



Consolidated financial statements (unaudited) 2015

Zurich Insurance Group
Results for the nine months to September 30, 2015

Consolidated financial statements (unaudited)

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Consolidated income statements

in USD millions	Notes	2015	Restated 2014	2015	Restated 2014
		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		11,541	12,367	37,140	40,241
Policy fees		723	537	1,996	1,976
Gross written premiums and policy fees		12,264	12,903	39,136	42,217
Less premiums ceded to reinsurers ¹		(1,442)	(1,467)	(6,458)	(4,750)
Net written premiums and policy fees		10,822	11,436	32,678	37,466
Net change in reserves for unearned premiums		448	537	(1,396)	(1,451)
Net earned premiums and policy fees		11,270	11,973	31,282	36,015
Farmers management fees and other related revenues		701	698	2,081	2,089
Net investment result on Group investments	3	1,959	2,378	5,981	6,747
Net investment income on Group investments		1,405	1,553	4,214	4,770
Net capital gains/(losses) and impairments on Group investments		553	824	1,767	1,977
Net investment result on unit-linked investments		(4,803)	2,530	427	6,935
Net gain/(loss) on divestments of businesses		10	–	10	(13)
Other income		327	429	1,054	1,278
Total revenues		9,463	18,008	40,835	53,051
Benefits, losses and expenses					
Insurance benefits and losses, gross of reinsurance		9,589	9,041	26,346	27,196
Less ceded insurance benefits and losses ¹		(852)	(518)	(4,235)	(1,927)
Insurance benefits and losses, net of reinsurance		8,737	8,522	22,111	25,268
Policyholder dividends and participation in profits, net of reinsurance	5	(4,368)	3,043	1,831	8,361
Underwriting and policy acquisition costs, net of reinsurance		2,461	2,359	6,894	7,439
Administrative and other operating expense		1,957	2,288	5,892	6,556
Interest expense on debt		110	135	334	411
Interest credited to policyholders and other interest		113	113	349	398
Total benefits, losses and expenses		9,010	16,460	37,410	48,434
Net income before income taxes		453	1,548	3,425	4,617
Income tax (expense)/benefit	9	(178)	(532)	(979)	(1,356)
attributable to policyholders	9	113	(41)	18	(19)
attributable to shareholders	9	(291)	(491)	(996)	(1,337)
Net income after taxes		274	1,016	2,447	3,261
attributable to non-controlling interests		68	51	181	172
attributable to shareholders		207	966	2,266	3,089
in USD					
Basic earnings per share		1.39	6.52	15.22	20.88
Diluted earnings per share		1.38	6.48	15.15	20.74
in CHF					
Basic earnings per share		1.34	5.96	14.49	18.75
Diluted earnings per share		1.33	5.93	14.43	18.63

¹ The Group's life operations in the UK entered into a reinsurance agreement to transfer the risk associated with a significant annuities portfolio as of April 1, 2015. The initial impact of this transaction was an increase of USD 1.7 billion in premiums ceded to reinsurers and an increase of USD 1.7 billion in ceded insurance benefits and losses in the Global Life business.

Consolidated financial statements (unaudited) *continued*

Consolidated statements of comprehensive income

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
2014			
Comprehensive income for the period, as restated	3,089	1,946	128
Details of movements during the period			
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		3,946	51
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		(1,267)	134
Deferred income tax (before foreign currency translation effects)		(539)	(42)
Foreign currency translation effects		(194)	(16)
2015			
Comprehensive income for the period	2,266	(1,358)	7
Details of movements during the period			
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		(65)	(26)
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		(1,493)	47
Deferred income tax (before foreign currency translation effects)		285	(17)
Foreign currency translation effects		(84)	3

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	Total comprehensive income attributable to non-controlling interests	Total comprehensive income
	(1,850)	224	23	(82)	(59)	165	3,254	48	3,302
	(1,850)	2,147	32	(237)	(205)	1,942			
		(1,133)	–	–	–	(1,133)			
	–	(581)	(8)	29	21	(560)			
	–	(210)	–	126	126	(83)			
	(2,789)	(4,141)	–	269	269	(3,871)	(1,605)	(169)	(1,774)
	(2,789)	(2,880)	1	238	239	(2,641)			
	–	(1,446)	–	–	–	(1,446)			
	–	268	–	(54)	(54)	213			
	–	(82)	–	85	85	3			

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
2014			
Comprehensive income for the period	966	198	28
Details of movements during the period			
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		996	(66)
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		(546)	124
Deferred income tax (before foreign currency translation effects)		(54)	(13)
Foreign currency translation effects		(197)	(17)
2015			
Comprehensive income for the period	207	(412)	30
Details of movements during the period			
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		(166)	57
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		(212)	(4)
Deferred income tax (before foreign currency translation effects)		31	(8)
Foreign currency translation effects		(65)	(15)

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	Total comprehensive income attributable to non-controlling interests	Total comprehensive income
	(970)	(743)	2	94	96	(647)	318	(112)	207
	(970)	(40)	3	(122)	(119)	(159)			
	–	(422)	–	–	–	(422)			
	–	(67)	(1)	34	33	(35)			
	–	(214)	–	182	182	(32)			
	(714)	(1,096)	–	588	588	(508)	(301)	(98)	(399)
	(714)	(822)	–	597	597	(225)			
	–	(217)	–	–	–	(217)			
	–	23	–	(115)	(115)	(91)			
	–	(80)	–	106	106	26			

Consolidated financial statements (unaudited) *continued*

Consolidated balance sheets

Assets	in USD millions, as of	Notes	Restated		
			09/30/15	12/31/14	01/01/14
Investments					
Total Group investments		3	195,798	204,860	207,280
Cash and cash equivalents			8,820	7,600	7,181
Equity securities			18,363	16,099	13,183
Debt securities			141,922	153,648	156,456
Investment property			9,889	8,784	8,745
Mortgage loans			7,513	7,826	9,798
Other loans			9,272	10,834	11,789
Investments in associates and joint ventures			19	70	129
Investments for unit-linked contracts			124,480	134,416	134,267
Total investments¹			320,279	339,276	341,547
Reinsurers' share of reserves for insurance contracts ¹		4	18,160	16,550	17,978
Deposits made under assumed reinsurance contracts			1,968	2,203	2,645
Deferred policy acquisition costs		6	17,640	17,750	18,724
Deferred origination costs		6	534	595	724
Accrued investment income ²			1,687	1,912	2,321
Receivables and other assets			16,452	16,946	18,499
Deferred tax assets			1,689	1,561	2,020
Assets held for sale ³			26	48	223
Property and equipment			1,204	1,273	1,494
Attorney-in-fact contracts		7	1,025	1,025	1,025
Goodwill		7	1,525	1,661	1,852
Other intangible assets		7	4,857	5,729	6,003
Total assets			387,046	406,529	415,053

¹ The Group's life operations in the UK entered into a reinsurance agreement to transfer the risk associated with a significant annuities portfolio as of April 1, 2015. The initial impact of this transaction was a decrease of USD 1.6 billion in total investments and an increase of USD 1.7 billion in Reinsurers' share of reserves for insurance contracts in the Global Life business.

² Accrued investment income on unit-linked investments amounted to USD 150 million and USD 133 million as of September 30, 2015 and December 31, 2014, respectively.

³ September 30, 2015 included land and buildings formerly classified as investment property amounting to USD 26 million. December 31, 2014 included land and buildings formerly classified as investment property amounting to USD 48 million.

Liabilities
and equity

in USD millions, as of				Restated	
	Notes	09/30/15	12/31/14	01/01/14	
Liabilities					
Reserve for premium refunds		535	606	571	
Liabilities for investment contracts		68,646	70,813	67,113	
Deposits received under ceded reinsurance contracts		926	1,022	1,245	
Deferred front-end fees		5,329	5,539	5,791	
Reserves for insurance contracts	4	241,613	253,719	265,440	
Obligations to repurchase securities		1,606	1,451	1,685	
Accrued liabilities		2,775	3,065	3,023	
Other liabilities		16,631	17,230	17,904	
Deferred tax liabilities		4,597	5,020	5,110	
Liabilities held for sale		–	–	49	
Senior debt	10	5,222	5,379	6,044	
Subordinated debt	10	5,707	5,857	6,342	
Total liabilities		353,589	369,700	380,319	
Equity					
Share capital		11	11	11	
Additional paid-in capital		3,345	4,843	6,395	
Net unrealized gains/(losses) on available-for-sale investments		2,710	4,068	1,730	
Cash flow hedges		313	306	106	
Cumulative foreign currency translation adjustment		(9,102)	(6,313)	(4,008)	
Revaluation reserve		219	218	195	
Retained earnings		34,117	31,602	28,075	
Shareholders' equity		31,611	34,735	32,503	
Non-controlling interests		1,846	2,095	2,231	
Total equity		33,457	36,830	34,734	
Total liabilities and equity		387,046	406,529	415,053	

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

in USD millions, for the nine months ended September 30	2015	Restated 2014
Cash flows from operating activities		
Net income attributable to shareholders	2,266	3,089
Adjustments for:		
Net (gain)/loss on divestments of businesses	(10)	13
(Income)/expense from equity method accounted investments	(7)	(10)
Depreciation, amortization and impairments of fixed and intangible assets	709	770
Other non-cash items	151	(308)
Underwriting activities:	2,596	9,104
<i>Reserves for insurance contracts, gross</i>	<i>4,053</i>	<i>4,942</i>
<i>Reinsurers' share of reserves for insurance contracts¹</i>	<i>(2,099)</i>	<i>644</i>
<i>Liabilities for investment contracts</i>	<i>1,061</i>	<i>4,370</i>
<i>Deferred policy acquisition costs</i>	<i>(648)</i>	<i>(713)</i>
<i>Deferred origination costs</i>	<i>32</i>	<i>39</i>
<i>Deposits made under assumed reinsurance contracts</i>	<i>269</i>	<i>(48)</i>
<i>Deposits received under ceded reinsurance contracts</i>	<i>(71)</i>	<i>(130)</i>
Investments:	(198)	(6,935)
<i>Net capital (gains)/losses on total investments and impairments</i>	<i>(779)</i>	<i>(7,542)</i>
<i>Net change in derivatives</i>	<i>303</i>	<i>41</i>
<i>Net change in money market investments</i>	<i>713</i>	<i>1,396</i>
<i>Sales and maturities</i>		
<i>Debt securities¹</i>	<i>64,625</i>	<i>84,593</i>
<i>Equity securities</i>	<i>47,918</i>	<i>44,223</i>
<i>Other</i>	<i>6,234</i>	<i>5,373</i>
<i>Purchases</i>		
<i>Debt securities</i>	<i>(62,268)</i>	<i>(80,065)</i>
<i>Equity securities</i>	<i>(50,101)</i>	<i>(50,107)</i>
<i>Other</i>	<i>(6,843)</i>	<i>(4,846)</i>
Net changes in sale and repurchase agreements	211	(154)
Movements in receivables and payables	(109)	315
Net changes in other operational assets and liabilities	(768)	(346)
Deferred income tax, net	(200)	75
Net cash provided by/(used in) operating activities	4,641	5,612

¹ The Group's life operations in the UK entered into a reinsurance agreement to transfer the risk associated with a significant annuities portfolio as of April 1, 2015. The initial impact of this transaction was an increase of USD 1.7 billion in Reinsurers' share of reserves for insurance contracts and a transfer of USD 1.6 million of debt securities in the Global Life business.

in USD millions, for the nine months ended September 30	2015	Restated 2014
Cash flows from investing activities		
Disposals of tangible and intangible assets	48	50
Additions to tangible and intangible assets	(431)	(775)
(Acquisitions)/disposals of equity method accounted investments, net	80	94
Acquisitions of companies, net of cash acquired	(8)	–
Divestments of companies, net of cash divested	4	55
Dividends from equity method accounted investments	8	1
Net cash provided by/(used in) investing activities	(300)	(575)
Cash flows from financing activities		
Dividends paid	(2,755)	(2,913)
Issuance of share capital	43	96
Net movement in treasury shares	21	20
Other acquisitions and divestments related cash flows	(34)	(410)
Issuance of debt	300	1,560
Repayment of debt	(368)	(1,553)
Net cash provided by/(used in) financing activities	(2,793)	(3,201)
Foreign currency translation effects on cash and cash equivalents	(563)	(502)
Change in cash and cash equivalents	986	1,334
Cash and cash equivalents as of January 1	8,776	8,162
Cash and cash equivalents as of September 30	9,762	9,497
of which:		
– Group investments	8,820	8,285
– Unit-linked	942	1,212
Other supplementary cash flow disclosures		
Other interest income received	4,017	4,933
Dividend income received	1,487	1,515
Other interest expense paid	(676)	(792)
Income taxes paid	(954)	(1,078)

Cash and cash equivalents

in USD millions, as of September 30	2015	2014
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	7,802	6,980
Cash equivalents	1,960	2,517
Total	9,762	9,497

As of September 30, 2015 and 2014, cash and cash equivalents held to meet local regulatory requirements were USD 940 million and USD 802 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

in USD millions

	Share capital	Additional paid-in capital
Balance as of December 31, 2013	11	6,395
Issuance of share capital ¹	–	167
Dividends to shareholders ²	–	(1,815)
Share-based payment transactions	–	6
Treasury share transactions ⁴	–	2
Change in ownership interests with no loss of control	–	–
Total comprehensive income for the period, net of tax	–	–
<i>Net income</i>	–	–
<i>Net unrealized gains/(losses) on available-for-sale investments</i>	–	–
<i>Cash flow hedges</i>	–	–
<i>Cumulative foreign currency translation adjustment</i>	–	–
<i>Revaluation reserve</i>	–	–
<i>Net actuarial gains/(losses) on pension plans</i>	–	–
Net changes in capitalization of non-controlling interests	–	–
Balance as of September 30, 2014, as restated	11	4,756
Balance as of December 31, 2014, as previously reported	11	4,843
Total adjustments due to restatement	–	–
Balance as of December 31, 2014, as restated	11	4,843
Issuance of share capital ¹	–	204
Dividends to shareholders ²	–	(1,683)
Share-based payment transactions	–	(23)
Treasury share transactions ⁴	–	4
Change in ownership interests with no loss of control	–	–
Total comprehensive income for the period, net of tax	–	–
<i>Net income</i>	–	–
<i>Net unrealized gains/(losses) on available-for-sale investments</i>	–	–
<i>Cash flow hedges</i>	–	–
<i>Cumulative foreign currency translation adjustment</i>	–	–
<i>Revaluation reserve</i>	–	–
<i>Net actuarial gains/(losses) on pension plans</i>	–	–
Net changes in capitalization of non-controlling interests	–	–
Balance as of September 30, 2015	11	3,345

¹ The number of common shares issued as of September 30, 2015 was 150,400,947 (September 30, 2014: 149,510,650, December 31, 2014: 149,636,836, December 31, 2013: 148,903,222).

² As approved by the Annual General Meeting on April 2, 2014, the dividend of CHF 17 per share was paid out of the capital contribution reserve. The difference of USD 1,022 million between the dividend at transaction day exchange rates amounting to USD 2,837 million and the dividend at historical exchange rates amounting to USD 1,815 million is reflected in the cumulative foreign currency translation adjustment.

³ As approved by the Annual General Meeting on April 1, 2015, the dividend of CHF 17 per share was paid out of the capital contribution reserve. The difference of USD 1,022 million between the dividend at transaction day exchange rates amounting to USD 2,705 million and the dividend at historical exchange rates amounting to USD 1,683 million is reflected in the cumulative foreign currency translation adjustment.

⁴ The number of treasury shares deducted from equity as of September 30, 2015 amounted to 1,246,485 (September 30, 2014: 1,294,944, December 31, 2014: 1,292,220, December 31, 2013: 1,320,652).

	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
	1,730	106	(4,008)	195	28,075	32,503	2,231	34,734
	–	–	–	–	–	167	–	167
	–	–	–	–	–	(1,815)	(76)	(1,891)
	–	–	–	–	–	6	–	6
	–	–	–	–	18	20	–	20
	–	–	–	–	(38)	(38)	–	(38)
	1,946	128	(1,850)	23	3,007	3,254	48	3,302
	–	–	–	–	3,089	3,089		
	1,946	–	–	–	–	1,946		
	–	128	–	–	–	128		
	–	–	(1,850)	–	–	(1,850)		
	–	–	–	23	–	23		
	–	–	–	–	(82)	(82)		
	–	–	–	–	–	–	(111)	(111)
	3,676	233	(5,858)	218	31,062	34,098	2,092	36,190
	4,068	306	(6,259)	218	31,548	34,735	2,095	36,830
	–	–	(54)	–	54	–	–	–
	4,068	306	(6,313)	218	31,602	34,735	2,095	36,830
	–	–	–	–	–	204	–	204
	–	–	–	–	–	(1,683)	(48)	(1,731)
	–	–	–	–	(26)	(49)	–	(49)
	–	–	–	–	17	21	–	21
	–	–	–	–	(12)	(12)	–	(12)
	(1,358)	7	(2,789)	–	2,535	(1,605)	(169)	(1,774)
	–	–	–	–	2,266	2,266		
	(1,358)	–	–	–	–	(1,358)		
	–	7	–	–	–	7		
	–	–	(2,789)	–	–	(2,789)		
	–	–	–	–	–	–		
	–	–	–	–	269	269		
	–	–	–	–	–	–	(32)	(32)
	2,710	313	(9,102)	219	34,117	31,611	1,846	33,457

Consolidated financial statements (unaudited) *continued*

Zurich Insurance Group Ltd and its subsidiaries (collectively the Group) is a provider of insurance products and related services. The Group mainly operates in Europe, North America, 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, 2015 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 2014 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. Dividends, realized capital gains and losses as well as gains and losses on the transfer of net assets, are eliminated within the segment, whereas all other intercompany gains and losses are eliminated at Group level. 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, 2015 should be read in conjunction with the Group's Annual Report 2014.

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 219 million and USD 106 million for the nine months ended September 30, 2015 and 2014, respectively. Foreign currency exchange forward and swap gains/(losses) included in these amounts were USD 135 million and USD 145 million for the nine months ended September 30, 2015 and 2014, respectively.

Table 1.1

Principal exchange rates	USD per foreign currency unit	Consolidated balance sheets at end-of-period exchange rates		Consolidated income statements and cash flows at average exchange rates	
		09/30/15	12/31/14	09/30/15	09/30/14
		Euro	1.1159	1.2101	1.1160
Swiss franc	1.0239	1.0064	1.0501	1.1132	
British pound	1.5122	1.5577	1.5327	1.6691	
Brazilian real	0.2518	0.3763	0.3208	0.4372	

Implementation of new accounting standards

No new accounting standards nor amendments to and interpretations of standards have been implemented for the financial year beginning January 1, 2015.

Table 1.2

Standard/ Interpretation	Table 1.2	
		Effective date
New Standards		
IFRS 9	Financial Instruments ¹	January 1, 2018
IFRS 15	Revenue from Contracts with Customers	January 1, 2018

¹ Expected to result in a significant portion of financial assets currently classified as available-for-sale being classified as at fair value through profit or loss. Credit allowances for financial assets carried at amortized cost and debt securities measured at fair value, with changes in fair value recognized in other comprehensive income (OCI), are expected to increase due to the introduction of the expected credit loss methodology. Upon implementation of the revised standard IFRS 4 'Insurance Contracts', more assets might be classified as at fair value through profit or loss under the fair value option.

The Group has not early-adopted the standards shown in table 1.2

Restatements and reclassifications

The Group changed its accounting policy relating to recognition of cumulative foreign currency translation adjustments, moving from an absolute to a proportionate ownership interest method. The impact on the consolidated income statement was a profit of USD 52 million within net investment result on Group investments and administrative and other operating expense for the nine months ended September 30, 2014. The impact on the consolidated balance sheet was a reclassification of losses of USD 54 million from retained earnings to cumulative foreign currency translation adjustment as of December 31, 2014.

The Group transferred USD 393 million from future life policyholder benefits to policyholder contract deposits and other funds. The reclassification was prospectively recognized in 2015 as the reclassification has no impact on the Group's consolidated balance sheet or income statement. The reclassifications are set out in note 4.

During the quarter ended September 30, 2015, the Group recorded out-of-period charges before tax of USD 57 million related to reinsurance recoverables and USD 32 million related to net assets in its Brazil operation. These adjustments are not considered material to the Group's results.

Consolidated financial statements (unaudited) *continued*

2. Acquisitions and divestments

Transactions in 2015

In September, 2015, the Group increased its shareholding in Zurich Insurance Company South Africa Limited (ZICSA) from 84.05 percent to 100 percent for a total consideration of approximately USD 34 million. Subsequently the ZICSA shares were delisted from the Johannesburg Stock Exchange.

Transactions in 2014

Acquisitions

On October 31, 2014, the Group completed the acquisition of an effective 50.0 percent stake in Mediterráneo Seguros Diversos, S.A. (MSD), a general insurance company incorporated in Spain and thus extended the existing cooperation with Banco Sabadell S.A. (Banco Sabadell) entered into during 2008. The Group obtained control over MSD by virtue of the existing shareholders' agreement between the Group and Banco Sabadell.

The initial consideration on a 50.0 percent basis amounted to USD 50 million, including an immaterial purchase price adjustment. In addition to the initial consideration, an uncapped contingent liability based on the future profitability over the term of the distribution agreement was agreed, for which the fair value was estimated to amount to USD 4 million on a 50.0 percent basis. Based on the final purchase accounting, the fair value of net tangible assets acquired amounted to USD 30 million, identifiable intangible assets relating to the distribution agreement amounted to USD 79 million, net of deferred tax and the non-controlling interest amounted to USD 54 million as reflected in the Consolidated financial statements as of the acquisition date.

On May 28, 2014, the Group increased its shareholding in Deutscher Herold AG to 100 percent. This increase was the result of the non-controlling shareholder exercising its put option right over 15.17 percent of the shares and the Group exercising its call option right over 5.0 percent. The total consideration amounted to USD 366 million, of which USD 275 million for 15.17 percent was previously recorded on the balance sheet as a put option liability.

Divestments

On October 30, 2014, the Group closed the sale of its General Insurance retail business in Russia to OLMA Group. The contractually agreed sales price amounted to RUB 1 billion (approximately USD 23 million) and was subject to a purchase price adjustment with no material impact. A pre-tax loss of USD 247 million has been recorded within net gain/(loss) on divestments of businesses.

3. Group investments

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.

Table 3.1

Net investment result for Group investments

in USD millions, for the nine months ended September 30

	Net investment income		Net capital gains/(losses) and impairments		Net investment result		of which impairments	
	2015	2014	2015	2014	2015	2014	2015	2014
Cash and cash equivalents	18	41	–	–	18	41	–	–
Equity securities	377	262	586	467	962	729	(125)	(17)
Debt securities	3,084	3,562	863	1,229	3,947	4,791	(3)	4
Investment property	375	378	89	120	464	498	–	–
Mortgage loans	207	261	(41)	(30)	166	231	(41)	(29)
Other loans	337	436	4	84	341	520	–	–
Investments in associates and joint ventures	7	10	31	38	38	48	–	(2)
Derivative financial instruments ¹	–	–	235	69	235	69	–	–
Investment result, gross, for Group investments	4,404	4,949	1,767	1,977	6,171	6,926	(170)	(43)
Investment expenses for Group investments ²	(190)	(179)	–	–	(190)	(179)	–	–
Investment result, net, for Group investments	4,214	4,770	1,767	1,977	5,981	6,747	(170)	(43)

¹ Net capital gains/(losses) on derivative financial instruments attributable to cash flow hedge ineffectiveness amounted to USD 5 million and USD (7) million for the nine months ended September 30, 2015 and 2014, respectively.

² Rental operating expenses for investment property included in investment expenses for Group investments amounted to USD 54 million and USD 71 million for the nine months ended September 30, 2015 and 2014, respectively.

Table 3.2

Details of Group investments by category

as of

	09/30/15		12/31/14	
	USD millions	% of total	USD millions	% of total
Cash and cash equivalents	8,820	4.5	7,600	3.7
Equity securities:				
Fair value through profit or loss	3,637	1.9	3,619	1.8
Available-for-sale ¹	14,726	7.5	12,480	6.1
Total equity securities	18,363	9.4	16,099	7.9
Debt securities:				
Fair value through profit or loss	6,500	3.3	7,121	3.5
Available-for-sale ¹	131,944	67.4	142,557	69.6
Held-to-maturity	3,478	1.8	3,971	1.9
Total debt securities	141,922	72.5	153,648	75.0
Investment property	9,889	5.1	8,784	4.3
Mortgage loans	7,513	3.8	7,826	3.8
Other loans	9,272	4.7	10,834	5.3
Investments in associates and joint ventures	19	0.0	70	0.0
Total Group investments	195,798	100.0	204,860	100.0

¹ As of January 1, 2015, USD 1.5 billion of hybrid instruments were classified as available-for-sale equity securities. These were previously classified as available-for-sale debt securities.

Investments (including cash and cash equivalents) with a carrying value of USD 6,538 million and USD 6,214 million were held to meet local regulatory requirements as of September 30, 2015 and December 31, 2014, respectively.

Consolidated financial statements (unaudited) *continued*

Table 3.3			
Net unrealized gains/(losses) on Group investments included in equity	in USD millions, as of	Total	
		09/30/15	12/31/14
	Equity securities: available-for-sale	535	1,575
	Debt securities: available-for-sale	9,873	12,510
	Other	393	371
	Gross unrealized gains/(losses) on Group investments	10,800	14,456
	Less amount of unrealized gains/(losses) on investments attributable to:		
	Life policyholder dividends and other policyholder liabilities	(5,983)	(7,628)
	Life deferred acquisition costs and present value of future profits	(667)	(995)
	Deferred income taxes	(1,103)	(1,421)
	Non-controlling interests	(25)	(38)
	Total¹	3,022	4,374

¹ Net unrealized gains/(losses) on Group investments include net gains arising on cash flow hedges of USD 313 million and USD 306 million as of September 30, 2015 and December 31, 2014, respectively.

Table 3.4			
Securities lending, repurchase and reverse repurchase agreements	in USD millions, as of	Total	
		09/30/15	12/31/14
	Securities lending agreements		
	Securities lent under securities lending agreements ¹	6,134	7,668
	Collateral received for securities lending	6,649	8,266
	of which: Cash collateral	92	229
	of which: Non cash collateral ²	6,558	8,036
	Liabilities for cash collateral received for securities lending	92	229
	Repurchase agreements		
	Securities sold under repurchase agreements ³	1,613	1,455
	Obligations to repurchase securities	1,606	1,451
	Reverse repurchase agreements		
	Securities purchased under reverse repurchase agreements ⁴	94	294
	Receivables under reverse repurchase agreements	92	290

¹ The Group's counterparties had the right to sell or repledge, in the absence of default, assets pledged as collateral with a fair value of USD 6,134 million and USD 7,668 million as of September 30, 2015 and December 31, 2014, respectively. The majority of these assets were debt securities.

² The Group had the right to sell or repledge, in the absence of default by its counterparties, securities received as collateral with a fair value of USD 6,283 million and USD 7,344 million as of September 30, 2015 and December 31, 2014, respectively.

³ The Group's counterparties had the right to sell or repledge, in the absence of default, assets pledged as collateral with a fair value of USD 1,007 million and USD 1,307 million as of September 30, 2015 and December 31, 2014, respectively. The majority of these assets were debt securities.

⁴ The Group had the right to sell or repledge, in the absence of default by its counterparties, securities received as collateral with a fair value of nil as of September 30, 2015 and December 31, 2014.

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

Table 4.1

Reserves for insurance contracts	in USD millions, as of					
	Gross		Ceded		Net	
	09/30/15	12/31/14	09/30/15	12/31/14	09/30/15	12/31/14
Reserves for losses and loss adjustment expenses	63,787	64,472	(9,376)	(9,770)	54,412	54,703
Reserves for unearned premiums	17,618	16,779	(2,866)	(2,446)	14,752	14,333
Future life policyholder benefits ¹	73,653	77,652	(4,071)	(2,441)	69,583	75,211
Policyholder contract deposits and other funds	22,433	23,415	(1,970)	(1,994)	20,463	21,421
Reserves for unit-linked contracts	64,121	71,400	–	–	64,121	71,400
Total reserves for insurance contracts²	241,613	253,719	(18,283)	(16,650)	223,331	237,069

¹ The Group's life operations in the UK entered into a reinsurance agreement to transfer the risk associated with a significant annuities portfolio as of April 1, 2015. The initial impact of this transaction was an increase of USD 1.7 billion in Reinsurers' share of reserves for insurance contracts in the Global Life business.

² Total reserves for insurance contracts ceded are gross of allowances for uncollectible amounts of USD 122 million and USD 100 million as of September 30, 2015 and December 31, 2014, respectively.

Table 4.2

Development of reserves for losses and loss adjustment expenses	in USD millions					
	Gross		Ceded		Net	
	2015	2014	2015	2014	2015	2014
As of January 1	64,472	68,312	(9,770)	(10,993)	54,703	57,319
Losses and loss adjustment expenses incurred:						
Current year	18,096	19,350	(2,192)	(2,180)	15,903	17,169
Prior years	24	(792)	95	686	118	(105)
Total incurred	18,119	18,558	(2,098)	(1,494)	16,021	17,064
Losses and loss adjustment expenses paid:						
Current year	(5,555)	(6,598)	396	410	(5,159)	(6,189)
Prior years	(11,242)	(12,257)	1,886	2,016	(9,356)	(10,241)
Total paid	(16,797)	(18,856)	2,282	2,425	(14,515)	(16,430)
Acquisitions/(divestments) and transfers ¹	–	39	(44)	(10)	(44)	29
Foreign currency translation effects	(2,008)	(2,044)	254	233	(1,754)	(1,811)
As of September 30	63,787	66,010	(9,376)	(9,839)	54,412	56,170

¹ The 2015 net movement relates to USD (44) million relating to a reinsurance agreement which transferred the benefits and risks of some of the Group's general insurance portfolio to a third party. The 2014 net movement relates to USD 48 million reclassified from future life policyholders' benefits (see note 1 of the Consolidated financial statements 2014), USD 49 million due to the reclassification of a subsidiary of Centre Group Holdings Limited from held for sale (see note 5 of the Consolidated financial statements 2014) and USD (69) million due to the reclassification of the Group's General Insurance retail business in Russia to held for sale (see note 2).

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

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

The decrease of USD 291 million during the nine months ended September 30, 2015 in net reserves for losses and loss adjustment expenses is mostly driven by a decrease of USD 1,754 million for foreign currency translation effects. Unfavorable reserve development arising from reserves established in prior years amounted to USD 118 million including USD 77 million of changes in reinsurance recoverables for the nine months ended September 30, 2015. The remainder of the unfavorable development mainly relates to deterioration in U.S. auto liability and construction liability, as well as large losses in North America Commercial and Global Corporate.

Consolidated financial statements (unaudited) *continued*

The decrease of USD 1,149 million during the nine months ended September 30, 2014 in net reserves for losses and loss adjustment expenses is mostly driven by a decrease in foreign currency translation effects of USD 1,811 million. Favorable reserve development arising from reserves established in prior years amounted to USD 105 million for the nine months ended September 30, 2014, mainly coming from favorable releases in Switzerland partly offset by increases in Global Corporate and asbestos and health hazard reserves.

Table 4.3

Development of future life policyholder benefits	in USD millions	Gross		Ceded		Net	
		2015	2014	2015	2014	2015	2014
		As of January 1	77,652	84,476	(2,441)	(2,501)	75,211
Premiums ¹	8,704	8,764	(2,169)	(456)	6,535	8,308	
Claims	(6,586)	(7,494)	417	373	(6,168)	(7,120)	
Fee income and other expenses	(2,755)	(3,102)	98	132	(2,657)	(2,970)	
Interest and bonuses credited to policyholders	1,799	2,400	(82)	(91)	1,717	2,309	
Changes in assumptions ¹	230	97	(2)	(5)	228	91	
Acquisitions/(divestments) and transfers ²	(840)	(100)	–	–	(840)	(100)	
Increase/(decrease) recorded in other comprehensive income	(273)	675	–	–	(273)	675	
Foreign currency translation effects	(4,278)	(5,708)	106	75	(4,171)	(5,633)	
As of September 30	73,653	80,009	(4,071)	(2,473)	69,583	77,536	

¹ The Group's life operations in the UK entered into a reinsurance agreement to transfer the risk associated with a significant annuities portfolio as of April 1, 2015. The initial impact of this transaction was an increase of USD 1.7 billion in ceded premiums. In addition, in changes in assumptions, there was USD 221 million due to the recycling of balances previously recorded in other comprehensive income.

² The 2015 net movement relates to USD (447) million transferred to Banco Santander S.A., which was previously managed on a fiduciary and ring-fenced basis, and USD (393) million reclassified to policyholder contract deposits and other funds (see note 1). The 2014 net movement relates to USD (51) million reclassified to reserves for unit-linked contracts and USD (48) million reclassified to reserves for losses and loss adjustment expenses (see note 1 of the Consolidated financial statements 2014).

Table 4.4

Policyholder contract deposits and other funds gross	in USD millions, as of	09/30/15	12/31/14
		Universal life and other contracts	12,309
Policyholder dividends		10,124	10,789
Total		22,433	23,415

Table 4.5

Development of policyholder contract deposits and other funds	in USD millions	Gross		Ceded		Net	
		2015	2014	2015	2014	2015	2014
		As of January 1	23,415	20,162	(1,994)	(2,036)	21,421
Premiums	823	1,058	(40)	(40)	783	1,018	
Claims	(948)	(1,039)	124	130	(824)	(909)	
Fee income and other expenses	(368)	(235)	(4)	(5)	(371)	(240)	
Interest and bonuses credited to policyholders	1,247	1,256	(57)	(57)	1,190	1,199	
Acquisitions/(divestments) and transfers ¹	393	–	–	–	393	–	
Increase/(decrease) recorded in other comprehensive income	(987)	2,907	–	–	(987)	2,907	
Foreign currency translation effects	(1,141)	(1,237)	–	–	(1,141)	(1,237)	
As of September 30	22,433	22,871	(1,970)	(2,008)	20,463	20,864	

¹ The 2015 net movement relates to USD 393 million reclassified from future life policyholder benefits (see note 1).

5. Policyholder dividends and participation in profits

Table 5			
in USD millions, for the nine months ended September 30			
		2015	2014
Policyholder dividends and participation in profits	Change in policyholder contract deposits and other funds	1,194	1,262
	Change in reserves for unit-linked products	779	3,753
	Change in liabilities for investment contracts – unit-linked	(295)	3,245
	Change in liabilities for investment contracts – other	141	173
	Change in unit-linked liabilities related to UK capital gains tax	12	(72)
	Total policyholder dividends and participation in profits		1,831

Consolidated financial statements (unaudited) *continued*

6. Deferred policy acquisition costs and deferred origination costs

Table 6.1

Development of deferred policy acquisition costs	General Insurance		Global Life		Farmers		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
in USD millions								
As of January 1	3,984	3,794	13,584	14,606	182	323	17,750	18,724
Acquisition costs deferred	2,846	2,675	1,380	1,578	360	620	4,585	4,873
Amortization	(2,440)	(2,378)	(1,146)	(1,171)	(352)	(610)	(3,938)	(4,158)
Impairments	–	–	–	(1)	–	–	–	(1)
Amortization (charged)/ credited to other comprehensive income	–	–	253	(307)	–	–	253	(307)
Acquisitions/(divestments) and transfers ¹	–	(19)	–	–	–	–	–	(19)
Foreign currency translation effects	(191)	(114)	(820)	(660)	–	–	(1,011)	(774)
As of September 30	4,198	3,959	13,251	14,046	190	333	17,640	18,338

¹ The 2014 General Insurance movement includes USD (19) million mainly due to the reclassification of the Group's General Insurance retail business in Russia to held for sale (see note 2).

As of September 30, 2015, December 31, 2014 and September 30, 2014, deferred policy acquisition costs relating to non-controlling interests were USD 310 million, USD 422 million and USD 424 million, respectively.

Table 6.2

Development of deferred origination costs	2015		2014	
	2015	2014	2015	2014
in USD millions				
As of January 1	595	724		
Origination costs deferred	37	46		
Amortization	(69)	(85)		
Foreign currency translation effects	(29)	(30)		
As of September 30	534	655		

7. Attorney-in-fact contracts, goodwill and other intangible assets

Table 7.1

Intangible assets –
current period

in USD millions	Attorney-in-fact relationships	Goodwill	PVFP	Distribution agreements	Software	Other	Total
Gross carrying value as of January 1, 2015	1,025	1,778	2,701	4,480	4,588	186	14,760
Less: accumulated amortization/impairments	–	(117)	(2,145)	(903)	(3,046)	(133)	(6,344)
Net carrying value as of January 1, 2015	1,025	1,661	556	3,577	1,543	53	8,415
Additions and transfers	–	8	–	4	297	1	310
Amortization	–	–	(50)	(160)	(255)	(7)	(471)
Amortization charged to other comprehensive income	–	–	19	–	–	–	19
Impairments	–	(49)	–	–	(61)	–	(111)
Foreign currency translation effects	–	(96)	(40)	(563)	(53)	(3)	(755)
Net carrying value as of September 30, 2015	1,025	1,525	485	2,858	1,471	44	7,407
Plus: accumulated amortization/impairments	–	154	2,064	940	3,162	131	6,451
Gross carrying value as of September 30, 2015	1,025	1,678	2,549	3,798	4,633	175	13,858

As of September 30, 2015, intangible assets relating to non-controlling interests were USD 95 million for the present value of future profits (PVFP) of acquired insurance contracts, USD 1,270 million for distribution agreements and USD 11 million for software.

Additions to goodwill of USD 8 million relates to the acquisition of Tennyson Insurance Limited which is a general insurance company based in the UK.

Following a review of a subsidiary in Global Life, the Group reassessed the recoverability of the goodwill and concluded that USD 49 million was fully impaired.

Following restructuring decisions, mainly in Global Life, certain IT assets will no longer be required, which resulted in an impairment of USD 49 million. In addition, software was identified, which was not utilized as originally expected, resulting in USD 13 million of impairments.

Table 7.2

Intangible assets
by segment –
current period

in USD millions, as of September 30, 2015	Attorney-in-fact relationship	Goodwill	PVFP	Distribution agreements	Software	Other	Total
General Insurance	–	467	–	739	623	41	1,870
Global Life	–	238	485	2,119	373	2	3,217
Farmers	1,025	819	–	–	336	–	2,181
Other Operating Businesses	–	–	–	–	138	–	138
Net carrying value as of September 30, 2015	1,025	1,525	485	2,858	1,471	44	7,407

Consolidated financial statements (unaudited) *continued*

Table 7.3

Intangible assets –
prior period

in USD millions	Attorney- in-fact relationships	Goodwill	PVFP	Distribution agreements	Software	Other	Total
Gross carrying value as of January 1, 2014	1,025	2,190	2,918	4,364	4,720	226	15,443
Less: accumulated amortization/ impairments	–	(338)	(2,189)	(811)	(3,080)	(145)	(6,563)
Net carrying value as of January 1, 2014	1,025	1,852	729	3,553	1,640	81	8,880
Additions and transfers	–	–	–	581	285	(13)	852
Amortization	–	–	(48)	(142)	(294)	(8)	(492)
Amortization charged to other comprehensive income	–	–	(31)	–	–	–	(31)
Impairments	–	(82)	–	–	(62)	–	(145)
Foreign currency translation effects	–	(57)	(35)	(290)	(74)	(3)	(460)
Net carrying value as of September 30, 2014	1,025	1,712	614	3,701	1,494	57	8,605
Plus: accumulated amortization/ impairments	–	363	2,184	882	3,103	88	6,621
Gross carrying value as of September 30, 2014	1,025	2,075	2,798	4,583	4,598	145	15,225

As of September 30, 2014, intangible assets relating to non-controlling interests were USD 132 million for the present value of future profits (PVFP) of acquired insurance contracts, USD 1,568 million for distribution agreements and USD 15 million for software.

The Group extended the long-term distribution agreements with Banco de Sabadell S.A. (Banco Sabadell) in Spain to sell life and pension products across Banco Sabadell's extended network, resulting in an addition to distribution agreements of USD 182 million, of which 50 percent was funded by Banco Sabadell. There was a further addition to distribution agreements of USD 399 million, which mainly related to new distribution agreements entered into by General Insurance operations in Brazil, which includes USD 372 million relating to a distribution agreement with Via Varejo S.A. for the exclusive sale of extended warranty insurance.

Following a review of subsidiaries in Global Life, the Group reassessed the recoverability of goodwill resulting in USD 82 million of impairments.

Following a review, software was identified, primarily in Global Life and General Insurance, which was not utilized as originally expected, resulting in USD 62 million of impairments.

Table 7.4

Intangible assets
by segment –
prior period

in USD millions, as of December 31, 2014	Attorney- in-fact relationships	Goodwill	PVFP	Distribution agreements	Software	Other	Total
General Insurance	–	533	–	989	613	47	2,182
Global Life	–	309	556	2,588	406	6	3,865
Farmers	1,025	819	–	–	328	–	2,173
Other Operating Businesses	–	–	–	–	195	–	195
Net carrying value as of December 31, 2014	1,025	1,661	556	3,577	1,543	53	8,415

8. Restructuring provisions

Restructuring provisions	in USD millions		
		2015	2014
	As of January 1	125	188
	Provisions made during the period	77	82
	Increase of provisions set up in prior years	6	21
	Provisions used during the period	(65)	(111)
	Provisions reversed during the period	(4)	(8)
	Foreign currency translation effects	(6)	(7)
	As of September 30	133	166

During the nine months ended September 30, 2015, restructuring programs with estimated costs of USD 77 million for the current period impacted mainly General Insurance in Europe and Global Life in Asia Pacific and Europe. USD 2 million related to net increases of provisions for restructuring which were initiated in prior years. In addition, the Group recorded USD 49 million of software impairments (see note 7), resulting from restructuring decisions. As part of the Investor Day announcement in May 2015, restructuring initiatives are being undertaken, and will continue to be, as part of said announcement.

During the nine months ended September 30, 2014, restructuring programs with estimated costs of USD 82 million announced in that period impacted mainly Other Operating Businesses, Global Life in the UK as well as General Insurance in the UK. This included USD 63 million relating to the Group's strategic initiative for organizational alignment to reduce complexity and cost while enhancing agility. USD 13 million related to net increases of provisions for restructuring which were initiated in prior years.

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9. Income taxes

Table 9.1

in USD millions, for the nine months ended September 30		2015	2014
Income tax expense – current/deferred split	Current	1,179	1,262
	Deferred	(200)	94
	Total income tax expense/(benefit)	979	1,356

Table 9.2

in USD millions, for the nine months ended September 30		Rate	2015	Rate	2014
Expected and actual income tax expense	Net income before income taxes		3,425		4,617
	less: income tax (expense)/benefit attributable to policyholders		18		(19)
	Net income before income taxes attributable to shareholders		3,443		4,598
	Expected income tax expense attributable to shareholders computed at the Swiss statutory tax rate	22.0%	757	22.0%	1,012
	Increase/(reduction) in taxes resulting from:				
	<i>Tax rate differential in foreign jurisdictions</i>		211		206
	<i>Tax exempt and lower taxed income</i>		(59)		(83)
	<i>Non-deductible expenses</i>		33		66
	<i>Tax losses previously unrecognized or no longer recognized</i>		(16)		(15)
	<i>Prior year adjustments and other</i>		70		151
	Actual income tax expense attributable to shareholders	28.9%	996	29.1%	1,337
	plus: income tax expense/(benefit) attributable to policyholders		(18)		19
	Actual income tax expense	28.6%	979	29.4%	1,356

Table 9.2 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.

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.

10. Senior and subordinated debt

Table 10

Senior and subordinated debt

in USD millions, as of		09/30/15	12/31/14
Senior debt			
Zurich Insurance Company Ltd	Floating rate CHF 200 million notes, due June 2016 ⁴	205	201
	2.25% CHF 500 million notes, due July 2017 ⁴	511	501
	2.375% CHF 525 million notes, due November 2018 ⁴	535	525
	1.50% CHF 400 million notes, due June 2019 ^{3,4}	427	414
	1.125% CHF 400 million notes, due September 2019 ^{3,4}	433	419
	0.625% CHF 250 million notes, due July 2020 ^{3,4}	266	256
	2.875% CHF 250 million notes, due July 2021 ⁴	253	249
	3.375% EUR 500 million notes, due June 2022 ^{3,4,5}	600	656
	1.875% CHF 100 million notes, due September 2023 ^{3,4}	115	110
	1.750% EUR 500 million notes, due September 2024 ^{3,4,5}	560	609
	1.500% CHF 150 million notes, due July 2026 ^{3,4}	169	161
Zurich Finance (USA), Inc.	Euro Commercial Paper Notes, due in less than 3 months	365	400
	6.50% EUR 600 million notes, due October 2015 ^{1,4}	670	726
Zurich Santander Insurance America S.L.	7.5% EUR 77 million loan, due December 2035	86	113
Other	Various debt instruments	29	40
Senior debt		5,222	5,379
Subordinated debt			
Zurich Insurance Company Ltd	4.25% CHF 700 million perpetual notes, first callable May 2016 ⁴	715	702
	8.25% USD 500 million perpetual capital notes, first callable January 2018 ^{4,5}	498	497
	4.625% CHF 500 million perpetual notes, first callable May 2018 ⁴	509	499
	7.5% EUR 425 million notes, due July 2039, first callable July 2019 ^{4,5}	472	512
	2.75% CHF 200 million perpetual capital notes, first callable September 2021 ^{3,4}	215	206
	4.25% EUR 1 billion notes, due October 2043, first callable October 2023 ^{4,5}	1,104	1,196
	4.25% USD 300 million notes, due October 2045, first callable October 2025 ^{4,5}	298	–
Zurich Finance (UK) plc	6.625% GBP 450 million perpetual notes, first callable October 2022 ⁴	674	694
Zurich Finance (USA), Inc.	4.5% EUR 269 million notes, due June 2025, first callable June 2015 ^{4,6}	–	330
ZFS Finance (USA) Trust II	Series II 6.45% USD 700 million Trust Preferred Securities (ECAPS), due December 2065, first callable June 2016	680	680
ZFS Finance (USA) Trust V	Series V 6.5% USD 1 billion Trust Preferred Securities, due May 2067, first callable May 2017 ²	501	501
Other	Various debt instruments	42	41
Subordinated debt		5,707	5,857
Total senior and subordinated debt		10,930	11,236

¹ The Group applied the cash flow hedge methodology to hedge the interest rate and foreign currency exposure.

² 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.

³ The Group applied the fair value hedge methodology either partially or in full to hedge the interest rate exposure.

⁴ Issued under the Group's Euro Medium Term Note Programme (EMTN Programme).

⁵ These bonds are part of a qualifying net investment hedge to hedge the foreign currency exposure.

⁶ The Group applied the fair value hedge methodology to hedge the interest rate and foreign currency exposure.

None of the debt instruments listed in table 10 were in default as of September 30, 2015 or December 31, 2014.

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11. Commitments and contingencies, legal proceedings and regulatory investigations

The Group has provided contractual commitments and financial guarantees to external parties, associates and joint ventures as well as partnerships. These arrangements include commitments under certain conditions to make liquidity advances to cover default principal and interest payments, make capital contributions or provide equity financing.

Table 11

	in USD millions, as of	09/30/15	12/31/14
Quantifiable commitments and contingencies	Remaining commitments under investment agreements	1,492	871
	Guarantees and letters of credit ^{1,2}	912	9,661
	Future operating lease commitments	1,507	1,222
	Undrawn loan commitments	7	3
	Other commitments and contingent liabilities	575	538

¹ Guarantee features embedded in life insurance products are not included.

² Decrease related to the expiration of guarantees in the aggregated amount of GBP 5.6 billion provided to the directors of a wholly owned subsidiary in connection with the rationalization of the Group's top holding structure which resulted in the merger of Zurich Group Holding into Zurich Financial Services Ltd in December 2009.

Legal, compliance and regulatory developments

In recent years there has been an increase in the number of legislative initiatives that require information gathering and tax reporting regarding the Group's customers and their contracts, including the U.S. Foreign Account Tax Compliance Act (FATCA) and the expected introduction of other automatic tax information exchange regimes based on the Common Reporting Standard (CRS). The Group's compliance activities in this area, as well as actions by local tax and law enforcement officials (including inquiries and investigations into cross-border business activities), could result in higher compliance costs, remedial actions and other related expenses for its life insurance, saving and pension business. As with the industry more generally, it is also possible that implementation of automatic tax information exchange and other developments relating to cross-border life, saving and pension business could give rise to inquiries by legal, tax and/or regulatory authorities in the future.

Legal proceedings and regulatory investigations

The Group's business is subject to extensive supervision, and the Group is in regular contact with various regulatory authorities. The Group is continuously involved in legal proceedings, claims and regulatory investigations arising, for the most part, in the ordinary course of its business operations. Specifically, 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 competition, 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 (Phase 1). The Phase 1 trial commenced on November 1, 2010. Closing arguments were heard on February 22 and 23, 2012.

The court issued its Statement of Decision for Phase 1 on December 27, 2013. While the court found that the plaintiffs had established that Home transferred certain assets to one of the defendants in connection with the 1995 recapitalization transaction, it held that the 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 the plaintiffs' fraudulent transfer claims. In addition, the court accepted the defendants' arguments that the findings made by the regulators in approving the recapitalization transaction are binding on the plaintiffs in the Fuller-Austin Case.

Following a hearing to consider the effect of the initial decision on the plaintiffs' remaining claims, on July 21, 2014, the court issued a Tentative Statement of Decision for Phase 1A. The court ruled that all of the plaintiffs' fraudulent transfer causes of action were barred, and asked the plaintiffs to confirm on the record their concession that their unfair competition claims were also barred (the final Statement of Decision for Phase 1A was filed on February 27, 2015). The court allowed the plaintiffs' remaining claims to proceed, but held that the plaintiffs are bound by the insurance regulators' determinations that the 1995 recapitalization was fair and in the best interests of Home's policyholders, including the plaintiffs. In early 2015, certain plaintiffs committed to voluntarily dismiss their claims with prejudice in exchange for an agreement that the defendants will not pursue them for litigation costs. Requests for dismissal with prejudice of their claims were filed with the Court by all but two plaintiffs. The Group maintains that the Fuller-Austin Case is without merit and intends to continue to defend itself vigorously against the claims of any plaintiff that remains in the case.

While the Group believes that it is not a party to, nor are any of its subsidiaries the subject of, any unresolved current legal proceedings, claims, litigation and investigations that will have a material adverse effect on the Group's consolidated financial condition, proceedings are inherently unpredictable, and it is possible that the outcome of any proceeding could have a material impact on results of operations in the particular reporting period in which it is resolved.

Consolidated financial statements (unaudited) *continued*

12. Fair value measurement

This note excludes financial assets and financial liabilities relating to unit-linked contracts. Table 12.1 compares the fair value of financial assets and financial liabilities with their carrying value. Certain financial instruments are not included within this table as their carrying value is a reasonable approximation of their fair value. Such instruments include cash and cash equivalents, obligations to repurchase securities, deposits made under assumed reinsurance contracts and deposits received under ceded reinsurance contracts and other financial assets and liabilities.

Table 12.1

Fair value and carrying value of financial assets and financial liabilities

in USD millions, as of	Total fair value		Total carrying value	
	09/30/15	12/31/14	09/30/15	12/31/14
Available-for-sale securities				
Equity securities	14,726	12,480	14,726	12,480
Debt securities	131,944	142,557	131,944	142,557
Total available-for-sale securities	146,670	155,037	146,670	155,037
Fair value through profit or loss securities				
Equity securities	3,637	3,619	3,637	3,619
Debt securities	6,500	7,121	6,500	7,121
Total fair value through profit or loss securities	10,137	10,740	10,137	10,740
Derivative assets	1,287	1,230	1,287	1,230
Held-to-maturity debt securities	4,227	4,747	3,478	3,971
Investments in associates and joint ventures	19	70	19	70
Mortgage loans	8,117	8,452	7,513	7,826
Other loans	11,109	12,943	9,272	10,834
Total financial assets	181,566	193,219	178,377	189,706
Derivative liabilities	(489)	(429)	(489)	(429)
Financial liabilities held at amortized cost				
Liabilities related to investment contracts	(919)	(977)	(763)	(843)
Liabilities related to investment contracts with DPF	(6,273)	(6,195)	(7,446)	(7,006)
Senior debt	(5,343)	(5,626)	(5,222)	(5,379)
Subordinated debt	(6,072)	(6,483)	(5,707)	(5,857)
Total financial liabilities held at amortized cost	(18,607)	(19,282)	(19,139)	(19,084)
Total financial liabilities	(19,096)	(19,710)	(19,627)	(19,513)

Recurring fair value measurements of assets and liabilities

Table 12.2a

Fair value hierarchy – non unit-linked – current period

in USD millions, as of September 30, 2015	Level 1	Level 2	Level 3	Total
Available-for-sale securities				
Equity securities	11,718	2,033	975	14,726
Debt securities	439	125,840	5,665	131,944
Total available-for-sale securities	12,157	127,873	6,640	146,670
Fair value through profit or loss securities				
Equity securities	1,101	95	2,442	3,637
Debt securities	–	6,335	165	6,500
Total fair value through profit or loss securities	1,101	6,429	2,606	10,137
Derivative assets	17	715	556	1,287
Total	13,275	135,017	9,802	158,094
Derivative liabilities	(1)	(387)	(101)	(489)
Total	(1)	(387)	(101)	(489)

For the nine months ended September 30, 2015, no material transfers between level 1 and level 2 occurred.

in USD millions, as of December 31, 2014		Level 1	Level 2	Level 3	Total
Fair value hierarchy – non unit-linked – prior period	Available-for-sale securities				
	Equity securities	11,291	259	929	12,480
	Debt securities	362	139,431	2,764	142,557
	Total available-for-sale securities	11,653	139,691	3,693	155,037
	Fair value through profit or loss securities				
	Equity securities	978	223	2,417	3,619
	Debt securities	1	6,934	185	7,121
	Total fair value through profit or loss securities	979	7,157	2,603	10,740
	Derivative assets	2	853	375	1,230
	Total	12,634	147,701	6,671	167,006
	Derivative liabilities	(18)	(350)	(61)	(429)
	Total	(18)	(350)	(61)	(429)

For the year ended December 31, 2014, no material transfers between level 1 and 2 occurred.

in USD millions		Available-for-sale securities		Fair value through profit or loss securities		Derivative assets	Derivative liabilities
		Equity securities	Debt securities	Equity securities	Debt securities		
Development of assets and liabilities classified within level 3 – non unit-linked – current period	As of January 1, 2015	929	2,764	2,417	185	375	(61)
	Realized gains/(losses) recognized in income ¹	107	5	55	–	(2)	–
	Unrealized gains/(losses) recognized in income ^{1,2}	–	(28)	(9)	(4)	–	11
	Unrealized gains/(losses) recognized in other comprehensive income	(34)	(33)	–	–	61	(53)
	Purchases	147	1,675	279	7	6	–
	Settlements/sales/redemptions	(218)	(452)	(303)	(20)	(5)	1
	Transfers into level 3	58	1,799	–	–	124	–
	Transfers out of level 3	–	(28)	–	–	(4)	–
	Foreign currency translation effects	(14)	(37)	2	(4)	(1)	1
	As of September 30, 2015	975	5,665	2,442	165	556	(101)

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.

For the nine months ended September 30, 2015, the Group transferred USD 1,799 million of available-for-sale debt securities out of level 2 into level 3 as a result of a review of the classification of certain collateralized loan obligations and privately placed securities. The fair value of these securities is obtained from third party pricing providers, who use significant unobservable inputs and expert judgment in their valuation models. The Group also transferred derivatives with a market value of USD 124 million out of level 2 into level 3. The transfers resulted from certain significant input parameters used to derive the fair value (such as volatility) becoming unobservable.

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Table 12.3b

Development of assets and liabilities classified within level 3 – non unit-linked – prior period

in USD millions	Available-for-sale securities		Fair value through profit or loss securities		Derivative assets	Derivative liabilities
	Equity securities	Debt securities	Equity securities	Debt securities		
As of January 1, 2014	1,000	2,775	2,175	219	95	(70)
Realized gains/(losses) recognized in income ¹	23	13	4	2	–	(33)
Unrealized gains/(losses) recognized in income ^{1,2}	(5)	(25)	190	9	(5)	24
Unrealized gains/(losses) recognized in other comprehensive income	87	25	–	–	–	–
Purchases	117	597	280	4	–	(1)
Settlements/sales/redemptions	(193)	(563)	(304)	(39)	–	34
Transfers into level 3	3	10	–	5	–	–
Transfers out of level 3	–	(90)	–	–	–	–
Foreign currency translation effects	(28)	(30)	(21)	(3)	(2)	1
As of September 30, 2014	1,004	2,711	2,323	196	88	(46)

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.

For the nine months ended September 30, 2014, the Group transferred USD 90 million of available-for-sale debt securities out of level 3 into level 2. The transfers were mainly the result of lower price volatility and credit rating upgrades of certain asset-backed securities, resulting in an increase of market activity in the instruments.

Non-recurring fair value measurements of assets and 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.

The Group has valued USD 296 million and USD 477 million of mortgage loans at fair value on a non-recurring basis as of September 30, 2015 and December 31, 2014, respectively. These are classified within level 3 as the fair value measurement 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 (ABS) amounting to USD 5,830 million and USD 2,907 million as of September 30, 2015 and 2014, respectively.

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 3,416 million and USD 3,328 million for Group investments as of September 30, 2015 and 2014, respectively. 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 tables 12.4a and 12.4b. While these tables illustrate the overall effect of changing the values of 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 tables 12.5a and 12.5b. 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 12.4a					
Sensitivity analysis of level 3 investments to changes in key assumptions – current period	as of September 30, 2015	Less favorable values (relative change)	Decrease in reported fair value (in USD millions)	More favorable values (relative change)	Increase in reported fair value (in USD millions)
	Key assumptions				
	Equity levels	-20%	(683)	+20%	683
	Discount rates	+20%	(134)	-20%	145
	Spread rates	+20%	(144)	-20%	154
	Prepayment rates	-20%	(2)	+20%	1

Table 12.4b					
Sensitivity analysis of level 3 investments to changes in key assumptions – prior period	as of September 30, 2014	Less favorable values (relative change)	Decrease in reported fair value (in USD millions)	More favorable values (relative change)	Increase in reported fair value (in USD millions)
	Key assumptions				
	Equity levels	-20%	(665)	+20%	665
	Discount rates	+20%	(68)	-20%	70
	Spread rates	+20%	(58)	-20%	58
	Prepayment rates	-20%	(1)	+20%	1

Table 12.5a						
Inter-relationship analysis of level 3 investments to changes in key assumptions – current period	as of September 30, 2015	Key assumptions				Increase/decrease in reported fair value (in USD millions)
		Equity Levels	Discount Rates	Spread rates	Prepayment rates	
Scenarios						
	Equity levels +10%	+10.0%	-1.2%	-1.2%	-1.2%	316
	Equity levels -10%	-10.0%	+1.2%	+1.2%	+1.2%	(342)
	Discount rates +10%	+0.5%	+10.0%	+7.5%	-2.0%	(106)
	Discount rates -10%	-0.5%	-10.0%	-7.5%	+2.0%	111
	Spread rates +10%	+0.5%	+7.5%	+10.0%	+0.2%	(107)

Table 12.5b						
Inter-relationship analysis of level 3 investments to changes in key assumptions – prior period	as of September 30, 2014	Key assumptions				Increase/decrease in reported fair value (in USD millions)
		Equity Levels	Discount Rates	Spread rates	Prepayment rates	
Scenarios						
	Equity levels +10%	+10.0%	+2.1%	+2.1%	+2.1%	282
	Equity levels -10%	-10.0%	-1.9%	-1.9%	-1.9%	(283)
	Discount rates +10%	+0.5%	+10.0%	+15.0%	-2.0%	(73)
	Discount rates -10%	-0.4%	-10.0%	-7.5%	+2.0%	62
	Spread rates +10%	0.0%	+7.0%	+10.0%	+0.2%	(51)

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13. Segment information

From January 1, 2015, the management of the UK asbestos business, which is in run-off, has been transferred from General Insurance to Non-Core Businesses. This change had no impact on the Group. Comparative figures have been restated to reflect this change.

Table 13.1

Business operating profit by segment

in USD millions, for the nine months ended September 30	General Insurance		Global Life	
	2015	2014	2015	2014
Revenues				
Direct written premiums ¹	25,248	26,867	8,541	8,606
Assumed written premiums	1,386	1,505	165	182
Gross Written Premiums	26,634	28,373	8,706	8,788
Policy fees	–	–	1,786	1,742
Gross written premiums and policy fees	26,634	28,373	10,492	10,530
Less premiums ceded to reinsurers ²	(4,294)	(4,273)	(2,199)	(515)
Net written premiums and policy fees	22,340	24,099	8,293	10,015
Net change in reserves for unearned premiums	(1,345)	(1,472)	(22)	56
Net earned premiums and policy fees	20,995	22,627	8,271	10,071
Farmers management fees and other related revenues	–	–	–	–
Net investment result on Group investments	1,501	1,721	3,456	3,765
Net investment income on Group investments	1,503	1,653	2,519	2,929
Net capital gains/(losses) and impairments on Group investments	(3)	68	937	836
Net investment result on unit-linked investments	–	–	433	6,741
Other income	615	559	806	916
Total BOP revenues	23,111	24,907	12,967	21,493
<i>of which: inter-segment revenues</i>	<i>(401)</i>	<i>(246)</i>	<i>(238)</i>	<i>(302)</i>
Benefits, losses and expenses				
Insurance benefits and losses, net ^{1,2}	14,809	14,883	5,716	7,655
Losses and loss adjustment expenses, net	14,807	14,882	–	–
Life insurance death and other benefits, net ¹	1	1	5,716	7,655
Policyholder dividends and participation in profits, net	4	5	1,756	8,059
Income tax expense/(benefit) attributable to policyholders	–	–	(18)	19
Underwriting and policy acquisition costs, net	4,377	4,482	1,992	2,023
Administrative and other operating expense (excl. depreciation/amortization)	2,473	2,758	1,772	2,068
Interest credited to policyholders and other interest	84	24	333	300
Restructuring provisions and other items not included in BOP	(22)	(106)	(67)	(169)
Total BOP benefits, losses and expenses (before interest, depreciation and amortization)	21,724	22,047	11,485	19,955
Business operating profit (before interest, depreciation and amortization)	1,387	2,861	1,482	1,538
Depreciation and impairments of property and equipment	68	63	21	24
Amortization and impairments of intangible assets	173	151	271	347
Interest expense on debt	78	104	11	25
Business operating profit before non-controlling interests	1,068	2,542	1,178	1,142
Non-controlling interests	85	75	177	177
Business operating profit	983	2,467	1,001	965

¹ Global Life included approximately USD 1,713 million and USD 963 million of gross written premiums and future life policyholder benefits for certain universal life-type contracts in the Group's Spanish operations for the nine months ended September 30, 2015 and 2014, respectively (see note 3 of the Consolidated financial statements 2014).

² The Group's life operations in the UK entered into a reinsurance agreement to transfer the risk associated with a significant annuities portfolio as of April 1, 2015. The initial impact of this transaction was an increase of USD 1.7 billion in premiums ceded to reinsurers and an increase of USD 1.7 billion in ceded insurance benefits and losses in the Global Life business. The gain resulting from this transaction of approximately USD 85 million will be recognized on a linear basis over the lifetime of the reinsurance contract, which is expected to end on June 30, 2016.

Farmers		Other Operating Businesses		Non-Core Businesses		Eliminations		Total	
2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
-	-	-	-	54	69	-	-	33,843	35,543
1,721	2,996	34	34	68	70	(77)	(89)	3,297	4,698
1,721	2,996	34	34	122	140	(77)	(89)	37,140	40,241
-	-	-	-	210	234	-	-	1,996	1,976
1,721	2,996	34	34	332	374	(77)	(89)	39,136	42,217
-	-	(31)	(39)	(11)	(13)	77	89	(6,458)	(4,750)
1,721	2,996	3	(5)	321	361	-	-	32,678	37,466
(30)	(37)	2	2	-	-	-	-	(1,396)	(1,451)
1,691	2,958	5	(3)	321	362	-	-	31,282	36,015
2,081	2,089	-	-	-	-	-	-	2,081	2,089
38	55	225	272	278	565	(328)	(467)	5,170	5,910
38	55	225	272	256	328	(328)	(467)	4,214	4,770
-	-	-	-	22	237	-	-	956	1,140
-	-	-	-	(6)	194	-	-	427	6,935
44	78	842	626	47	24	(1,300)	(925)	1,054	1,278
3,853	5,180	1,073	894	639	1,144	(1,628)	(1,391)	40,014	52,227
(12)	(27)	(947)	(777)	(30)	(41)	1,628	1,391		
1,168	2,014	2	(9)	416	725	-	-	22,111	25,268
1,168	2,014	2	(1)	44	169	-	-	16,021	17,064
-	-	-	(8)	372	556	-	-	6,089	8,204
-	-	-	-	71	298	-	-	1,831	8,361
-	-	-	-	-	-	-	-	(18)	19
525	927	-	-	6	12	(7)	(7)	6,894	7,439
1,005	983	892	785	88	85	(1,043)	(886)	5,187	5,792
-	-	102	3	68	101	(238)	(29)	349	398
(2)	4	(33)	(23)	(6)	-	-	-	(129)	(294)
2,696	3,928	963	757	643	1,220	(1,287)	(922)	36,224	46,984
1,157	1,252	110	137	(4)	(76)	(341)	(469)	3,790	5,243
29	35	6	5	-	-	-	-	124	127
58	64	79	74	-	-	-	-	582	636
-	-	579	742	7	8	(341)	(469)	334	411
1,070	1,153	(554)	(685)	(12)	(85)	-	-	2,751	4,068
-	-	(5)	(11)	-	1	-	-	257	241
1,070	1,153	(549)	(674)	(12)	(85)	-	-	2,494	3,826

Consolidated financial statements (unaudited) *continued*

Table 13.2

Reconciliation of
BOP to net income
after income taxes

in USD millions, for the nine months ended September 30

	General Insurance		Global Life	
	2015	2014	2015	2014
Business operating profit	983	2,467	1,001	965
Revenues/(expenses) not included in BOP:				
Net capital gains/(losses) on investments and impairments, net of policyholder allocation	398	440	238	387
Net gain/(loss) on divestments of businesses	–	–	–	–
Restructuring provisions	(38)	(15)	(28)	(44)
Net income/(expense) on intercompany loans ¹	(14)	(9)	(13)	(2)
Impairments of goodwill	–	–	(49)	(82)
Change in estimates of earn-out liabilities	31	(27)	(1)	(30)
Other adjustments ²	(2)	(55)	25	(11)
Add back:				
Business operating profit attributable to non-controlling interests	85	75	177	177
Net income before shareholders' taxes	1,444	2,876	1,350	1,360
Income tax expense/(benefit) attributable to policyholders	–	–	(18)	19
Net income before income taxes	1,444	2,876	1,332	1,379
Income tax (expense)/benefit				
attributable to policyholders				
attributable to shareholders				
Net income after taxes				
attributable to non-controlling interests				
attributable to shareholders				

¹ The impact on Group level relates to foreign currency translation differences.

² For the nine months ended September 30, 2015, total Group includes accounting and other restructuring charges of USD 102 million (of which USD 49 million relates to software impairments, see note 7, and USD 54 million of other restructuring related costs) relating to initiatives announced at the 2015 Investor Day. In addition it includes other adjustments in the amount of USD (72) million, mainly related to foreign currency gains of USD (113) million. For the nine months ended September 30, 2014, General Insurance includes real estate transfer tax expenses of USD 41 million relating to the acquisition of non-controlling interests of Deutscher Herold AG (see note 2).

	Farmers		Other Operating Businesses		Non-Core Businesses		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	1,070	1,153	(549)	(674)	(12)	(85)	2,494	3,826
	16	12	154	(4)	6	1	811	837
	-	-	10	-	-	(13)	10	(13)
	(1)	2	(6)	(39)	(6)	-	(79)	(95)
	-	-	26	10	-	-	(1)	-
	-	-	-	-	-	-	(49)	(82)
	-	-	-	-	-	-	30	(58)
	(1)	2	(53)	5	-	-	(30)	(59)
	-	-	(5)	(11)	-	1	257	241
	1,084	1,170	(423)	(712)	(12)	(96)	3,443	4,598
	-	-	-	-	-	-	(18)	19
	1,084	1,170	(423)	(712)	(12)	(96)	3,425	4,617
							(979)	(1,356)
							18	(19)
							(996)	(1,337)
							2,447	3,261
							181	172
							2,266	3,089

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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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