–	1,988
Gross written premiums and policy fees	40,463	–	–	–	40,463
Less premiums ceded to reinsurers	(4,926)	–	–	–	(4,926)
Net written premiums and policy fees	35,537	–	–	–	35,537
Net change in reserves for unearned premiums	(1,611)	–	–	–	(1,611)
Net earned premiums and policy fees	33,926	–	–	–	33,926
Farmers management fees and other related revenues	2,134	–	–	–	2,134
Net investment result on Group investments	6,087	–	–	54	6,141
Net investment income on Group investments	5,099	–	–	54	5,153
Net capital gains/(losses) and impairments on Group investments	988	–	–	–	988
Net investment result on unit-linked investments	8,004	–	–	(58)	7,946
Net gain/(loss) on divestments of businesses	(35)	–	–	–	(35)
Other income	1,274	–	–	–	1,274
Total revenues	51,390	–	–	(4)	51,386
Benefits, losses and expenses					
Insurance benefits and losses, gross of reinsurance	26,581	(183)	–	–	26,399
Less ceded insurance benefits and losses	(2,142)	–	–	–	(2,142)
Insurance benefits and losses, net of reinsurance	24,439	(183)	–	–	24,257
Policyholder dividends and participation in profits, net of reinsurance	8,799	–	–	(58)	8,741
Underwriting and policy acquisition costs, net of reinsurance	7,329	(84)	–	–	7,245
Administrative and other operating expense	6,386	–	(5)	2	6,383
Interest expense on debt	431	–	–	–	431
Interest credited to policyholders and other interest	346	–	–	52	398
Total benefits, losses and expenses	47,730	(267)	(5)	(4)	47,454
Net income before income taxes	3,660	267	5	–	3,932
Income tax expense	(937)	(71)	(1)	–	(1,009)
attributable to policyholders	(137)	–	–	–	(137)
attributable to shareholders	(800)	(71)	(1)	–	(872)
Net income after taxes	**2,723**	**196**	**4**	**–**	**2,923**
attributable to non-controlling interests	22	2	–	–	24
attributable to shareholders	2,701	194	4	–	2,898
in USD					
Basic earnings per share	18.43	1.32	0.03	0.00	19.78
Diluted earnings per share	18.34	1.31	0.03	0.00	19.68
in CHF					
Basic earnings per share	17.31	1.24	0.03	0.00	18.58
Diluted earnings per share	17.23	1.23	0.02	0.00	18.49

Consolidated financial statements (unaudited) *continued*

Restatement of the consolidated balance sheet

Table 1.5

in USD millions, as of December 31, 2012	As reported	IAS 19	IFRS 10	As restated
Investments				
Total Group investments	208,707	–	875	209,582
Cash and cash equivalents	9,098	–	–	9,098
Equity securities	12,341	–	–	12,341
Debt securities	155,594	–	–	155,594
Real estate held for investment	8,561	–	–	8,561
Mortgage loans	10,519	–	–	10,519
Other loans	12,423	–	962	13,385
Investments in associates and joint ventures	172	–	(87)	85
Investments for unit-linked contracts	125,226	–	(1,313)	123,913
Total investments	333,934	–	(438)	333,496
Reinsurers' share of reserves for insurance contracts	19,753	–	–	19,753
Deposits made under assumed reinsurance contracts	2,588	–	–	2,588
Deferred policy acquisition costs	18,346	–	–	18,346
Deferred origination costs	770	–	–	770
Accrued investment income	2,414	–	–	2,414
Receivables and other assets	18,423	–	3	18,425
Deferred tax assets	1,854	–	–	1,853
Assets held for sale	102	–	–	102
Property and equipment	1,530	–	–	1,530
Goodwill	2,107	–	–	2,107
Other intangible assets	7,448	–	–	7,448
Total assets	**409,267**	**–**	**(436)**	**408,831**
Liabilities				
Reserve for premium refunds	706	–	–	706
Liabilities for investment contracts	58,131	–	(693)	57,437
Deposits received under ceded reinsurance contracts	1,558	–	–	1,558
Deferred front-end fees	6,073	–	–	6,073
Reserves for insurance contracts	265,233	–	–	265,233
Obligations to repurchase securities	1,539	–	–	1,539
Accrued liabilities	3,272	–	7	3,279
Other liabilities	18,135	(18)	251	18,368
Deferred tax liabilities	5,238	6	–	5,244
Senior debt	6,660	–	–	6,660
Subordinated debt	5,861	–	–	5,861
Total liabilities	**372,405**	**(12)**	**(436)**	**371,957**
Equity				
Share capital	11	–	–	11
Additional paid-in capital	8,172	–	–	8,172
Net unrealized gains/(losses) on available-for-sale investments	4,523	–	–	4,523
Cash flow hedges	238	–	–	238
Cumulative translation adjustment	(3,022)	–	–	(3,022)
Revaluation reserve	180	–	–	180
Retained earnings	24,391	12	–	24,403
Shareholders' equity	34,494	11	–	34,505
Non-controlling interests	2,368	–	1	2,369
Total equity	**36,862**	**11**	**1**	**36,874**
Total liabilities and equity	**409,267**	**–**	**(435)**	**408,831**

2. Acquisitions and divestments

Transactions in 2013

There were no significant transactions in the nine months ended September 30, 2013.

Transactions in 2012

Acquisitions

On May 25, 2012, the Group increased its shareholding in Zurich Insurance Company South Africa Limited, a partially owned subsidiary, to 84.05 percent by purchasing a 25.1 percent shareholding from Royal Bafokeng Finance (Pty) Limited (RBF) for a purchase price of approximately USD 75 million. With this purchase of 25.1 percent, the Group's controlling interest for the Consolidated financial statements is now in line with its legal ownership. On this date, the put option right granted to RBF in 2010 to sell back its entire shareholding to the Group also ceased to exist.

Divestments and loss of control

The Group lost control over one of its subsidiaries and consequently derecognized the assets and liabilities at their carrying value and recognized its retained investment in this entity as an equity security classified as available-for-sale as of September 30, 2012. A USD 38 million pre-tax loss was recorded within net gain/(loss) on divestments of businesses.

Consolidated financial statements (unaudited) *continued*

3. Investments

Total investments include Group investments and investments for unit-linked products. Group investments are those for which the Group bears part or all of the investment risk. They also include investments related to investment contracts with discretionary participation features. Investments for unit-linked products include investments where the policyholder bears the investment risk, and are held for liabilities related to unit-linked investment contracts and reserves for unit-linked insurance contracts. They are managed in accordance with the investment objectives of each unit-linked fund.

Table 3.1a

Net investment result for total investments

in USD millions, for the nine months ended September 30	Net investment income		Net capital gains/(losses) on investments and impairments		Net investment result	
	2013	2012	**2013**	2012	**2013**	2012
Cash and cash equivalents	28	50	(13)	18	15	68
Equity securities	1,297	1,352	8,160	6,910	9,457	8,262
Debt securities	3,783	4,075	13	1,393	3,796	5,467
Real estate held for investment	560	608	103	(371)	663	237
Mortgage loans	287	322	(72)	(80)	215	243
Other loans	595	650	311	3	906	653
Investments in associates and joint ventures	6	7	1	3	7	10
Derivative financial instruments[1]	–	–	(614)	(289)	(614)	(289)
Investment result, gross	6,555	7,063	7,890	7,587	14,445	14,650
Investment expenses	(594)	(563)	–	–	(594)	(563)
Investment result, net	**5,961**	**6,500**	**7,890**	**7,587**	**13,851**	**14,087**

[1] Net capital losses on derivatives attributable to cash flow hedge ineffectiveness amounted to USD 5 million and USD 27 million for the nine months ended September 30, 2013 and 2012, respectively.

Rental operating expenses for real estate held for investment included in investment expenses for total investments amounted to USD 142 million and USD 141 million for the nine months ended September 30, 2013 and 2012, respectively.

Table 3.1b

Net investment result for Group investments

in USD millions, for the nine months ended September 30	Net investment income		Net capital gains/(losses) on investments and impairments		Net investment result	
	2013	2012	**2013**	2012	**2013**	2012
Cash and cash equivalents	23	35	–	–	23	35
Equity securities	193	275	796	322	989	597
Debt securities	3,571	3,863	132	963	3,704	4,826
Real estate held for investment	361	377	116	(74)	476	303
Mortgage loans	287	322	(72)	(80)	215	243
Other loans	418	460	225	22	643	482
Investments in associates and joint ventures	6	7	1	3	7	10
Derivative financial instruments[1]	–	–	(594)	(168)	(594)	(168)
Investment result, gross, for Group investments	4,858	5,339	605	988	5,463	6,327
Investment expenses for Group investments	(199)	(186)	–	–	(199)	(186)
Investment result, net, for Group investments	**4,659**	**5,153**	**605**	**988**	**5,264**	**6,141**

[1] Net capital losses on derivatives attributable to cash flow hedge ineffectiveness amounted to USD 5 million and USD 27 million for the nine months ended September 30, 2013 and 2012, respectively.

Impairment charges on Group investments included in net capital gains/losses amounted to USD 126 million and USD 152 million, including impairment charges on mortgage loans and other loans of USD 73 million and USD 75 million, for the nine months ended September 30, 2013 and 2012, respectively.

Table 3.1c

Net investment result for unit-linked contracts

in USD millions, for the nine months ended September 30	Net investment income		Net capital gains/(losses) on investments		Net investment result	
	2013	2012	**2013**	2012	**2013**	2012
Cash and cash equivalents	5	15	(13)	18	(8)	33
Equity securities	1,104	1,077	7,364	6,588	8,468	7,665
Debt securities	212	212	(119)	430	92	642
Real estate held for investment	199	230	(13)	(297)	186	(66)
Other loans	177	190	86	(19)	263	171
Derivative financial instruments	–	–	(20)	(122)	(20)	(122)
Investment result, gross, for unit-linked contracts	1,697	1,724	7,285	6,598	8,982	8,323
Investment expenses for unit-linked contracts	(395)	(377)	–	–	(395)	(377)
Investment result, net, for unit-linked contracts	**1,302**	**1,347**	**7,285**	**6,598**	**8,587**	**7,946**

Table 3.2

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

in USD millions, for the nine months ended September 30	Equity securities		Debt securities		Total	
	2013	2012	**2013**	2012	**2013**	2012
Securities at fair value through profit or loss:	7,619	6,774	(426)	703	7,192	7,477
Net capital gains/(losses) on Group investments	254	186	(307)	273	(53)	459
of which:						
Trading securities	*33*	8	*(1)*	4	*31*	11
Securities designated at fair value through profit or loss	*222*	178	*(306)*	269	*(84)*	447
Net capital gains/(losses) for unit-linked contracts	7,364	6,588	(119)	430	7,245	7,018
Available-for-sale securities:	542	136	439	690	981	826
Realized capital gains on Group investments	665	309	800	1,125	1,465	1,434
Realized capital losses on Group investments	(73)	(120)	(356)	(412)	(430)	(532)
Impairments on Group investments	(50)	(54)	(4)	(23)	(54)	(76)
Total net capital gains/(losses) and impairments	**8,160**	**6,910**	**13**	**1,393**	**8,173**	**8,303**

Consolidated financial statements (unaudited) *continued*

Details of total investments by category

Table 3.3a

as of	09/30/13 USD millions	09/30/13 % of total	12/31/12 USD millions	12/31/12 % of total
Cash and cash equivalents	9,254	2.8	10,208	3.1
Equity securities:				
Fair value through profit or loss	110,028	32.7	103,023	30.9
of which:				
Trading securities	*376*	*0.1*	*410*	*0.1*
Securities designated at fair value through profit or loss	*109,651*	*32.6*	*102,613*	*30.8*
Available-for-sale	9,004	2.7	8,796	2.6
Total equity securities	119,032	35.4	111,819	33.5
Debt securities:				
Fair value through profit or loss	18,992	5.6	20,630	6.2
of which:				
Trading securities	*45*	*0.0*	*48*	*0.0*
Securities designated at fair value through profit or loss	*18,947*	*5.6*	*20,583*	*6.2*
Available-for-sale	143,966	42.8	141,597	42.5
Held-to-maturity	4,692	1.4	5,012	1.5
Total debt securities	167,650	49.8	167,239	50.1
Real estate held for investment	11,833	3.5	11,962	3.6
Mortgage loans	9,866	2.9	10,519	3.2
Other loans	18,659	5.5	21,664	6.5
Investments in associates and joint ventures	125	0.0	85	0.0
Total investments	**336,418**	**100.0**	**333,496**	**100.0**

Details of Group investments by category

Table 3.3b

as of	09/30/13 USD millions	09/30/13 % of total	12/31/12 USD millions	12/31/12 % of total
Cash and cash equivalents	7,788	3.8	9,098	4.3
Equity securities:				
Fair value through profit or loss	3,380	1.6	3,545	1.7
of which:				
Trading securities	*376*	*0.2*	*410*	*0.2*
Securities designated at fair value through profit or loss	*3,003*	*1.5*	*3,135*	*1.5*
Available-for-sale	9,004	4.4	8,796	4.2
Total equity securities	12,384	6.0	12,341	5.9
Debt securities:				
Fair value through profit or loss	7,255	3.5	8,985	4.3
of which:				
Trading securities	*45*	*0.0*	*48*	*0.0*
Securities designated at fair value through profit or loss	*7,210*	*3.5*	*8,937*	*4.3*
Available-for-sale	143,966	69.6	141,597	67.6
Held-to-maturity	4,692	2.3	5,012	2.4
Total debt securities	155,913	75.4	155,594	74.2
Real estate held for investment	8,402	4.1	8,561	4.1
Mortgage loans	9,866	4.8	10,519	5.0
Other loans	12,372	6.0	13,385	6.4
Investments in associates and joint ventures	125	0.1	85	0.0
Total Group investments	**206,849**	**100.0**	**209,582**	**100.0**

Investments (including cash and cash equivalents) with a carrying value of USD 6,172 million and USD 6,340 million were held to meet local regulatory requirements as of September 30, 2013, and December 31, 2012, respectively.

Details of investments held for unit-linked contracts

Table 3.3c

as of	09/30/13		12/31/12	
	USD millions	% of total	USD millions	% of total
Cash and cash equivalents	1,466	1.1	1,110	0.9
Equity securities	106,648	82.3	99,478	80.3
Debt securities	11,736	9.1	11,646	9.4
Real estate	3,431	2.6	3,401	2.7
Other loans	6,287	4.9	8,279	6.7
Total investments for unit-linked contracts	**129,569**	**100.0**	**123,913**	**100.0**

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

Accrued investment income on unit-linked investments disclosed under accrued investment income amounted to USD 264 million and USD 255 million as of September 30, 2013 and December 31, 2012, respectively.

Net unrealized gains/(losses) on Group investments included in equity

Table 3.4

in USD millions, as of	Total	
	09/30/13	12/31/12
Equity securities: available-for-sale	1,507	1,679
Debt securities: available-for-sale	4,861	8,679
Other	171	300
Less: amount of net unrealized gains/(losses) on investments attributable to:		
Life policyholder dividends and other policyholder liabilities	(2,801)	(3,918)
Life deferred acquisition costs and present value of future profits	(343)	(571)
Deferred income taxes	(799)	(1,385)
Non-controlling interests	(8)	(23)
Total [1]	**2,587**	**4,762**

[1] Net unrealized gains/(losses) included net gains arising on cash flow hedges of USD 137 million and USD 238 million as of September 30, 2013 and December 31, 2012, respectively.

Securities under security lending and repurchase agreements

As of September 30, 2013 and December 31, 2012, respectively, investments included USD 8,811 million and USD 7,751 million of loaned securities. These loaned securities were mainly debt securities. Liabilities for cash collateral received for securities lending comprised USD 352 million and USD 330 million as of September 30, 2013 and December 31, 2012, respectively. Non-cash collateral received for loaned securities comprised mainly equity and debt securities, and amounted to USD 9,257 million and USD 8,085 million as of September 30, 2013 and December 31, 2012, respectively. The Group can sell or repledge the collateral only in the event of default by a counterparty.

As of September 30, 2013 and December 31, 2012, respectively, debt securities with a carrying value of USD 1,431 million and USD 1,550 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 1,423 million and USD 1,539 million as of September 30, 2013 and December 31, 2012, respectively.

The Group retains the rights to the risks and the benefits of loaned securities and securities under repurchase agreements. These risks and benefits include changes in market values and income earned.

As of September 30, 2013 and December 31, 2012, respectively, securities with a carrying value of USD 646 million and USD 990 million have been purchased from financial institutions under short-term reverse sale and repurchase agreements. Receivables under these agreements have been recognized in the Group's consolidated balance sheets and amounted to USD 642 million and USD 988 million as of September 30, 2013 and December 31, 2012, respectively.

Consolidated financial statements (unaudited) *continued*

Derivative financial instruments: offsetting of financial assets and liabilities

Tables 3.5 and 3.6 show the net asset and liability position of derivative financial instruments subject to enforceable master netting arrangements and collateral agreements. Master netting arrangements are used by the Group to provide protection against loss in the event of bankruptcy or other circumstances that result in a counterparty being unable to meet its obligations. These arrangements commonly create a right of offset that becomes enforceable and affects the realization or settlement of individual financial assets and financial liabilities only following a specified event of default or other circumstances which would not be expected to arise in the normal course of business.

Table 3.5

Derivative financial instruments subject to enforceable master netting arrangements and collateral agreements – current period

in USD millions, as of September 30, 2013	Fair value	Related amounts not offset	Cash collateral (received)/ pledged	Non cash collateral (received)/ pledged	Net amount
Assets					
Group derivatives	1,234	(211)	(870)	(9)	144
Unit-linked derivatives	60	(2)	(48)	–	9
Total derivative assets	**1,294**	**(213)**	**(919)**	**(9)**	**153**
Liabilities					
Group derivatives	(631)	211	275	7	(139)
Unit-linked derivatives	(6)	2	–	–	(4)
Total derivative liabilities	**(638)**	**213**	**275**	**7**	**(142)**

Table 3.6

Derivative financial instruments subject to enforceable master netting arrangements and collateral agreements – prior period

in USD millions, as of December 31, 2012	Fair value	Related amounts not offset	Cash collateral (received)/ pledged	Non cash collateral (received)/ pledged	Net amount
Assets					
Group derivatives	1,750	(276)	(1,152)	(13)	309
Unit-linked derivatives	62	–	(47)	–	15
Total derivative assets	**1,813**	**(276)**	**(1,199)**	**(13)**	**324**
Liabilities					
Group derivatives	(537)	276	72	15	(174)
Unit-linked derivatives	(5)	–	–	–	(5)
Total derivative liabilities	**(542)**	**276**	**72**	**15**	**(179)**

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

Reserves for insurance contracts

Table 4.1

in USD millions, as of	Gross		Ceded		Net	
	09/30/13	12/31/12	**09/30/13**	12/31/12	**09/30/13**	12/31/12
Reserves for losses and loss adjustment expenses	68,682	69,986	(11,628)	(12,601)	57,054	57,385
Reserves for unearned premiums	18,840	17,300	(2,890)	(2,666)	15,950	14,634
Future life policyholders' benefits	83,998	83,807	(2,493)	(2,507)	81,505	81,300
Policyholders' contract deposits and other funds	20,084	20,024	(2,049)	(2,106)	18,035	17,917
Reserves for unit-linked contracts	73,409	74,117	–	–	73,409	74,117
Total reserves for insurance contracts[1]	**265,013**	**265,233**	**(19,060)**	**(19,880)**	**245,953**	**245,353**

[1] The total reserves for insurance contracts ceded are gross of allowances for uncollectible amounts of USD 154 million and USD 127 million as of September 30, 2013 and December 31, 2012, respectively.

Development of reserves for losses and loss adjustment expenses

Table 4.2

in USD millions	Gross		Ceded		Net	
	2013	2012	**2013**	2012	**2013**	2012
As of January 1	69,986	67,762	(12,601)	(12,421)	57,385	55,341
Losses and loss adjustment expenses incurred:						
Current year	20,145	19,617	(2,414)	(2,050)	17,731	17,568
Prior years	(893)	(490)	319	117	(574)	(373)
Total incurred	19,252	19,127	(2,095)	(1,932)	17,157	17,194
Losses and loss adjustment expenses paid:						
Current year	(6,768)	(6,847)	461	436	(6,307)	(6,412)
Prior years	(13,653)	(12,327)	2,582	1,890	(11,071)	(10,437)
Total paid	(20,422)	(19,174)	3,043	2,326	(17,379)	(16,849)
Acquisitions/(divestments) and transfers[1]	–	1,197	–	(23)	–	1,174
Foreign currency translation effects	(135)	359	25	(73)	(110)	287
As of September 30	**68,682**	**69,270**	**(11,628)**	**(12,123)**	**57,054**	**57,147**

[1] The 2012 net movement includes a transfer of USD 1,221 million from policyholder's contract deposits and other funds and USD (37) million transferred to future life policyholder's benefits (see note 1 of the Consolidated financial statements 2012).

The Group establishes loss reserves, which are estimates of future payments of reported and unreported claims for losses and related expenses, with respect to insured events that have occurred. Reserving is a complex process dealing with uncertainty, requiring the use of informed estimates and judgments. Any changes in estimates or judgments are reflected in the results of operations in the period in which estimates and judgments are changed.

Significant delays may occur in the notification and settlement of claims, and a substantial measure of experience and judgment is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the balance sheet date. The reserves for losses and loss adjustment expenses are determined on the basis of information currently available. However, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments.

Table 4.2 shows the development of reserves for losses and loss adjustment expenses during the first nine months of 2013 and 2012.

The decrease of USD 332 million during the first nine months of 2013 in net reserves for losses and loss adjustment expenses is mostly driven by payments on crop and storm Sandy losses in North America. Favorable reserve development arising from reserves established in prior years amounted to USD 574 million for the first nine months of 2013, in part due to favorable releases in Switzerland and in Global Corporate.

For the first nine months of 2012, net reserves for losses and loss adjustment expenses increased by USD 1,806 million, mostly driven by the reclassification of USD 1,221 million transferred from policyholders' contract deposits and other

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funds to reserves for losses and loss adjustment expenses (see note 1 of the Consolidated financial statements 2012), and the foreign currency impact of USD 287 million. Favorable reserve development emerging from reserves established in prior years of USD 373 million was negatively impacted by the reserve strengthening in Germany primarily in the long-tail liability business of USD 346 million. This was offset by favorable development especially experienced in Switzerland's motor line of business, and in the UK and North America spread over many lines of business.

Development of future life policyholders' benefits

Table 4.3

in USD millions	Gross		Ceded		Net	
	2013	2012	**2013**	2012	**2013**	2012
As of January 1	83,807	80,584	(2,507)	(2,583)	81,300	78,001
Premiums	6,441	6,179	(399)	(409)	6,042	5,770
Claims	(7,027)	(6,300)	323	317	(6,704)	(5,983)
Fee income and other expenses	(1,432)	(1,462)	103	138	(1,329)	(1,324)
Interest and bonuses credited to policyholders	1,482	1,958	(4)	(62)	1,479	1,896
Change in assumptions	(136)	52	13	163	(123)	214
Acquisitions/(divestments) and transfers[1]	–	915	–	(13)	–	903
(Decreases)/increases recorded in other comprehensive income	(175)	178	–	–	(175)	178
Foreign currency translation effects	1,038	(36)	(22)	(27)	1,015	(63)
As of September 30	**83,998**	**82,069**	**(2,493)**	**(2,476)**	**81,505**	**79,592**

[1] The 2012 net movement includes USD 783 million transferred from reserves for unearned premiums, USD 67 million transferred from policyholders' contract deposits and other funds, USD 37 million transferred from loss reserves (see note 1 of the Consolidated financial statements 2012) and USD 14 million from the acquisition of Zurich Insurance Malaysia Berhad (ZIMB), (see note 5 of the Consolidated financial statements 2012).

Policyholders' contract deposits and other funds gross

Table 4.4

in USD millions, as of	**09/30/13**	12/31/12
Universal life and other contracts	12,664	12,219
Policyholder dividends	7,420	7,804
Total	**20,084**	**20,024**

Development of policyholders' contract deposits and other funds

Table 4.5

in USD millions	Gross		Ceded		Net	
	2013	2012	**2013**	2012	**2013**	2012
As of January 1	20,024	18,356	(2,106)	(2,181)	17,917	16,175
Premiums	993	871	(50)	(20)	942	850
Claims	(1,071)	(859)	176	139	(896)	(719)
Fee income and other expenses	(215)	(175)	(8)	(40)	(224)	(215)
Interest and bonuses credited to policyholders	1,103	359	(60)	(58)	1,043	300
Acquisitions/(divestments) and transfers[1]	–	(1,313)	–	32	–	(1,281)
(Decrease)/increase recorded in other comprehensive income	(977)	1,526	–	–	(977)	1,526
Foreign currency translation effects	229	19	–	–	229	18
As of September 30	**20,084**	**18,783**	**(2,049)**	**(2,129)**	**18,035**	**16,654**

[1] The 2012 net movement includes USD (1,221) million transferred to loss reserves and loss adjustment expenses and USD (67) million transferred to future life policyholders' benefits (see note 1 of the Consolidated financial statements 2012).

Development of reserves for unit-linked contracts

Table 4.6

in USD millions	2013	2012
As of January 1	74,117	68,844
Premiums	4,586	7,970
Claims	(7,637)	(8,036)
Fee income and other expenses	(1,361)	(1,185)
Interest and bonuses credited/(charged) to policyholders	4,275	4,840
Acquisitions/(divestments) and transfers[1]	–	149
Foreign currency translation effects	(571)	176
As of September 30	**73,409**	**72,759**

[1] The 2012 movement includes USD 150 million transferred from liabilities for investment contracts (see note 1 of the Consolidated financial statements 2012).

Consolidated financial statements (unaudited) *continued*

5. Liabilities for investment contracts

Liabilities for investment contracts

Table 5.1

in USD millions, as of	**09/30/13**	12/31/12
Liabilities related to unit-linked investment contracts	56,152	50,229
Liabilities related to investment contracts (amortized cost)	1,052	1,305
Liabilities related to investment contracts with DPF	6,242	5,903
Total	**63,446**	**57,437**

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 liabilities related to investment contracts at amortized cost is based on a discounted cash flow valuation technique. The initial valuation of the discount rate is determined by the current market assessment of the time value of money and risks specific to the liabilities.

Development of liabilities for investment contracts

Table 5.2

in USD millions	**2013**	2012
As of January 1	57,437	50,309
Premiums	6,250	4,846
Claims	(4,733)	(4,594)
Fee income and other expenses	(434)	(443)
Interest and bonuses credited/(charged) to policyholders	4,629	3,792
Acquisitions/(divestments) and transfers[1]	–	(149)
Increase/(decrease) recorded in other comprehensive income	12	(5)
Foreign currency translation effects	285	1,198
As of September 30	**63,446**	**54,953**

[1] The 2012 movement includes USD (150) million transferred to reserves for unit-linked contracts (see note 1 of the Consolidated financial statements 2012).

6. Gross and ceded insurance revenues and expenses

Insurance benefits and losses

Table 6.1

in USD millions, for the nine months ended September 30	Gross		Ceded		Net	
	2013	2012	**2013**	2012	**2013**	2012
Losses and loss adjustment expenses	19,252	19,127	(2,095)	(1,932)	17,157	17,194
Life insurance death and other benefits	6,741	7,272	(318)	(210)	6,423	7,062
Total insurance benefits and losses	**25,993**	**26,399**	**(2,413)**	**(2,142)**	**23,580**	**24,257**

Policyholder dividends and participation in profits

Table 6.2

in USD millions, for the nine months ended September 30	Gross		Ceded		Net	
	2013	2012	**2013**	2012	**2013**	2012
Change in policyholders' contract deposits and other funds	1,029	822	–	(19)	1,029	802
Change in reserves for unit-linked products	4,181	4,722	–	–	4,181	4,722
Change in liabilities for investment contracts – unit-linked	4,470	3,257	–	–	4,470	3,257
Change in liabilities for investment contracts – other	167	176	–	–	167	176
Change in unit-linked liabilities related to UK capital gains tax	(252)	(217)	–	–	(252)	(217)
Total policyholder dividends and participation in profits	**9,594**	**8,761**	**–**	**(19)**	**9,594**	**8,741**

Consolidated financial statements (unaudited) *continued*

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[1]		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
As of January 1	3,543	3,482	14,466	13,584	337	353	18,346	17,420
Acquisition costs deferred	2,613	2,375	1,565	1,405	641	703	4,819	4,483
Amortization	(2,291)	(2,212)	(1,373)	(783)	(637)	(684)	(4,301)	(3,679)
Impairments	–	(39)	(24)	(11)	–	–	(24)	(50)
Amortization (charged)/ credited to other comprehensive income	–	–	219	(236)	–	–	219	(236)
Acquisitions/(divestments) and transfers[2]	–	(3)	(309)	(5)	–	–	(309)	(8)
Foreign currency translation effects	(55)	–	(64)	133	–	–	(118)	134
As of September 30	**3,809**	**3,604**	**14,480**	**14,087**	**341**	**372**	**18,631**	**18,063**

[1] Net of eliminations from inter-segment transactions.
[2] The 2013 movement relates to a transfer to deferred front-end fees of USD (433) million and a transfer from receivables and other assets of USD 124 million (see note 1). The 2012 Global Life movement related to a transfer to deferred origination costs (see note 1 of the Consolidated financial statements 2012).

As of September 30, 2013, December 31, 2012 and September 30, 2012, deferred policy acquisition costs relating to non-controlling interests were USD 606 million, USD 572 million and USD 552 million, respectively.

Table 7.2

Development of deferred origination costs

in USD millions	**2013**	2012
As of January 1	770	824
Origination costs deferred	46	59
Amortization	(89)	(116)
Acquisitions/(divestments) and transfers[1]	–	5
Foreign currency translation effects	1	20
As of September 30	**727**	**792**

[1] The 2012 movement related to a transfer from deferred policy acquisition costs (see note 1 of the Consolidated financial statements 2012).

8. Goodwill and other intangible assets

Intangible assets – current period

Table 8.1

in USD millions	Goodwill	PVFP	Distribution agreements	Attorney-in-fact relationships	Software	Other	Total
Gross carrying value as of January 1, 2013	2,239	2,890	4,435	1,025	4,418	219	15,226
Less: accumulated amortization/impairments	(132)	(2,047)	(620)	–	(2,747)	(125)	(5,671)
Net carrying value as of January 1, 2013	2,107	844	3,815	1,025	1,670	94	9,555
Additions and transfers	–	–	35	–	261	–	296
Amortization	–	(107)	(141)	–	(287)	(7)	(542)
Amortization charged to other comprehensive income	–	12	–	–	–	–	12
Impairments	–	–	–	–	(22)	(1)	(22)
Foreign currency translation effects	(35)	(2)	(71)	–	(6)	(2)	(116)
Net carrying value as of September 30, 2013	**2,072**	**747**	**3,638**	**1,025**	**1,616**	**84**	**9,182**
Plus: accumulated amortization/impairments	127	2,140	827	–	2,990	135	6,219
Gross carrying value as of September 30, 2013	**2,198**	**2,888**	**4,465**	**1,025**	**4,606**	**219**	**15,401**

As of September 30, 2013, intangible assets relating to non-controlling interests were USD 171 million for present value of future profits (PVFP) of acquired insurance contracts, USD 1,698 million for distribution agreements and USD 10 million for software.

Additions of USD 35 million related to new distribution agreements entered into by Global Life in the Middle East, and by General Insurance and Global Life in Brazil.

A review of existing IT platforms in General Insurance in Latin America identified software, which was not utilized as originally expected, resulting in a USD 21 million impairment.

Intangible assets by segment – current period

Table 8.2

in USD millions, as of September 30, 2013	Goodwill	PVFP	Distribution agreements	Attorney-in-fact relationships	Software	Other	Total
General Insurance	814	–	693	–	576	71	2,153
Global Life	439	747	2,945	–	391	13	4,534
Farmers	819	–	–	1,025	349	–	2,194
Other Operating Businesses	–	–	–	–	300	–	300
Net carrying value as of September 30, 2013	**2,072**	**747**	**3,638**	**1,025**	**1,616**	**84**	**9,182**

Consolidated financial statements (unaudited) *continued*

Table 8.3

Intangible assets – prior period

in USD millions	Goodwill	PVFP	Distribution agreements	Attorney-in-fact relationships	Software	Other	Total
Gross carrying value as of January 1, 2012	2,186	2,824	4,562	1,025	4,210	190	14,997
Less: accumulated amortization/impairments	(126)	(1,640)	(430)	–	(2,593)	(86)	(4,876)
Net carrying value as of January 1, 2012	2,060	1,184	4,132	1,025	1,616	104	10,121
Additions and transfers	14	–	34	–	308	–	355
Divestments and transfers	(1)	–	(134)	–	(1)	–	(137)
Amortization	–	(132)	(145)	–	(278)	(10)	(565)
Amortization charged to other comprehensive income	–	(106)	–	–	–	–	(106)
Impairments	–	–	–	–	(28)	–	(28)
Foreign currency translation effects	9	5	(31)	–	2	2	(13)
Net carrying value as of September 30, 2012	**2,081**	**951**	**3,856**	**1,025**	**1,618**	**96**	**9,627**
Plus: accumulated amortization/impairments	129	1,911	542	–	2,870	121	5,573
Gross carrying value as of September 30, 2012	**2,210**	**2,862**	**4,398**	**1,025**	**4,487**	**218**	**15,200**

As of September 30, 2012, intangible assets relating to non-controlling interests were USD 224 million for present value of future profits (PVFP) of acquired insurance contracts, USD 1,808 million for distribution agreements and USD 7 million for software.

Additions to goodwill of USD 14 million relate to the acquisition of Zurich Insurance Malaysia Berhad (ZIMB) in 2011, resulting from the increase in the anticipated purchase price adjustment and finalization of the purchase accounting (see note 2 of the Consolidated financial statements 2012).

New distribution agreements in Global Life operations in the Middle East and in General Insurance operations in Brazil, to gain access to the mass consumer market, provided an additional USD 34 million.

The loss of control over one of the Group's subsidiaries resulted in the derecognition of the related assets and liabilities, including a goodwill asset of USD 1 million and USD 134 million of distribution agreements (see note 2 of the Consolidated financial statements 2012).

Table 8.4

Intangible assets by segment – prior period

in USD millions, as of December 31, 2012	Goodwill	PVFP	Distribution agreements	Attorney-in-fact relationships	Software	Other	Total
General Insurance	852	–	713	–	586	76	2,227
Global Life	435	844	3,102	–	403	17	4,801
Farmers	819	–	–	1,025	382	–	2,226
Other Operating Businesses	–	–	–	–	300	–	300
Non-Core Businesses	–	–	–	–	1	–	1
Net carrying value as of December 31, 2012	**2,107**	**844**	**3,815**	**1,025**	**1,670**	**94**	**9,555**

9. Restructuring provisions

Restructuring provisions

Table 9

in USD millions	2013	2012
As of January 1	297	254
Provisions made during the period	39	107
Increase of provisions set up in prior years	6	35
Provisions used during the period	(109)	(111)
Provisions reversed during the period	(7)	(3)
Foreign currency translation effects	1	2
As of September 30	**227**	**283**

During the nine months ended September 30, 2013, restructuring programs with estimated costs of USD 39 million for restructuring announced in the current year primarily impacted Global Life in the UK and Farmers. USD 6 million related to increases of provisions for restructuring which were initiated in prior years.

During the nine months ended September 30, 2012, the main restructuring programs impacted several European countries in both the General Insurance and Global Life operations with estimated costs of USD 107 million for restructuring announced in that year. USD 35 million related to increases of provisions for restructuring which were initiated in prior years.

Consolidated financial statements (unaudited) *continued*

10. Income taxes

Income tax expense – current/deferred split

Table 10.1

in USD millions, for the nine months ended September 30	2013	2012
Current	1,089	858
Deferred	88	151
Total income tax expense	**1,177**	**1,009**

Income tax expense – policyholder/ shareholder attribution

Table 10.2

in USD millions, for the nine months ended September 30	2013	2012
Total income tax expense/(benefit) attributable to policyholders	148	137
Total income tax expense attributable to shareholders	1,029	872
Total income tax expense	**1,177**	**1,009**

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

Expected and actual income tax expense

Table 10.3

in USD millions, for the nine months ended September 30	Rate	2013	Rate	2012
Net income before income taxes		4,315		3,932
less: income tax (expense)/benefit attributable to policyholders		(148)		(137)
Net income before income taxes attributable to shareholders		4,166		3,794
Expected income tax expense attributable to shareholders computed at the Swiss statutory tax rate	22.0%	916	22.0%	835
Increase/(reduction) in taxes resulting from:				
Tax rate differential in foreign jurisdictions		*127*		*133*
Tax exempt and lower taxed income		*(46)*		*(36)*
Non-deductible expenses		*42*		*57*
Tax losses previously unrecognized or no longer recognized		*(4)*		*6*
Prior year adjustments and other		*(7)*		*(123)*
Actual income tax expense attributable to shareholders	**24.7%**	**1,029**	**23.0%**	**872**
plus: income tax expense/(benefit) attributable to policyholders		148		137
Actual income tax expense	27.3%	1,177	25.7%	1,009

Table 10.3 sets out the factors that cause the actual income tax expense to differ from the expected expense computed by applying the Swiss statutory tax rate of 22.0 percent, which is the rate applicable in the jurisdiction where the ultimate parent company is resident.

11. Senior and subordinated debt

Senior and subordinated debt

Table 11.1

in USD millions, as of		09/30/13	12/31/12
Senior debt			
Zurich Insurance Company Ltd	3.75% CHF 500 million notes, due September 2013[5]	–	545
	2.25% CHF 500 million notes, due July 2017[5]	550	543
	2.375% CHF 525 million notes, due November 2018[5]	576	568
	1.50% CHF 400 million notes, due June 2019[4,5,6]	437	440
	1.125% CHF 400 million notes, due September 2019[4,5,6]	444	–
	2.875% CHF 250 million notes, due July 2021[5]	273	269
	3.375% EUR 500 million notes, due June 2022[4,5,6]	678	682
	1.875% CHF 100 million notes, due September 2023[4,5,6]	111	–
Zurich Finance (Luxembourg) S.A.	3.25% USD 750 million notes, due September 2013[4,5,6]	–	757
Zurich Finance (USA), Inc.	Euro Commercial Paper Notes, due less than 1 year	400	400
	4.50% EUR 1 billion notes, due September 2014[1,5,6]	1,361	1,333
	6.50% EUR 600 million notes, due October 2015[2,5,6]	811	790
Zurich Santander Insurance America S.L.	7.5% EUR 167 million loan, due December 2035	225	220
Other	Various debt instruments payable in more than 1 year	113	113
Senior debt		5,977	6,660
Subordinated debt			
Zurich Insurance Company Ltd	12.0% EUR 143 million perpetual capital notes, first callable July 2014[5]	193	188
	4.25% CHF 700 million perpetual notes, first callable May 2016[5]	768	756
	8.25% USD 500 million perpetual capital notes, first callable January 2018[5]	495	495
	4.625% CHF 500 million perpetual notes, first callable May 2018[5]	546	539
	7.5% EUR 425 million notes, due July 2039, first callable July 2019[5]	572	557
	4.25% EUR 1 billion notes, due October 2043, first callable October 2023[5]	1,335	–
Zurich Finance (UK) plc	6.625% GBP 450 million perpetual notes, first callable October 2022[3,5]	720	723
Zurich Finance (USA), Inc.	5.75% EUR 500 million notes, due October 2023, first callable October 2013[5]	677	652
	4.5% EUR 269 million notes, due June 2025, first callable June 2015[4,5,6]	381	705
ZFS Finance (USA) Trust II	Series II 6.45% USD 700 million Trust Preferred Securities (ECAPS), due December 2065, first callable June 2016	676	676
ZFS Finance (USA) Trust V	Series V 6.5% USD 1 billion Trust Preferred Securities, due May 2067, first callable May 2017	498	498
Other	Various debt instruments payable in more than 1 year	73	73
Subordinated debt		6,934	5,861
Total senior and subordinated debt		**12,911**	**12,521**

1 The bond is part of a qualifying cash flow hedge (80 percent of the total) and fair value hedge (20 percent of the total).
2 The bond is part of a qualifying cash flow hedge (100 percent).
3 The holders of these notes benefit from the Replacement Capital Covenant which states that if Series V Fixed/Floating Trust Preferred Securities, issued by ZFS Finance (USA) Trust V, are called before 2047, the Group will issue a replacement debt instrument with terms and provisions that will be as or more equity-like than the replaced notes.
4 These bonds are part of qualifying fair value hedges (100 percent).
5 Issued under the Group's Euro Medium Term Note Programme (EMTN Programme).
6 The Group applied the cash flow hedge methodology to hedge the foreign currency exposure and deferred the attributable basis spreads in shareholders' equity, whereas the fair value hedge methodology was used to hedge the interest rate exposure with changes in the fair value being recorded through the income statement.

None of the debt instruments listed in table 11.1 were in default as of September 30, 2013 or December 31, 2012.

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To facilitate the issuance of debt, the Group has in place a Euro Medium Term Note Programme (EMTN Programme) allowing for the issuance of senior and subordinated notes up to a maximum of USD 18 billion. All issuances under this programme are either issued or guaranteed by Zurich Insurance Company Ltd. The Group has also issued debt instruments outside this programme.

i) Senior debt

Senior debt amounted to USD 5,977 million and USD 6,660 million as of September 30, 2013 and December 31, 2012, respectively.

The decrease was due to the maturities in September 2013 of 3.75% CHF 500 million notes and 3.25% USD 750 million notes issued by Zurich Insurance Company Ltd and Zurich Finance (Luxembourg) S.A., respectively. This decrease was partially offset by the placement of 6 and 10-year notes for a combined amount of CHF 500 million in September 2013, issued by Zurich Insurance Company Ltd under the Group's EMTN Programme. The coupon for the 6-year tranche was set at 1.125% and at 1.875% for the 10-year tranche. A further slight increase was due to the translation effects of the U.S. dollar against the currencies in which the notes were issued.

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 amounted to USD 6,934 million and USD 5,861 million as of September 30, 2013 and December 31, 2012, respectively.

The increase is mainly the result of the total of 4.25% EUR 1 billion notes due 2043 issued in March and July 2013 by Zurich Insurance Company Ltd under the Group's EMTN Programme. Simultaneously with this new issuance, investors who held Zurich Finance (USA), Inc. 4.5% EUR 500 million subordinated notes due June 2025, were made an offer to switch part or all of their holdings against this new issue and in addition were offered to deliver notes against cash. The total nominal of EUR 231 million of the Zurich Finance (USA), Inc. notes were cancelled. A further slight increase was due to the translation effects of the U.S. dollar against the currencies in which the notes were issued.

Operational and financial debt

Table 11.2

Indebtedness

in USD millions, as of	Senior debt		Subordinated debt		Total	
	09/30/13	12/31/12	**09/30/13**	12/31/12	**09/30/13**	12/31/12
Operational debt	72 [1, 2]	829 [1, 2]	28 [2]	28 [2]	100	857
Financial debt	5,905	5,831	6,906	5,833	12,811	11,664
Total	**5,977**	**6,660**	**6,934**	**5,861**	**12,911**	**12,521**

[1] Operational senior debt included USD 750 million in senior debt issued under the Group's EMTN Programme by Zurich Finance (Luxembourg) S.A. in September 2009, which was loaned directly to the Group's banking activities, matured in September 2013. This issue had been recognized as operational debt by Moody's but not by Standard & Poor's.

[2] Operational senior and subordinated debt included USD 100 million for non-recourse debt.

Table 11.3

Description and features of significant subordinated debt

Description	Coupon conditions	Call/ redemption date	Redemption conditions
5.75% EUR 500 million notes, 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.
12.00% EUR 143 million perpetual capital 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.
4.5% EUR 269 million notes, 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.
4.25% CHF 700 million perpetual 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.
Series II 6.45% USD 700 million Fixed/Adjustable Trust Preferred Securities (ECAPS), due December 2065	6.45% payable semi-annually until June 15, 2016 and then reset quarterly to the adjustable rate plus 2.00%.[2]	Quarterly on or after June 15, 2016	Redeemable in whole or in part at par plus any accrued interest.
Series 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.
8.25% USD 500 million perpetual capital notes	8.25% per annum payable quarterly until January 18, 2018. Resets to the 6-Year USD mid swap rate plus 6.84% until January 18, 2024. Resets thereafter every 6 years to the 6-Year USD mid swap rate plus 7.84%.	Quarterly on or after January 18, 2018	Redeemable in whole or in part at par plus any accrued interest.
4.625% CHF 500 million perpetual 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.
7.5% EUR 425 million notes, due July 2039	7.5% payable annually up to July 24, 2019 and then reset quarterly to 3-month EURIBOR plus 5.85%.	Quarterly on or after July 24, 2019	Redeemable in whole or in part at par plus any accrued interest.
6.625% GBP 450 million perpetual notes	6.625% payable annually up to October 2, 2022 and then reset every 5 years to the reset rate of interest plus 2.85%.[1]	Every five years on or after October 2, 2022	Redeemable in whole every five years at par plus any accrued interest.
4.25% EUR 1 billion notes, due October 2043	4.25% payable annually up to October 02, 2023 and then reset quarterly to 3-month EURIBOR plus 3.45%.	Quarterly on or after October 2, 2023	Redeemable in whole or in part at par plus any accrued interest.

[1] Reset rate of interest is equal to the gross redemption yield on the benchmark five-year gilt as determined by the Calculation Bank.
[2] Adjustable rate is equal to the higher of (i) the 3-month LIBOR Rate; (ii) the 10-year Treasury CMT (Constant Maturity Treasury) Rate; and (iii) the 30-year Treasury CMT Rate, subject to a maximum under (ii) and (iii) of 13% for Series II.

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Table 11.4

Maturity schedule of outstanding debt

in USD millions, as of	09/30/13		12/31/12	
	Carrying value	**Undiscounted cash flows**	Carrying value	Undiscounted cash flows
< 1 year	2,437	3,030	1,702	2,299
1 to 2 years	135	647	1,356	1,907
2 to 3 years	810	1,323	902	1,371
3 to 4 years	550	985	–	429
4 to 5 years	–	398	543	934
5 to 10 years	3,260	5,074	2,705	4,340
> 10 years	5,719	8,518	5,313	7,418
Total	**12,911**	**19,975**	**12,521**	**18,698**

Debt maturities reflect original contractual dates without taking early redemption options into account. For call/redemption dates, see table 11.3. The total notional amount of debt due in each period is not materially different from the total carrying value disclosed in table 11.4. Undiscounted cash flows included interest and principal cash flows on debt outstanding as of September 30, 2013 and December 31, 2012. All debt is assumed to mature within 20 years of the balance sheet date without refinancing. Floating interest rates are assumed to remain constant as of September 30, 2013 and December 31, 2012. The aggregated cash flows are translated into U.S. dollars at end-of-period rates.

Table 11.5

Interest expense on debt

in USD millions, for the nine months ended September 30	**2013**	2012
Senior debt	153	169
Subordinated debt	292	262
Total	**445**	**431**

Interest expense on debt amounted to USD 445 million and USD 431 million for the nine months ended September 30, 2013 and 2012, respectively.

The lower interest on senior debt was mainly due to the maturity of the 4.875% EUR 800 million notes in April 2012. This reduction was partially offset by the issuance of two new senior notes under the Group's EMTN Programme in June 2012.

The increase in the interest expense on subordinated debt was mainly due to the issuance of 4.25% EUR 1 billion notes in March and July 2013. This has been partially offset by the reduction in 4.5% EUR 500 million notes as investors could switch part or all of their holdings against the new issue or against cash and further reduced by the repayment of 5.875% USD 500 million Trust Preferred Securities in June 2012.

Credit facilities

The Group has access to a multicurrency revolving credit facility of USD 3.2 billion that terminates in 2018 at the latest. It is guaranteed by Zurich Insurance Company Ltd.

In addition, the Group has access to four other revolving credit facilities totaling USD 441 million, of which USD 336 million will expire in 2014 and USD 75 million in 2015. No borrowings were outstanding under any of these facilities as of September 30, 2013 or December 31, 2012.

12. Earnings per share

Earnings per share

Table 12

for the nine months ended September 30	Net income attributable to common shareholders (in USD millions)	Weighted average number of shares	Per share (USD)	Per share (CHF)[1]
2013				
Basic earnings per share	**2,954**	**147,347,654**	**20.05**	**18.74**
Effect of potentially dilutive shares related to share-based compensation plans		751,061	(0.10)	(0.10)
Diluted earnings per share	**2,954**	**148,098,715**	**19.95**	**18.65**
2012				
Basic earnings per share	**2,898**	**146,553,823**	**19.78**	**18.58**
Effect of potentially dilutive shares related to share-based compensation plans		743,710	(0.10)	(0.09)
Diluted earnings per share	**2,898**	**147,297,533**	**19.68**	**18.49**

[1] The translation from USD to CHF is shown for information purposes only and has been calculated at the Group's average exchange rates for the nine months ended September 30, 2013 and 2012, respectively.

Consolidated financial statements (unaudited) *continued*

13. Legal proceedings and regulatory investigations

The Group and its subsidiaries are continuously involved in legal proceedings, claims and regulatory investigations arising, for the most part, in the ordinary course of their business operations. The Group's business is subject to extensive supervision, and companies in the Group are in regular contact with various regulatory authorities. In addition, certain companies within the Group are engaged in the following legal proceedings:

An action entitled Fuller-Austin Asbestos Settlement Trust, et al. v. Zurich American Insurance Company (ZAIC), et al., was filed in May 2004 in the Superior Court for San Francisco County, California. Three other similar actions were filed in 2004 and 2005 and have been coordinated with the Fuller-Austin action (collectively, the Fuller-Austin Case). In addition to ZAIC and four of its insurance company subsidiaries, Zurich Insurance Company Ltd and Orange Stone Reinsurance Dublin (Orange Stone) are named as defendants. The plaintiffs, who are historical policyholders of the Home Insurance Company (Home), plead claims for, inter alia, fraudulent transfer, tortious interference, unfair business practices, alter ego and agency liability relating to the recapitalization of Home, which occurred in 1995 following regulatory review and approval. The plaintiffs allege that pursuant to the recapitalization and subsequent transactions, various Zurich entities took assets of Home without giving adequate consideration in return, and contend that this forced Home into liquidation. The plaintiffs further allege that the defendants should be held responsible for Home's alleged obligations under their Home policies. The trial judge designated the plaintiffs' claims for constructive fraudulent transfer for adjudication before all other claims; he subsequently ordered an initial bench trial on certain threshold elements of those fraudulent transfer claims and on certain of defendants' affirmative defenses. The trial commenced on November 1, 2010. Closing arguments were heard on February 22 and 23, 2012.

The court issued its tentative decision on that initial bench trial on November 7, 2013. While the court found that plaintiffs had established that Home transferred certain assets to one of the defendants in connection with the 1995 recapitalization transaction, it held that plaintiffs' fraudulent transfer claims, which all related to transfers allegedly made as part of the 1995 recapitalization, were time-barred. The court further held that Home's liquidator had exclusive standing to bring fraudulent transfer claims involving Home's assets. The effect of these holdings should be the dismissal of plaintiffs' fraudulent transfer claims. In addition, the court accepted defendants' argument that the findings made by New Hampshire and California regulators in approving the recapitalization transaction are binding on plaintiffs in this lawsuit.

The court scheduled a conference for December 13, 2013 to consider the parties' comments on and proposed modifications to the tentative decision, which modifications are to be limited to corrections as to factual matters, citations, typographical errors and the like, but the court stated that it would not entertain reargument of the court's decision. The conference will also cover the conduct of further proceedings, and it is expected that the court will explore with the parties the impact the decision may have on plaintiffs' remaining claims. The Group maintains that the Fuller-Austin Case is without merit and intends to continue to defend itself vigorously.

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.

14. Fair value of financial assets and financial liabilities

The Group implemented IFRS 13 "Fair Value Measurement" effective January 1, 2013 (see note 1), which affects fair value hierarchy disclosures, including requirements for interim reporting. IFRS 13 provides guidance on the measurement of fair value and requires disclosures about fair value measurements to increase transparency. It does not require any new measurements of assets or liabilities at fair value.

In determining the fair values of debt and equity instruments, the Group makes extensive use of third party pricing providers and, only in rare cases, places reliance on prices that are derived from internal models. One of the objectives of the Group's control environment and the process of selection of pricing providers is to ensure that fair values of investments are sourced only from independent, reliable and reputable third party pricing providers that have proper processes and controls in place to guarantee that the price quality meets the Group's standards.

In addition, the Group's policy is to ensure that independently sourced prices are developed by making maximum use of current observable market inputs derived from orderly transactions and by employing widely accepted valuation techniques and models. When third party pricing providers are unable to obtain adequate observable information for a particular financial instrument, the fair value is determined either by requesting selective non-binding broker quotes or by using internal valuation models.

Investment accounting, operations and process functions, are independent from those responsible for buying and selling the assets, and are responsible for receiving, challenging and verifying values provided by third party pricing providers to ensure that fair values are reliable, as well as ensuring compliance with applicable accounting and valuation policies. The quality control procedures used depend on the nature and complexity of the invested assets. They include regular reviews of valuation techniques and inputs used by pricing providers (for example, default rates of collateral for asset backed securities), variance and stale price analysis, and comparisons with fair values of similar instruments and with alternative values obtained from asset managers and brokers.

Tables 14.1a and 14.1b compare the fair value of financial assets and financial liabilities with their carrying value.

Consolidated financial statements (unaudited) *continued*

Fair value (FV) and carrying value of financial assets and financial liabilities – non unit-linked

Table 14.1a

in USD millions, as of	Total fair value		Total carrying value	
	09/30/13	12/31/12	**09/30/13**	12/31/12
Cash and cash equivalents	7,788	9,098	7,788	9,098
Available-for-sale securities				
Debt securities	143,966	141,597	143,966	141,597
Equity securities	9,004	8,796	9,004	8,796
Total available-for-sale securities	152,970	150,392	152,970	150,392
Securities at FV through profit or loss				
Trading				
Debt securities	45	48	45	48
Equity securities	376	410	376	410
Designated at FV				
Debt securities	7,210	8,937	7,210	8,937
Equity securities	3,003	3,135	3,003	3,135
Total securities at FV through profit or loss	10,635	12,530	10,635	12,530
Derivative assets	1,234	1,750	1,234	1,750
Held-to-maturity debt securities	5,255	5,745	4,692	5,012
Investments in associates and joint ventures	125	85	125	85
Mortgage loans	10,410	11,298	9,866	10,519
Other loans	14,004	15,857	12,372	13,385
Deposits made under assumed reinsurance contracts	2,552	2,583	2,559	2,588
Receivables	13,890	13,611	13,966	13,642
Total loans and receivables	40,855	43,349	38,762	40,134
Total financial assets	**218,862**	**222,949**	**216,206**	**219,002**
Derivative liabilities	(631)	(537)	(631)	(537)
Financial liabilities held at amortized cost:				
Liabilities related to investment contracts	(1,202)	(1,540)	(1,052)	(1,305)
Liabilities related to investment contracts with DPF	(5,911)	(5,663)	(6,242)	(5,903)
Senior debt	(6,265)	(7,180)	(5,977)	(6,660)
Subordinated debt	(7,397)	(6,379)	(6,934)	(5,861)
Deposits received under ceded reinsurance contracts	(1,203)	(1,482)	(1,290)	(1,558)
Other financial liabilities	(2,364)	(2,750)	(2,364)	(2,750)
Obligation to repurchase securities	(1,423)	(1,539)	(1,423)	(1,539)
Total financial liabilities	**(26,397)**	**(27,070)**	**(25,913)**	**(26,113)**

Fair value (FV) and carrying value of financial assets and financial liabilities – unit-linked

Table 14.1b

in USD millions, as of	Total fair value		Total carrying value	
	09/30/13	12/31/12	**09/30/13**	12/31/12
Cash and cash equivalents	1,466	1,110	1,466	1,110
Investments at FV through profit or loss				
Designated at FV				
Debt securities	11,736	11,646	11,736	11,646
Equity securities	106,648	99,478	106,648	99,478
Other loans	6,287	8,279	6,287	8,279
Total investments at FV through profit or loss	124,671	119,403	124,671	119,403
Derivative assets	60	62	60	62
Total financial assets	**126,198**	**120,574**	**126,198**	**120,574**
Financial liabilities at FV through profit or loss				
Designated at FV				
Liabilities related to unit-linked investment contracts	(56,152)	(50,229)	(56,152)	(50,229)
Derivative liabilities	(6)	(5)	(6)	(5)
Total financial liabilities	**(56,158)**	**(50,234)**	**(56,158)**	**(50,234)**

All of the Group's financial assets and financial liabilities are initially recorded at fair value. Subsequently, available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss, and derivative financial instruments are carried at fair value as of the balance sheet date. All other financial instruments are carried at amortized cost, with their fair values disclosed in tables 14.1a and 14.1b. Their valuation techniques are described below.

Certain financial instruments are carried at nominal value which represents a reasonable estimate of fair value as these positions are readily convertible to known amounts of cash and subject to insignificant risk of changes in fair value. Such instruments include cash and cash equivalents, receivables, obligations to repurchase securities and other short-term financial assets and financial liabilities.

Fair values of held-to-maturity debt securities are obtained from third party pricing providers. The fair value received from these pricing providers may be based on quoted prices in an active market for identical assets, alternative pricing methods such as matrix pricing or an income approach employing discounted cash flow models.

Discounted cash flow models are used for mortgage and other loans as well as long-term receivables. The discount yields in these models use either current interest rates charged by the Group on these instruments or calculated rates that reflect the return a market participant would expect to receive on instruments with similar remaining maturities, cash flow patterns, currencies, credit risk, collateral and interest rates.

Fair values of debt instruments issued by the Group are estimated using discounted cash flow models based on the Group's current incremental borrowing rates for similar types of borrowings, with maturities consistent with those remaining for the debt instruments being valued.

Fair values of liabilities related to other investment contracts are determined using discounted cash flow models that incorporate a variety of factors, including credit risk, embedded derivatives (such as unit-linking features), volatility factors (including contract holder behavior), servicing costs and surrenders.

Recurring fair value measurements of financial assets and financial liabilities

Fair value hierarchy – Group investments

Table 14.2a

in USD millions, as of September 30, 2013	Level 1	Level 2	Level 3	Total
Available-for-sale securities				
Debt securities	894	140,337	2,735	143,966
Equity securities	7,674	332	998	9,004
Total available-for-sale securities	8,568	140,669	3,733	152,970
Securities at FV through profit or loss				
Trading				
Debt securities	–	45	–	45
Equity securities	–	43	333	376
Designated at FV				
Debt securities	–	6,993	217	7,210
Equity securities	1,128	232	1,643	3,003
Total securities at FV through profit or loss	1,128	7,313	2,194	10,635
Derivative assets	3	1,184	48	1,234
Total	**9,699**	**149,166**	**5,974**	**164,839**
Derivative liabilities	(2)	(629)	–	(631)
Total	**(2)**	**(629)**	**–**	**(631)**

Consolidated financial statements (unaudited) *continued*

Fair value hierarchy – unit-linked

Table 14.2b

in USD millions, as of September 30, 2013	Level 1	Level 2	Level 3	Total
Investments at FV through profit or loss				
Designated at FV				
Debt securities	1,431	10,221	84	11,736
Equity securities	73,922	32,672	54	106,648
Other loans	–	6,287	–	6,287
Total investments at FV through profit or loss	75,353	49,180	138	124,671
Derivative assets	–	60	–	60
Total	**75,353**	**49,240**	**138**	**124,731**
Financial liabilities at FV through profit or loss				
Designated at FV				
Liabilities related to unit-linked investment contracts	–	(56,152)	–	(56,152)
Derivatives liabilities	–	(6)	–	(6)
Total	**–**	**(56,158)**	**–**	**(56,158)**

The Group gives the highest priority to quoted and unadjusted prices in active markets to measure fair value. In the absence of quoted prices, fair values are calculated through valuation techniques, making the maximum use of relevant observable market data inputs. Whenever observable parameters are not available, the inputs used to derive the fair value are based on common market assumptions that market participants would use when pricing assets and liabilities. Depending on the observability of prices and inputs to valuation techniques, the Group classifies instruments measured at fair value within the following three levels (the fair value hierarchy):

Level 1 – includes assets and liabilities for which fair values are determined directly from unadjusted current quoted prices resulting from orderly transactions in active markets for identical assets/liabilities. Within level 1, the Group has classified common stocks, exchange traded derivative financial instruments, investments in unit trusts that are actively traded in an exchange market and highly liquid debt securities.

Level 2 – includes assets and liabilities for which fair values are determined using significant inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and other observable market inputs. Within level 2, the Group has classified government and corporate bonds, investments in unit trusts, and investments in agency-backed and senior tranches of asset-backed securities where quotes are obtained from independent pricing providers. The fair value received from these pricing providers may be based on quoted prices in an active market for similar assets, alternative pricing methods such as matrix pricing or an income approach employing discounted cash flow models. If such quoted prices are not available, then fair values are estimated on the basis of information from external pricing providers or internal pricing models (for example, discounted cash flow models or other recognized valuation techniques). Upon adoption of IFRS 13, the Group elected to classify certain government and corporate debt within level 2, which were previously within level 1. While these debt securities may qualify for level 1 classification based on ordinary transactions in identical instruments, it has been assumed, as a practical expedient, that such instruments would predominantly be valued based on a mix of observable inputs.

Over the counter derivative financial instruments are valued using internal models. The fair values are determined using dealer price quotations, discounted cash flow models and option pricing models, which use various inputs including current market and contractual prices for underlying instruments, time to expiry, correlations, yield curves, prepayment rates and volatility of underlying instruments. Prices are typically sourced from independent pricing providers, banks and brokers. Such instruments are classified within level 2 as the inputs used in pricing models are generally market observable or derived from market observable data.

Fair values of liabilities related to unit-linked investment contracts are usually determined by reference to the fair value of the underlying assets backing these liabilities. The majority of such instruments are classified within level 2.

Level 3 – includes assets and liabilities for which fair values are determined using valuation techniques with at least one significant input not being based on observable market data. This approach is used only in circumstances when there is little, if any, market activity for a certain instrument, and the Group is required to develop internal valuation inputs based on the best information available about the assumptions that market participants would use when pricing the asset or liability. This would normally apply in the case of private equity funds, asset-backed securities for which very limited market activity is currently observed, long-dated derivative financial instruments as well as equity and debt securities from organizations in default.

The effect of changes in the internal valuation inputs to reasonably possible alternative values are disclosed in tables 14.4 and 14.5.

For certain hedge funds and private equity investments, fair values are obtained from net asset value information and audited financial statements provided by the issuing hedge funds and private equity funds. Such instruments are classified within level 3. Performance of these investments and determination of their fair value are monitored closely by the Group's in-house investment professionals.

The fair value hierarchy is reviewed at the end of each reporting period to determine whether significant transfers between levels have occurred. Transfers between levels mainly arise as a result of changes in market activity and observability of the inputs to the valuation techniques used to determine the fair value of certain instruments.

For the nine months ended September 30, 2013, no material transfers between level 1 and level 2 occurred.

Development of financial instruments classified within level 3 – Group investments

Table 14.3a

in USD millions	Available-for-sale securities		Securities at FV through profit or loss			
			Trading	Designated at FV		
	Debt securities	Equity securities	Equity securities	Debt securities	Equity securities	Derivative assets
As of January 1, 2013	2,789	966	367	246	1,260	70
Realized gains/(losses) recognized in income[1]	29	35	(5)	(1)	–	–
Unrealized gains/(losses) recognized in income[1,2]	(13)	(1)	45	1	135	(23)
Unrealized gains/(losses) recognized in other comprehensive income	(40)	49	–	–	–	–
Purchases	757	98	11	–	766	–
Settlements/sales/redemptions	(841)	(155)	(85)	(27)	(522)	–
Transfers into level 3	60	–	–	–	–	–
Transfers out of level 3	(8)	–	–	–	–	–
Foreign currency translation effects	–	5	–	(2)	4	1
As of September 30, 2013	**2,735**	**998**	**333**	**217**	**1,643**	**48**

[1] Presented as net capital gains/(losses) and impairments on Group investments in the consolidated income statements.
[2] Unrealized gains/(losses) recognized in income for available-for-sale securities relate to impairments. Unrealized gains/(losses) recognized in income for securities at fair value through profit or loss relate to net capital gains/(losses) and impairments.

For the nine months ended September 30, 2013, the Group transferred USD 60 million of available-for-sale debt securities into level 3. The transfers were mainly the result of higher price volatility and credit rating downgrades of certain asset-backed securities, resulting in a reduction of market activity in the instruments.

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Consolidated financial statements (unaudited) *continued*

Development of financial instruments classified within level 3 – unit-linked

Table 14.3b

in USD millions	Securities at FV through profit or loss	
	Debt securities	Equity securities
As of January 1, 2013	109	2,663
Realized gains/(losses) recognized in income[1]	1	23
Unrealized gains/(losses) recognized in income[1]	(5)	(65)
Purchases	1	61
Sales/redemptions	(17)	(98)
Transfers out of Level 3	(3)	(2,531)
Foreign currency translation effects	(2)	1
As of September 30, 2013	**84**	**54**

[1] Presented as net investment result on unit-linked investments in the consolidated income statements.

For the nine months ended September 30, 2013, the Group transferred USD 2,531 million of equity securities at fair value through profit or loss out of level 3 into level 2. The transfers were the result of using observable inputs for the price valuation of the underlying assets of certain mutual funds.

Non-recurring fair value measurements of financial assets and financial liabilities

In particular circumstances, the Group may measure certain assets or liabilities at fair value on a non-recurring basis when an impairment charge is recognized.

For the nine months ended September 30, 2013, the Group has valued USD 658 million of mortgage loans at fair value on a non-recurring basis. The fair value measurement is classified within level 3 as it is based on internal pricing models, using significant unobservable inputs.

Sensitivity of fair values reported for level 3 instruments to changes to key assumptions

Within level 3, the Group classified asset-backed securities (ABSs) amounting to USD 2,952 million and USD 84 million for Group investments and investments for unit-linked contracts, respectively, as of September 30, 2013. These ABSs include non-agency backed securities for which limited observable market activity required the Group's external pricing providers to make internal valuation assumptions. To determine the fair value of these investments, pricing providers use valuation models that are based on an expected present value technique.

Within level 3, the Group also classified investments in private equity funds, certain hedge funds and other securities which are not quoted on an exchange amounting to USD 2,975 million and USD 54 million for Group investments and investments for unit-linked contracts, respectively, as of September 30, 2013. These investments are valued based on regular reports from the issuing funds, and their fair values are reviewed by a team of in-house investment professionals and may be adjusted based on their understanding of the circumstances of individual investments.

The key assumptions driving the valuation of these investments include equity levels, discount rates, credit spread rates and prepayment rates. The effect on reported fair values of using reasonably possible alternative values for each of these assumptions, while the other key assumptions remain unchanged, is disclosed in table 14.4. While this table illustrates the overall effect of changing the values of the unobservable inputs by a set percentage, the significance of the impact and the range of reasonably possible alternative assumptions may differ significantly between investments, given their different terms and circumstances. Inter-relationships between those unobservable inputs are disclosed in table 14.5. The correlation is based on the historical correlation matrix derived from the risk factors which are assigned to each of the level 3 exposures (equity and debt securities). The main market drivers are equity markets and rate indicators and the impact of such changes on the other factors. The spread scenario has been added to analyze the impact of an increase of borrowing cost for entities.

The sensitivity analysis is intended to reflect the uncertainty inherent in the valuation of these investments under current market conditions, and its results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the fair value of these investments. Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Group's view of expected future changes in the fair value of these investments. Any management actions that may be taken to mitigate the inherent risks are not reflected in this analysis.

Table 14.4

Sensitivity analysis of level 3 investments to changes in key assumptions

as of September 30, 2013	Less favorable values (relative change)	Decrease of reported fair value (in USD millions)	More favorable values (relative change)	Increase of reported fair value (in USD millions)
Key assumptions				
Equity levels	–20%	(604)	+20%	604
Discount rates	+20%	(72)	–20%	80
Spread rates	+20%	(67)	–20%	68
Prepayment rates	–20%	(3)	+20%	2

Table 14.5

Inter-relationship analysis of level 3 investments to changes in key assumptions

as of September 30, 2013	Key assumptions				
	Equity Levels	Discount Rates	Spread rates	Prepayment rates	Increase/decrease of reported fair value (in USD millions)
Scenarios					
Equity levels +10%	+10.0%	+1.4%	+1.3%	+1.3%	289
Equity levels -10%	–10.0%	–1.5%	–1.5%	–1.5%	(291)
Discount rates +10%	–	+10.0%	+15.0%	–2.0%	(77)
Discount rates -10%	–	–10.0%	–7.5%	+2.0%	67
Spread rates +10%	+0.1%	+7.0%	+10.0%	+0.2%	(66)

Consolidated financial statements (unaudited) *continued*

15. Related party transactions

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

Table 15 sets out related party transactions with equity method accounted investments, recognized in the consolidated income statements and consolidated balance sheets.

Table 15

Related party transactions included in the Consolidated financial statements

in USD millions		
for the nine months ended September 30	**2013**	2012
Net earned premiums and policy fees	3	10
Net investment result on Group investments	6	7
Insurance benefits and losses, net of reinsurance	(5)	(7)
Administrative and other operating expense	(2)	(2)
as of	**09/30/13**	12/31/12
Other loans	15	18
Deposits made under assumed reinsurance contracts	2	4
Receivables and other assets	3	5
Reserves for insurance contracts	(12)	(11)
Other liabilities	–	(1)

16. 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 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 owned by their policyholders and managed by Farmers Group, Inc. a wholly owned subsidiary of the Group. This segment also includes all reinsurance assumed from the Farmers Exchanges by the Group. Farmers Exchanges are prominent writers of personal and small commercial lines of business in the U.S.

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

Other Operating Businesses predominantly consist of the Group´s Headquarters and Holding and Financing activities. Certain alternative investment positions not allocated to business operating segments are included within Holding and Financing.

Non-Core Businesses include insurance and reinsurance 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 management of property loans and banking activities. Non-core businesses are mainly situated in the U.S., Bermuda, the United Kingdom and Ireland.

The Group also manages two of the three core segments on a secondary level.

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

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

For external reporting purposes Latin America, Asia-Pacific and Middle East and Africa are aggregated into International Markets.

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

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

Consolidated financial statements (unaudited) *continued*

The segment information includes the Group's internal performance measure, business operating profit (BOP). This measure is the basis on which business units are managed. It indicates the underlying performance of the business units by eliminating the impact of financial market volatility and other non-operational variables. BOP reflects adjustments for shareholders' taxes, net capital gains on investments and impairments (except for the capital markets and property lending/banking operations included in Non-Core Businesses and investments in hedge funds, certain securities held for specific economic hedging purposes and 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, gains and losses on divestments of businesses and the change in estimates of earn-out liabilities (with the exception of experience adjustments, which remain within BOP).

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Consolidated financial statements (unaudited) *continued*

Business operating profit by business segment

Table 16.1

in USD millions, for the nine months ended September 30	General Insurance		Global Life	
	2013	2012	**2013**	2012
Revenues				
Direct written premiums[1]	26,527	25,611	7,998	7,605
Assumed written premiums	1,655	1,698	85	66
Gross Written Premiums	28,182	27,309	8,084	7,671
Policy fees	–	–	1,968	1,803
Gross written premiums and policy fees	28,182	27,309	10,051	9,474
Less premiums ceded to reinsurers	(4,711)	(4,486)	(520)	(533)
Net written premiums and policy fees	23,471	22,823	9,532	8,941
Net change in reserves for unearned premiums	(1,473)	(1,284)	(229)	(261)
Net earned premiums and policy fees	21,998	21,539	9,303	8,680
Farmers management fees and other related revenues	–	–	–	–
Net investment result on Group investments	1,757	1,973	3,414	3,521
Net investment income on Group investments	1,652	1,922	2,912	3,001
Net capital gains/(losses) and impairments on Group investments	105	51	502	519
Net investment result on unit-linked investments	–	–	8,614	7,363
Other income	553	863	892	716
Total BOP revenues	24,308	24,375	22,224	20,279
of which: inter-segment revenues	*(271)*	*(379)*	*(251)*	*(255)*
Benefits, losses and expenses				
Insurance benefits and losses, net[1]	14,989	14,749	6,495	6,710
Losses and loss adjustment expenses, net	14,989	14,750	–	(4)
Life insurance death and other benefits, net[1]	–	(1)	6,495	6,714
Policyholder dividends and participation in profits, net	3	3	9,629	8,051
Income tax expense/(benefit) attributable to policyholders	–	–	148	137
Underwriting and policy acquisition costs, net	4,275	4,256	2,184	1,949
Administrative and other operating expense (excl. depreciation/amortization)	2,607	2,981	1,961	1,810
Interest credited to policyholders and other interest	13	13	318	291
Restructuring provisions and other items not included in BOP	(72)	(70)	(7)	(67)
Total BOP benefits, losses and expenses (before interest, depreciation and amortization)	21,814	21,933	20,727	18,882
Business operating profit (before interest, depreciation and amortization)	**2,494**	**2,442**	**1,497**	**1,398**
Depreciation and impairments of property and equipment	65	70	23	22
Amortization and impairments of intangible assets	143	143	301	326
Interest expense on debt	108	110	16	16
Business operating profit before non-controlling interests	2,178	2,119	1,157	1,033
Non-controlling interests	55	34	179	67
Business operating profit	**2,124**	**2,085**	**978**	**966**

[1] Global Life includes approximately USD 337 million and USD 456 million of gross written premiums and future life policyholders' benefits for certain universal life-type contracts in the Group's Spanish operations for the nine months ended September 30, 2013 and 2012, respectively (see note 3 of the Consolidated financial statements 2012).

	Farmers		Other Operating Businesses		Non-Core Businesses		Eliminations		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	–	–	–	–	81	78	–	–	34,607	33,294
	3,094	3,382	94	98	78	86	(153)	(148)	4,852	5,182
	3,094	3,382	94	98	159	164	(153)	(148)	39,459	38,475
	–	–	–	–	217	185	–	–	2,185	1,988
	3,094	3,382	94	98	376	349	(153)	(148)	41,643	40,463
	–	–	(41)	(40)	(27)	(14)	153	148	(5,145)	(4,926)
	3,094	3,382	53	57	349	335	–	–	36,498	35,537
	(15)	(70)	2	2	–	1	–	–	(1,714)	(1,611)
	3,079	3,312	55	60	349	336	–	–	34,784	33,926
	2,113	2,134	–	–	–	–	–	–	2,113	2,134
	80	95	246	324	(342)	369	(457)	(507)	4,698	5,775
	80	95	246	324	226	317	(457)	(507)	4,659	5,153
	–	–	–	–	(569)	52	–	–	39	622
	–	–	–	–	(27)	582	–	–	8,587	7,946
	58	63	559	655	113	73	(895)	(1,096)	1,280	1,274
	5,330	5,604	859	1,039	93	1,360	(1,352)	(1,603)	51,461	51,055
	(48)	*(53)*	*(741)*	*(873)*	*(41)*	*(42)*	*1,352*	*1,603*	*–*	*–*
	2,157	2,446	47	52	(107)	298	–	–	23,580	24,257
	2,157	2,446	–	–	11	3	–	(2)	17,157	17,194
	–	–	47	52	(119)	295	–	2	6,423	7,062
	–	–	–	–	(37)	688	–	–	9,594	8,741
	–	–	–	–	–	–	–	–	148	137
	965	1,037	–	–	5	6	(7)	(3)	7,422	7,245
	1,007	1,004	762	800	101	121	(851)	(1,074)	5,586	5,643
	–	–	3	5	71	91	(17)	(2)	387	398
	(11)	11	(100)	(4)	2	(1)	–	–	(189)	(131)
	4,118	4,498	712	854	34	1,202	(876)	(1,079)	46,530	46,289
	1,211	**1,107**	**147**	**185**	**59**	**158**	**(477)**	**(523)**	**4,932**	**4,766**
	36	41	8	12	–	1	–	–	133	146
	67	73	54	51	–	–	–	–	564	594
	1	2	780	789	17	38	(477)	(523)	445	431
	1,108	991	(695)	(667)	42	119	–	–	3,790	3,595
	–	–	(12)	(17)	1	1	–	–	223	84
	1,108	**991**	**(683)**	**(650)**	**41**	**118**	**–**	**–**	**3,567**	**3,510**

Consolidated financial statements (unaudited) *continued*

Reconciliation of BOP to net income after income taxes

Table 16.2

in USD millions, for the nine months ended September 30	General Insurance		Global Life	
	2013	2012	**2013**	2012
Business operating profit	**2,124**	**2,085**	**978**	**966**
Revenues/(expenses) not included in BOP:				
Net capital gains/(losses) on investments and impairments, net of policyholder allocation	384	277	67	186
Net gain/(loss) on divestments of businesses	–	(38)	–	3
Restructuring provisions	(7)	(73)	(20)	(57)
Net income/(expense) on intercompany loans	(9)	(18)	(1)	(2)
Change in estimate of earn-out liabilities	(52)	–	34	–
Other adjustments	(4)	21	(20)	(8)
Add back:				
Business operating profit attributable to non-controlling interests	55	34	179	67
Net income before shareholders' taxes	2,490	2,288	1,216	1,155
Income tax expense/(benefit) attributable to policyholders	–	–	148	137
Net income before income taxes	**2,490**	**2,288**	**1,364**	**1,292**
Income tax expense				
attributable to policyholders				
attributable to shareholders				
Net income after taxes				
attributable to non-controlling interests				
attributable to shareholders				

[1] Includes USD 77 million release of non-operational foreign exchange relating to the closure of a branch office.

	Farmers		Other Operating Businesses		Non-Core Businesses		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	1,108	**991**	**(683)**	**(650)**	**41**	**118**	**3,567**	**3,510**
	5	19	120	(139)	(9)	23	566	366
	–	–	(1)	(1)	–	–	(1)	(35)
	(11)	–	–	(7)	–	(1)	(38)	(138)
	–	–	10	20	–	–	–	–
	–	–	–	–	–	–	(19)	–
	–	11	(110)[1]	(16)	2	–	(132)	7
	–	–	(12)	(17)	1	1	223	84
	1,102	1,021	(676)	(811)	34	141	4,166	3,794
	–	–	–	–	–	–	148	137
	1,102	**1,021**	**(676)**	**(811)**	**34**	**141**	**4,315**	**3,932**
							(1,177)	(1,009)
							(148)	(137)
							(1,029)	(872)
							3,137	**2,923**
							183	24
							2,954	2,898

Consolidated financial statements (unaudited) *continued*

Assets and liabilities by business segment

Table 16.3

in USD millions, as of	General Insurance		Global Life	
	09/30/13	12/31/12	**09/30/13**	12/31/12
Assets				
Total Group Investments	90,108	89,557	112,676	113,305
Cash and cash equivalents	10,449	10,795	3,238	3,096
Equity securities	6,063	5,716	4,801	4,467
Debt securities	65,588	65,556	79,905	79,626
Real estate held for investment	3,110	2,827	4,921	5,334
Mortgage loans	1,455	1,460	7,486	7,934
Other loans	3,436	3,197	12,261	12,779
Investments in associates and joint ventures	7	7	64	69
Investments for unit-linked contracts	–	–	117,768	112,036
Total investments	90,108	89,557	230,444	225,340
Reinsurers' share of reserves for insurance contracts	13,670	13,901	2,052	1,983
Deposits made under assumed reinsurance contracts	58	46	23	29
Deferred policy acquisition costs	3,809	3,543	14,480	14,466
Deferred origination costs	–	–	727	770
Goodwill	814	852	439	435
Other intangible assets	1,340	1,375	4,096	4,366
Other assets	15,730	15,642	7,880	6,669
Total assets (after cons. of investments in subsidiaries)	**125,528**	**124,916**	**260,139**	**254,059**
Liabilities				
Liabilities for investment contracts	–	–	63,446	57,437
Reserves for insurance contracts, gross	83,471	82,693	158,946	158,533
Reserves for losses and loss adjustment expenses, gross	65,781	66,542	–	–
Reserves for unearned premiums, gross	17,561	16,023	–	–
Future life policyholders' benefits, gross	96	96	79,627	78,718
Policyholders' contract deposits and other funds, gross	33	32	17,711	17,572
Reserves for unit-linked contracts, gross	–	–	61,608	62,243
Senior debt	7,039	6,625	544	289
Subordinated debt	190	617	306	334
Other liabilities	14,696	13,967	17,238	17,447
Total liabilities	**105,395**	**103,901**	**240,481**	**234,040**
Equity				
Shareholders' equity				
Non-controlling interests				
Total equity				
Total liabilities and equity				
Supplementary information				
Additions and capital improvements to property, equipment and intangible assets	205	331	104	150

Farmers		Other Operating Businesses		Non-Core Businesses		Eliminations		Total	
09/30/13	12/31/12	09/30/13	12/31/12	09/30/13	12/31/12	09/30/13	12/31/12	09/30/13	12/31/12
3,773	3,881	18,396	18,503	10,711	13,120	(28,815)	(28,785)	206,849	209,582
509	377	8,665	8,562	1,983	2,518	(17,056)	(16,249)	7,788	9,098
95	96	1,315	1,686	109	376	–	–	12,384	12,341
1,116	1,274	6,038	4,707	5,101	6,250	(1,835)	(1,819)	155,913	155,594
65	101	48	43	258	256	–	–	8,402	8,561
–	–	–	–	925	1,125	–	–	9,866	10,519
1,988	2,033	2,277	3,498	2,334	2,595	(9,924)	(10,717)	12,372	13,385
–	–	53	9	2	1	–	–	125	85
–	–	–	–	11,801	11,877	–	–	129,569	123,913
3,773	3,881	18,396	18,503	22,512	24,998	(28,815)	(28,785)	336,418	333,496
–	–	–	–	3,336	4,042	(151)	(174)	18,906	19,753
2,314	2,319	–	–	164	194	–	–	2,559	2,588
341	337	–	–	–	–	–	–	18,631	18,346
–	–	–	–	–	–	–	–	727	770
819	819	–	–	–	–	–	–	2,072	2,107
1,375	1,407	300	300	–	1	–	–	7,111	7,448
1,025	1,071	1,846	1,717	1,124	1,347	(2,194)	(2,122)	25,410	24,324
9,647	**9,834**	**20,542**	**20,520**	**27,136**	**30,583**	**(31,159)**	**(31,081)**	**411,833**	**408,831**
–	–	–	–	–	–	–	–	63,446	57,437
2,784	2,841	46	36	19,917	21,303	(151)	(174)	265,013	265,233
1,507	1,580	27	27	1,452	1,969	(85)	(131)	68,682	69,986
1,277	1,262	2	4	19	20	(19)	(9)	18,840	17,300
–	–	18	6	4,304	5,020	(47)	(33)	83,998	83,807
–	–	–	–	2,341	2,420	–	–	20,084	20,024
–	–	–	–	11,801	11,874	–	–	73,409	74,117
150	214	23,737	24,398	1,984	2,554	(27,476)	(27,421)	5,977	6,660
–	–	6,861	5,788	23	23	(447)	(901)	6,934	5,861
1,239	1,318	2,362	1,925	3,616	4,695	(3,057)	(2,586)	36,094	36,766
4,173	**4,373**	**33,007**	**32,148**	**25,540**	**28,576**	**(31,131)**	**(31,081)**	**377,464**	**371,957**
								32,062	34,505
								2,306	2,369
								34,369	36,874
								411,833	**408,831**
137	120	46	150	–	–	–	–	492	751

Consolidated financial statements

Consolidated financial statements (unaudited) *continued*

General Insurance – Customer segment overview

Table 16.4

in USD millions, for the nine months ended September 30	Global Corporate		North America Commercial	
	2013	2012	**2013**	2012
Gross written premiums and policy fees	7,319	6,659	7,775	7,560
Net earned premiums and policy fees	4,477	4,039	5,563	5,605
Insurance benefits and losses, net	3,297	2,838	3,886	3,809
Policyholder dividends and participation in profits, net	–	–	3	3
Total net technical expenses	833	822	1,534	1,596
Net underwriting result	348	379	140	197
Net investment income	369	436	476	646
Net capital gains/(losses) and impairments on investments	30	12	72	32
Net non-technical result (excl. items not included in BOP)	(102)	(94)	(123)	(155)
Business operating profit before non-controlling interests	645	733	565	720
Non-controlling interests	–	–	(1)	–
Business operating profit	645	734	565	721
Ratios, as % of net earned premiums and policy fees				
Loss ratio	73.6%	70.3%	69.9%	68.0%
Expense ratio	18.6%	20.3%	27.6%	28.5%
Combined ratio	92.2%	90.6%	97.5%	96.5%

	Europe		International Markets		GI Global Functions including Group Reinsurance		Eliminations		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	9,225	9,424	4,327	4,039	303	258	(767)	(630)	28,182	27,309
	8,608	8,810	3,338	3,079	11	6	–	–	21,998	21,539
	5,752	6,254	2,060	1,862	(6)	(14)	–	–	14,989	14,749
	–	–	–	–	–	–	–	–	3	3
	2,307	2,435	1,286	1,131	9	7	(1)	(4)	5,967	5,987
	550	121	(8)	85	8	14	1	4	1,039	800
	542	597	207	196	60	48	(2)	(1)	1,652	1,922
	3	–	–	7	–	–	–	–	105	51
	(289)	(276)	(31)	(110)	(74)	(16)	1	(3)	(618)	(654)
	806	443	169	177	(6)	46	–	–	2,178	2,119
	8	(2)	47	37	–	–	–	–	55	34
	798	445	121	140	(6)	46	–	–	2,124	2,085
	66.8%	71.0%	61.7%	60.5%	nm	nm	n/a	n/a	68.1%	68.5%
	26.8%	27.6%	38.5%	36.7%	nm	nm	n/a	n/a	27.1%	27.8%
	93.6%	98.6%	100.2%	97.2%	nm	nm	n/a	n/a	95.3%	96.3%

Consolidated financial statements (unaudited) *continued*

General Insurance – Revenues by region

Table 16.5

in USD millions, for the nine months ended September 30	Gross written premiums and policy fees from external customers		of which Global Corporate	
	2013	2012	**2013**	2012
North America				
United States	9,811	9,297		
Canada	680	698		
Bermuda	8	7		
North America	10,499	10,003	2,864	2,567
Europe				
United Kingdom	2,978	2,891		
Germany	2,561	2,611		
Switzerland	2,873	2,831		
Italy	1,297	1,294		
Spain	1,056	1,086		
Rest of Europe	2,149	2,117		
Europe	12,914	12,830	3,603	3,325
Latin America				
Argentina	304	280		
Brazil	877	661		
Chile	224	285		
Mexico	530	400		
Venezuela	216	175		
Rest of Latin America	25	22		
Latin America	2,175	1,823	–	–
Asia-Pacific				
Australia	858	875		
Hong Kong	178	158		
Japan	534	599		
Taiwan	99	99		
Rest of Asia-Pacific	336	308		
Asia-Pacific	2,006	2,039	424	432
Middle East	148	151	109	99
Africa				
South Africa	336	360		
Morocco	104	99		
Africa	440	459	33	17
Total	**28,181**	**27,305**	**7,033**	**6,440**

General Insurance – Non-current assets by region

Table 16.6

in USD millions, as of	Property/equipment and intangible assets	
	09/30/13	12/31/12
North America		
United States	211	223
Canada	5	4
Bermuda	22	24
North America	238	252
Europe		
United Kingdom	224	213
Germany	224	210
Switzerland	591	593
Italy	28	34
Spain	342	346
Rest of Europe	559	605
Europe	1,967	2,001
Latin America		
Argentina	17	11
Brazil	228	234
Chile	30	34
Mexico	255	263
Venezuela	13	16
Rest of Latin America	–	5
Latin America	543	561
Asia-Pacific		
Australia	63	74
Hong Kong	12	13
Japan	24	27
Taiwan	10	9
Rest of Asia-Pacific	4	4
Asia-Pacific	112	128
Middle East	51	43
Africa		
South Africa	11	15
Morocco	31	32
Africa	42	46
Total	**2,953**	**3,032**

Consolidated financial statements (unaudited) *continued*

Global Life – Overview

Table 16.7

in USD millions, for the nine months ended September 30	North America		Latin America	
	2013	2012	**2013**	2012
Revenues				
Life insurance deposits	201	182	1,173	1,774
Gross written premiums[1]	412	390	2,352	1,901
Policy fees	228	223	65	54
Gross written premiums and policy fees	639	613	2,417	1,955
Net earned premiums and policy fees	486	456	2,177	1,691
Net investment income on Group investments	217	236	208	180
Net capital gains/(losses) and impairments on Group investments	–	–	12	152
Net investment result on Group investments	217	236	220	332
Net investment income on unit-linked investments	(23)	(26)	10	7
Net capital gains/(losses) and impairments on unit-linked investments	63	55	384	693
Net investment result on unit-linked investments	40	29	395	700
Other income	65	69	218	35
Total BOP revenues	808	790	3,010	2,758
Benefits, losses and expenses				
Insurance benefits and losses, net[1]	290	250	957	822
Policyholder dividends and participation in profits, net	56	46	413	712
Income tax expense/(benefit) attributable to policyholders	–	–	–	–
Underwriting and policy acquisition costs, net	76	71	749	621
Administrative and other operating expense (excl. depreciation/amortization)	114	108	412	276
Interest credited to policyholders and other interest	112	109	6	17
Restructuring provisions and other items not included in BOP	–	–	34	7
Total BOP benefits, losses and expenses	649	584	2,571	2,454
Business operating profit (before interest, depreciation and amortization)	**160**	**206**	**439**	**305**
Depreciation and impairments of property and equipment	1	1	2	2
Amortization and impairments of intangible assets	27	5	95	142
Interest expense on debt	3	3	–	(6)
Business operating profit before non-controlling interests	130	198	342	166
Non-controlling interests	–	–	162	67
Business operating profit	**130**	**198**	**180**	**99**

[1] Europe includes approximately USD 337 million and USD 456 million of gross written premiums and future life policyholders' benefits for certain universal life-type contracts in the Group's Spanish operations for the nine months ended September 30, 2013 and 2012, respectively (see note 3 of the Consolidated financial statements 2012).

Europe 2013	Europe 2012	Asia-Pacific and Middle East 2013	Asia-Pacific and Middle East 2012	Other 2013	Other 2012	Eliminations 2013	Eliminations 2012	Total 2013	Total 2012
6,245	7,928	1,241	1,275	666	507	–	–	9,527	11,666
4,636	4,777	615	534	143	104	(75)	(36)	8,084	7,671
1,560	1,401	109	121	6	4	–	–	1,968	1,803
6,196	6,178	724	656	150	108	(75)	(36)	10,051	9,474
5,895	5,873	620	559	126	101	–	–	9,303	8,680
2,372	2,429	106	148	9	8	–	(1)	2,912	3,001
484	360	6	7	–	–	–	–	502	519
2,856	2,789	112	155	9	8	–	(1)	3,414	3,521
1,439	1,478	52	60	21	26	–	–	1,500	1,545
6,166	4,532	488	463	14	75	–	–	7,114	5,818
7,605	6,010	540	523	35	102	–	–	8,614	7,363
242	243	148	140	221	234	(2)	(5)	892	716
16,598	14,916	1,420	1,376	390	445	(2)	(6)	22,224	20,279
4,969	5,368	202	211	77	59	–	–	6,495	6,710
8,466	6,540	652	646	41	108	–	–	9,629	8,051
145	127	3	10	–	–	–	–	148	137
1,173	1,004	87	149	98	104	–	–	2,184	1,949
906	1,023	348	227	184	182	(2)	(6)	1,961	1,810
182	146	17	20	–	–	–	–	318	291
(28)	(82)	–	8	(13)	–	–	–	(7)	(67)
15,814	14,124	1,309	1,271	387	453	(2)	(6)	20,727	18,882
784	**791**	**111**	**105**	**3**	**(9)**	**–**	**–**	**1,497**	**1,398**
15	15	4	4	–	–	–	–	23	22
170	176	6	(1)	4	5	–	–	301	326
11	17	–	–	2	1	–	–	16	16
588	584	100	101	(3)	(15)	–	–	1,157	1,033
19	–	(2)	(1)	–	–	–	–	179	67
569	**583**	**102**	**102**	**(3)**	**(15)**	**–**	**–**	**978**	**966**

Consolidated financial statements (unaudited) *continued*

Global Life – Revenues by region

Table 16.8

in USD millions, for the nine months ended September 30	Gross written premiums and policy fees from external customers		Life insurance deposits	
	2013	2012	**2013**	**2012**
North America				
United States	639	613	201	182
North America	639	613	201	182
Latin America				
Chile	830	569	10	7
Argentina	110	84	37	34
Mexico	257	204	240	–
Venezuela	45	47	–	–
Brazil	1,170	1,048	886	1,733
Uruguay	5	3	–	–
Latin America	2,417	1,955	1,173	1,774
Europe				
United Kingdom	1,449	1,309	2,249	4,178
Germany	1,991	2,075	1,350	1,438
Switzerland	1,203	1,348	88	86
Ireland[1]	559	363	1,970	1,713
Spain	569	679	45	141
Italy	252	238	445	315
Portugal	21	23	58	22
Austria	111	103	40	36
Europe	6,155	6,138	6,245	7,928
Asia-Pacific and Middle East				
Hong Kong	67	62	87	100
Taiwan	–	–	3	1
Indonesia	2	–	–	–
Australia	243	242	56	51
Japan	61	75	13	17
Singapore	3	1	2	1
Malaysia	174	184	25	–
Zurich International Life[2]	150	92	1,055	1,106
Asia-Pacific and Middle East	700	656	1,241	1,275
Other				
Luxembourg[1]	6	4	666	507
International Group Risk Solutions[3]	84	63	–	–
Other	90	67	666	507
Total	**10,001**	**9,429**	**9,527**	**11,666**

[1] Includes business written under freedom of services and freedom of establishment in Europe.
[2] Mainly includes business written through licenses into Asia-Pacific and Middle East.
[3] Includes business written through licenses into all regions.

Global Life – Non-current assets by region

Table 16.9

in USD millions, as of	Property/equipment and intangible assets	
	09/30/13	12/31/12
North America		
United States	159	165
North America	159	165
Latin America		
Chile	426	472
Argentina	81	96
Mexico	237	256
Brazil	864	965
Latin America	1,608	1,789
Europe		
United Kingdom	406	426
Germany	706	743
Switzerland	78	81
Ireland[1]	4	2
Spain	1,731	1,759
Italy	110	122
Austria	32	32
Europe	3,066	3,164
Asia-Pacific and Middle East		
Hong Kong	6	8
Indonesia	3	3
Japan	6	3
Singapore	3	1
Malaysia	115	124
Zurich International Life	19	20
Asia-Pacific and Middle East	151	158
Other		
Luxembourg[1]	3	4
Other	3	4
Total	**4,988**	**5,280**

[1] Includes assets relating to business written under freedom of services and freedom of establishment in Europe.

Consolidated financial statements (unaudited) *continued*

Farmers – Overview

Table 16.10

in USD millions, for the nine months ended September 30	Total	
	2013	2012
Farmers Management Services		
Management fees and other related revenues	2,113	2,134
Management and other related expenses	1,089	1,110
Gross management result	1,023	1,024
Other net income (excl. items not included in BOP)	27	35
Business operating profit before non-controlling interest	1,050	1,059
Business operating profit	1,050	1,059
Farmers Re		
Gross written premiums and policy fees	3,094	3,382
Net earned premiums and policy fees	3,079	3,312
Insurance benefits and losses, net	(2,157)	(2,446)
Total net technical expenses	(965)	(1,037)
Net underwriting result	(43)	(171)
Net non-technical result (excl. items not relevant for BOP)	51	48
Net investment income	50	55
Business operating profit before non-controlling interests	58	(68)
Business operating profit	58	(68)
Farmers business operating profit	**1,108**	**991**

Ratios, as % of net earned premiums and policy fees		
Farmers Re Combined ratio	101.4%	105.2%

Supplementary information		
Property, equipment and intangible assets[1]	2,426	2,403

[1] As of September 30, 2013 and December 31, 2012, respectively.

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Consolidated financial statements (unaudited) *continued*

Other Operating Businesses – Overview

Table 16.11

in USD millions, for the nine months ended September 30	Holding and Financing	
	2013	2012
Gross written premiums and policy fees	90	94
Net earned premiums and policy fees	49	54
Net investment income	217	294
Other income	48	50
Total BOP revenues	314	398
Insurance benefits and losses, incl. PH dividends, net	48	52
Administrative and other operating expense (excl. depreciation/amortization)	222	92
Other expenses and items not included in BOP	(97)	1
Depreciation, amortization and impairments of property, equipment and intangible assets	–	8
Interest expense on debt	784	792
Business operating profit before non-controlling interests	(642)	(547)
Non-controlling interests	(12)	(17)
Business operating profit	**(630)**	**(530)**

Headquarters		Eliminations		Total	
2013	2012	**2013**	2012	**2013**	2012
4	4	–	–	94	98
6	6	–	–	55	60
33	34	(4)	(4)	246	324
682	714	(172)	(109)	559	655
721	754	(176)	(113)	859	1,039
(1)	–	–	–	47	52
711	817	(171)	(109)	762	800
–	–	–	–	(97)	1
62	56	–	–	62	63
1	1	(5)	(5)	780	789
(53)	(120)	–	–	(695)	(667)
–	–	–	–	(12)	(17)
(53)	**(120)**	**–**	**–**	**(683)**	**(650)**

Consolidated financial statements (unaudited) *continued*

Non-Core Businesses – Overview

Table 16.12

in USD millions, for the nine months ended September 30	Total	
	2013	2012
Gross written premiums and policy fees	376	349
Net earned premiums and policy fees	349	336
Insurance benefits and losses, net	(107)	298
Policyholder dividends and participation in profits, net	(37)	688
Total net technical expenses	35	62
Net underwriting result	459	(712)
Net investment income	28	119
Net capital gains/(losses) and impairments on investments	(398)	832
Net non-technical result (excl. items not included in BOP)	(47)	(120)
Business operating profit before non-controlling interests	**42**	**119**
Non-controlling interests	1	1
Business operating profit	**41**	**118**

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Certain statements in this document are forward-looking statements, including, but not limited to, statements that are predictions of or indicate future events, trends, plans or objectives of Zurich Insurance Group Ltd or the Zurich Insurance Group (the Group). Forward-looking statements include statements regarding the Group's targeted profit, return on equity targets, expenses, pricing conditions, dividend policy and underwriting and claims results, as well as statements regarding the Group's understanding of general economic, financial and insurance market conditions and expected developments. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results and plans and objectives of Zurich Insurance Group Ltd or the Group to differ materially from those expressed or implied in the forward-looking statements (or from past results). Factors such as (i) general economic conditions and competitive factors, particularly in key markets; (ii) the risk of a global economic downturn; (iii) performance of financial markets; (iv) levels of interest rates and currency exchange rates; (v) frequency, severity and development of insured claims events; (vi) mortality and morbidity experience; (vii) policy renewal and lapse rates; and (viii) changes in laws and regulations and in the policies of regulators may have a direct bearing on the results of operations of Zurich Insurance Group Ltd and its Group and on whether the targets will be achieved. Zurich Insurance Group Ltd undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise.

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