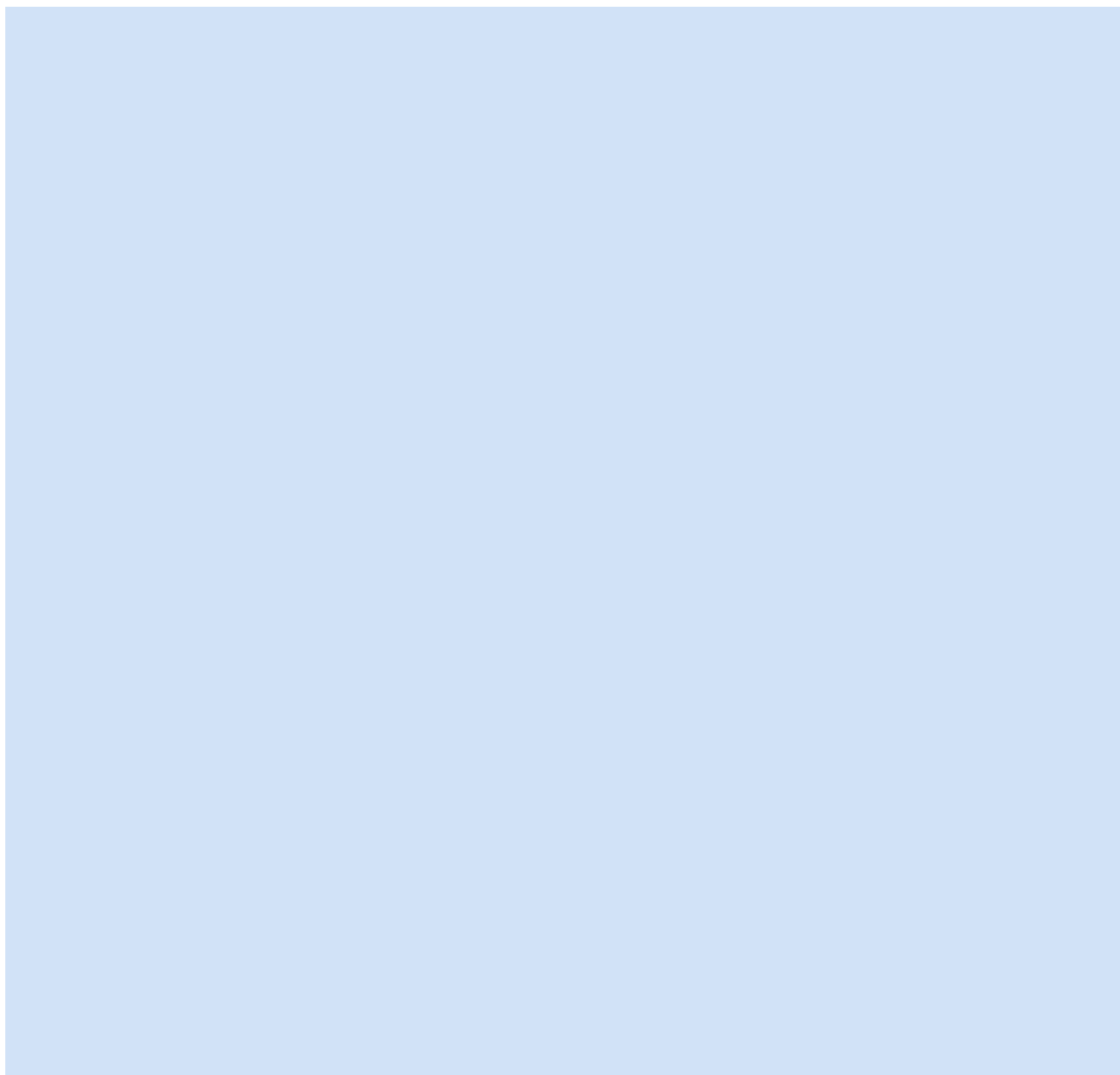


Consolidated financial statements (unaudited)

Results for the nine months ended September 30, 2016



Consolidated financial statements (unaudited)

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Consolidated income statements

in USD millions

	Notes	2016 for the three months ended September 30	2015 for the three months ended September 30	2016 for the nine months ended September 30	2015 for the nine months ended September 30
Revenues					
Gross written premiums		11,054	11,541	36,858	37,140
Policy fees		558	723	1,832	1,996
Gross written premiums and policy fees		11,612	12,264	38,690	39,136
Less premiums ceded to reinsurers		(1,556)	(1,442)	(5,967)	(6,458)
Net written premiums and policy fees		10,056	10,822	32,724	32,678
Net change in reserves for unearned premiums		797	448	(639)	(1,396)
Net earned premiums and policy fees		10,853	11,270	32,085	31,282
Farmers management fees and other related revenues		723	701	2,144	2,081
Net investment result on Group investments	3	1,861	1,959	5,514	5,981
Net investment income on Group investments		1,388	1,405	4,206	4,214
Net capital gains/(losses) and impairments on Group investments		473	553	1,308	1,767
Net investment result on unit-linked investments		6,480	(4,803)	10,713	427
Net gain/(loss) on divestments of businesses ¹		2	10	7	10
Other income		276	327	855	1,054
Total revenues		20,194	9,463	51,318	40,835
Benefits, losses and expenses					
Insurance benefits and losses, gross of reinsurance		9,396	9,589	27,322	26,346
Less ceded insurance benefits and losses		(1,547)	(852)	(3,818)	(4,235)
Insurance benefits and losses, net of reinsurance		7,850	8,737	23,503	22,111
Policyholder dividends and participation in profits, net of reinsurance	5	6,665	(4,368)	11,163	1,831
Underwriting and policy acquisition costs, net of reinsurance		2,104	2,461	6,405	6,894
Administrative and other operating expense		1,833	1,957	5,457	5,892
Interest expense on debt		107	110	314	334
Interest credited to policyholders and other interest		121	113	363	349
Total benefits, losses and expenses		18,680	9,010	47,206	37,410
Net income before income taxes		1,515	453	4,112	3,425
Income tax (expense)/benefit	9	(534)	(178)	(1,369)	(979)
attributable to policyholders	9	(170)	113	(253)	18
attributable to shareholders	9	(364)	(291)	(1,116)	(996)
Net income after taxes		980	274	2,743	2,447
attributable to non-controlling interests		68	68	217	181
attributable to shareholders		912	207	2,526	2,266
in USD					
Basic earnings per share		6.11	1.39	16.92	15.22
Diluted earnings per share		6.07	1.38	16.81	15.15
in CHF					
Basic earnings per share		5.96	1.34	16.58	14.49
Diluted earnings per share		5.92	1.33	16.47	14.43

¹ Net gain/(loss) on divestments of businesses in 2016 includes USD 42 million remeasurement losses related to assets held for sale (see note 2).

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

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
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, foreign currency translation effects and allocation to policyholders)		(1,493)	47
Deferred income tax (before foreign currency translation effects)		285	(17)
Foreign currency translation effects		(84)	3
2016			
Comprehensive income for the period	2,526	2,138	261
Details of movements during the period			
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		3,274	306
Reclassification to income statement (before tax, foreign currency translation effects and allocation to policyholders)		(523)	(13)
Deferred income tax (before foreign currency translation effects)		(615)	(43)
Foreign currency translation effects		3	12

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
(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			
232	2,631	7	(1,327)	(1,319)	1,312	3,838	306	4,143
256	3,836	9	(1,858)	(1,848)	1,987			
(24)	(561)	–	–	–	(561)			
–	(659)	(2)	330	328	(331)			
–	15	–	201	201	216			

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
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)
2016			
Comprehensive income for the period	912	247	4
Details of movements during the period			
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		586	4
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		(275)	(7)
Deferred income tax (before foreign currency translation effects)		(71)	4
Foreign currency translation effects		6	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
(714)	(1,096)	–	588	588	(508)	(301)	(98)	(399)
(714)	(822)	–	597	597	(225)			
–	(217)	–	–	–	(217)			
–	23	–	(115)	(115)	(91)			
–	(80)	–	106	106	26			
176	428	–	(539)	(539)	(111)	802	69	871
176	767	1	(676)	(675)	92			
–	(282)	–	–	–	(282)			
–	(66)	–	82	82	16			
–	9	–	55	55	64			

Consolidated financial statements (unaudited) *continued*

Consolidated balance sheets

Assets	in USD millions, as of	Notes	09/30/16	12/31/15
Investments				
Total Group investments		3	203,305	191,238
Cash and cash equivalents			7,908	8,159
Equity securities			17,634	18,873
Debt securities			150,227	137,730
Investment property			10,644	9,865
Mortgage loans			7,056	7,024
Other loans			9,816	9,569
Investments in associates and joint ventures			20	18
Investments for unit-linked contracts			128,262	126,728
Total investments			331,567	317,966
Reinsurers' share of reserves for insurance contracts		4	19,010	17,774
Deposits made under assumed reinsurance contracts			1,826	1,708
Deferred policy acquisition costs		6	17,678	17,677
Deferred origination costs		6	454	506
Accrued investment income ¹			1,636	1,727
Receivables and other assets			19,374	14,930
Deferred tax assets			1,339	1,455
Assets held for sale ²			1,486	10
Property and equipment			974	1,140
Attorney-in-fact contracts		7	1,025	1,025
Goodwill		7	1,641	1,289
Other intangible assets		7	4,904	4,766
Total assets			402,915	381,972

¹ Accrued investment income on unit-linked investments amounted to USD 118 million and USD 106 million as of September 30, 2016 and December 31, 2015, respectively.

² As of September 30, 2016, included USD 1,275 million of assets reclassified based on agreements signed to sell businesses in Morocco, Taiwan, Middle East, and South Africa (see note 2). In addition, assets held for sale included land and buildings formerly classified as investment property and held for own use amounting to USD 92 million and USD 120 million, respectively. As of December 31, 2015, included land and buildings formerly classified as investment property amounting to USD 10 million.

Liabilities and equity

in USD millions, as of

	Notes	09/30/16	12/31/15
Liabilities			
Reserve for premium refunds		504	537
Liabilities for investment contracts		70,481	70,627
Deposits received under ceded reinsurance contracts		587	903
Deferred front-end fees		5,094	5,299
Reserves for insurance contracts	4	249,669	237,622
Obligations to repurchase securities		1,280	1,596
Accrued liabilities		2,858	2,849
Other liabilities		20,455	15,051
Deferred tax liabilities		4,958	4,498
Liabilities held for sale ¹		889	–
Senior debt	10	4,407	4,471
Subordinated debt	10	7,285	5,614
Total liabilities		368,468	349,069
Equity			
Share capital		11	11
Additional paid-in capital		1,297	3,245
Net unrealized gains/(losses) on available-for-sale investments		4,694	2,556
Cash flow hedges		555	294
Cumulative foreign currency translation adjustment		(9,116)	(9,347)
Revaluation reserve		235	228
Retained earnings		34,791	34,192
Shareholders' equity		32,468	31,178
Non-controlling interests		1,979	1,725
Total equity		34,447	32,904
Total liabilities and equity		402,915	381,972

¹ As of September 30, 2016, the total balance of USD 889 million related to liabilities reclassified based on agreements signed to sell businesses in Morocco, Taiwan, Middle East and South Africa (see note 2).

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	2016	2015
Cash flows from operating activities		
Net income attributable to shareholders	2,526	2,266
Adjustments for:		
Net (gain)/loss on divestments of businesses	(7)	(10)
(Income)/expense from equity method accounted investments	(3)	(7)
Depreciation, amortization and impairments of fixed and intangible assets	598	709
Other non-cash items	261	151
Underwriting activities:	13,134	2,596
<i>Reserves for insurance contracts, gross</i>	8,400	4,053
<i>Reinsurers' share of reserves for insurance contracts</i>	(1,224)	(2,099)
<i>Liabilities for investment contracts</i>	6,890	1,061
<i>Deferred policy acquisition costs</i>	(534)	(648)
<i>Deferred origination costs</i>	28	32
<i>Deposits made under assumed reinsurance contracts</i>	(100)	269
<i>Deposits received under ceded reinsurance contracts</i>	(326)	(71)
Investments:	(14,281)	(198)
<i>Net capital (gains)/losses on total investments and impairments</i>	(10,778)	(779)
<i>Net change in derivatives</i>	(42)	303
<i>Net change in money market investments</i>	(638)	713
<i>Sales and maturities</i>		
<i>Debt securities</i>	49,324	64,625
<i>Equity securities</i>	34,536	47,918
<i>Other</i>	5,127	6,234
<i>Purchases</i>		
<i>Debt securities</i>	(53,235)	(62,268)
<i>Equity securities</i>	(33,780)	(50,101)
<i>Other</i>	(4,795)	(6,843)
Net changes in sale and repurchase agreements	(217)	211
Movements in receivables and payables	311	(109)
Net changes in other operational assets and liabilities	(813)	(768)
Deferred income tax, net	176	(200)
Net cash provided by/(used in) operating activities	1,687	4,641

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	2016	2015
Cash flows from investing activities		
Disposals of tangible and intangible assets	50	48
Additions to tangible and intangible assets	(441)	(431)
(Acquisitions)/disposals of equity method accounted investments, net	(1)	80
Acquisitions of companies, net of cash acquired	(626)	(8)
Divestments of companies, net of cash divested	(48)	4
Dividends from equity method accounted investments	–	8
Net cash provided by/(used in) investing activities	(1,066)	(300)
Cash flows from financing activities		
Dividends paid	(2,643)	(2,755)
Issuance of share capital	21	43
Net movement in treasury shares	14	21
Other acquisitions and divestments related cash flows	–	(34)
Issuance of debt	3,078	300
Repayment of debt	(1,637)	(368)
Net cash provided by/(used in) financing activities	(1,166)	(2,793)
Foreign currency translation effects on cash and cash equivalents	28	(563)
Change in cash and cash equivalents ¹	(518)	986
Cash and cash equivalents as of January 1	9,193	8,776
Cash and cash equivalents as of September 30	8,675	9,762
of which:		
– Group investments	7,908	8,820
– Unit-linked	766	942
Other supplementary cash flow disclosures		
Other interest income received	3,843	4,017
Dividend income received	1,409	1,487
Other interest expense paid	(593)	(676)
Income taxes paid	(1,007)	(954)

¹ The movement for the nine months ended September 30, 2016, includes USD 84 million of cash and cash equivalents reclassified to assets held for sale, which has been recognized in net changes in other operational assets and liabilities (see note 2).

Cash and cash equivalents

in USD millions, as of September 30	2016	2015
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	6,452	7,802
Cash equivalents	2,223	1,960
Total¹	8,675	9,762

¹ Includes cash and cash equivalents for unit-linked contracts of USD 766 million and USD 942 million as of September 30, 2016 and 2015, respectively.

As of September 30, 2016 and 2015, cash and cash equivalents held to meet local regulatory requirements were USD 740 million and USD 940 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, 2014	11	4,843
Issuance of share capital ¹	–	204
Dividends to shareholders	–	(1,683)
Share-based payment transactions	–	(23)
Treasury share transactions ²	–	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
Balance as of December 31, 2015	11	3,245
Issuance of share capital ¹	–	27
Dividends to shareholders ³	–	(1,949)
Share-based payment transactions	–	(47)
Treasury share transactions ²	–	21
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, 2016	11	1,297

¹ The number of common shares issued as of September 30, 2016 was 150,531,754 (September 30, 2015: 150,400,947, December 31, 2015: 150,404,964, December 31, 2014: 149,636,836).

² The number of treasury shares deducted from equity as of September 30, 2016 amounted to 1,204,547 (September 30, 2015: 1,246,485, December 31, 2015: 1,243,931, December 31, 2014: 1,292,220).

³ As approved by the Annual General Meeting on March 30, 2016, the dividend of CHF 17 per share was paid out of the capital contribution reserve on April 5, 2016. The difference between the respective amounts of the dividend at transaction day exchange rates amounting to USD 2,643 million and at historical exchange rates are reflected in the cumulative foreign currency translation adjustment.

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
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
2,556	294	(9,347)	228	34,192	31,178	1,725	32,904
-	-	-	-	-	27	-	27
-	-	-	-	(653)	(2,602)	-	(2,602)
-	-	-	-	40	(7)	-	(7)
-	-	-	-	12	32	-	32
-	-	-	-	2	2	-	2
2,138	261	232	7	1,199	3,838	306	4,143
-	-	-	-	2,526	2,526	-	-
2,138	-	-	-	-	2,138	-	-
-	261	-	-	-	261	-	-
-	-	232	-	-	232	-	-
-	-	-	7	-	7	-	-
-	-	-	-	(1,327)	(1,327)	-	-
-	-	-	-	-	-	(52)	(52)
4,694	555	(9,116)	235	34,791	32,468	1,979	34,447

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 its shares are 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 ended September 30, 2016 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 2015 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 consolidated financial statements, inter-segment revenues and transfers are eliminated.

The unaudited consolidated financial statements for the nine months ended September 30, 2016 should be read in conjunction with the Group's Annual Report 2015.

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.

On June 10, 2016, Zurich announced a planned change in the structure of the Group, effective July 1, 2016, which will lead to a simpler, more customer-oriented structure and reduced complexity. The new business structure will be focused on geographic regions and it will consist of Asia Pacific, Europe, Middle East and Africa (EMEA), Latin America and North America. On September 20, 2016, Zurich announced further changes to the business structure of the Group by creating a new unit, called Commercial Insurance, which will combine its Corporate and Commercial business into a single global business. The new reporting structure will be reflected in the consolidated financial statements in 2017.

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 91 million and USD 219 million for the nine months ended September 30, 2016 and 2015, respectively. Foreign currency exchange forward and swap gains/(losses) included in these amounts were USD (140) million and USD 135 million for the nine months ended September 30, 2016 and 2015, respectively.

Principal exchange rates	Table 1.1		Consolidated balance sheets		Consolidated income	
	USD per foreign currency unit		at end-of-period exchange rates		statements and cash flows at average exchange rates	
			09/30/16	12/31/15	09/30/16	09/30/15
Euro			1.1239	1.0862	1.1161	1.1160
Swiss franc			1.0313	0.9988	1.0208	1.0501
British pound			1.3018	1.4749	1.3933	1.5327
Brazilian real			0.3081	0.2525	0.2835	0.3208

Consolidated financial statements (unaudited) *continued*

Standards, amendments and interpretations effective or early adopted as of January 1, 2016 and relevant for the Group's operations

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, 2016, with no material impact on the Group's financial position or performance. In addition to the standards and amendments listed in table 1.2 the Group also incorporated amendments resulting from the IASB annual improvements project, which relate primarily to disclosure enhancements.

Table 1.2

Standard/ Interpretation		Effective date
Amended standards		
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	January 1, 2016
IAS 1	Disclosure initiative	January 1, 2016
IAS 16, IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	January 1, 2016

Standards, amendments and interpretations issued that are not yet effective nor yet adopted by the Group

Table 1.3 shows new accounting standards or amendments to and interpretations of standards relevant to the Group, which are not yet effective and unless stated otherwise are not expected to have a material impact on the Group's financial position or performance.

Table 1.3

Standard/ Interpretation		Effective date
New standards		
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 16	Leases	January 1, 2019
IFRS 9	Financial Instruments	January 1, 2021
Amended standards		
IAS 7	Disclosure Initiative	January 1, 2017
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	January 1, 2017
IFRS 2	Classification and Measurement of Share-based Payment Transactions	January 1, 2018
IFRS 4	Applying IFRS 9 with IFRS 4	January 1, 2018

The implementation of IFRS 9 is expected to result in a significant portion of financial assets currently classified as available-for-sale being re-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.

In September 2016, the IASB issued an amendment to IFRS 4 introducing a temporary exemption to applying IFRS 9 for reporting entities that have not previously applied any version of IFRS 9 and whose activities are predominantly related to insurance. Based on the analysis performed on data as of December 31, 2015, the Group is eligible for the temporary exemption as the predominance ratio reflecting the share of liabilities connected with insurance to total liabilities exceeds 90 percent. For the purpose of calculating the predominance ratio, liabilities connected with insurance include unit-linked investment contracts measured at fair value through profit or loss of USD 62.2 billion (see note 9 of the consolidated financial statements 2015) and subordinated funding liabilities that are considered to be part of regulatory capital of USD 5.6 billion (see note 19 of the consolidated financial statements 2015). The Group proceeds on the assumption that the temporary exemption from applying IFRS 9 is applied and the implementation of IFRS 9 is deferred until a later date, however, no later than January 1, 2021.

The Group expects IFRS 16 to impact the accounting on contracts where it acts as a lessee (and intermediate lessor), especially on real estate rental contracts. It is not expected that recognition of a right-of-use asset with a corresponding lease liability will have a material impact on the total amount of assets, liabilities or on net income.

2. Acquisitions and divestments

Transactions in 2016

Acquisitions

MAA Takaful Berhad

On June 30, 2016, the Group completed the acquisition of 100 percent of MAA Takaful Berhad, a family and general takaful operator incorporated in Malaysia from MAA Group Berhad (MAA) and Solidarity Group Holding BSC (Closed). The purchase price amounts to USD 129 million subject to a purchase price adjustment post closing. From the total purchase price, an amount of USD 31 million will be retained for three years. The Group is still in the process of completing the initial purchase accounting and assessing recognition of certain takaful fund balances as of the acquisition date. The Group consolidated financial statements as of September 30, 2016, include all operator and takaful fund balances resulting in other intangible assets of USD 99 million, other assets of USD 204 million and other liabilities of USD 174 million, reflecting the purchase price of USD 129 million.

Rural Community Insurance Services

On March 31, 2016 the Group completed the acquisition of 100 percent of Rural Community Insurance Agency, Inc. (RCIA) and its fully owned subsidiary Rural Community Insurance Company (RCIC) from Wells Fargo & Company (Wells Fargo). RCIA and RCIC are collectively known as Rural Community Insurance Services (RCIS), a provider of agricultural insurance in the United States through a federal crop insurance program and other private crop insurance products.

The initial consideration paid in cash by the Group amounted to USD 698 million, which is subject to final purchase price and other adjustments.

Based on the initial purchase accounting, the fair value of net tangible assets acquired is estimated to be approximately USD 232 million and identifiable intangible assets estimated at USD 101 million which mainly consists of the agent relationships. Residual goodwill amounted to USD 365 million, which will be deductible for tax purposes. The Group has assessed the fair value and the classification of assets and liabilities. Certain balances are presented net in receivables and other assets, as these balances will be settled on a net basis.

The goodwill represents the value of the RCIS workforce and management, the capabilities and related know-how of RCIS to participate in the federal crop insurance program and future growth opportunities. A 25 percent quota share reinsurance contract was in place between RCIS and the Group before the transaction.

Table 2.1 shows the main balance sheet line items as of the acquisition date, representing the preliminary fair value of RCIS net tangible assets acquired, intangible assets and goodwill, excluding the impact of the 25 percent quota share reinsurance contract.

Table 2.1		03/31/16
RCIS preliminary Balance Sheet as of the acquisition date	in USD millions, as of	
	Cash and cash equivalents	183
	Reinsurers' share of reserves for insurance contracts	235
	Receivables and other assets ¹	2,131
	Deferred tax assets	2
	Property and equipment	12
	Goodwill	365
	Other intangible assets	101
	Assets acquired	3,027
	Reserves for insurance contracts	289
	Accrued liabilities	4
	Other liabilities	2,036
	Liabilities acquired	2,329
	Total acquisition costs	698

¹ Included USD 980 million of balances which will be settled net.

Consolidated financial statements (unaudited) *continued*

Table 2.2 represents the result for the six months since acquisition date included in the Group consolidated income statement for the nine months ended September 30, 2016 and the pro forma unaudited US GAAP results of RCIS on a full year basis, as IFRS information is not available. The information is deemed to be a reasonable approximation to using IFRS standards, and does not adjust for the impact of the 25 percent quota share reinsurance contract between RCIS and the Group that existed prior to the acquisition.

The seasonal nature of crop insurance results in the majority of gross written premiums being written in the first half of the year, however, the premiums are earned during the second half of the year.

Table 2.2	
Income statement information	Total
in USD millions, information for the six months from acquisition ended September 30, 2016	
Gross written premiums	1,474
Net income after taxes	(12)
in USD millions, pro forma information for the twelve months ended December 31, 2015	
Gross written premiums	1,940
Net income after taxes	32

For the nine months ended September 30, 2016, the Group incurred transaction related costs of USD 1 million included in other administrative expenses which have been excluded from BOP. For the year ended December 31, 2015, USD 6 million transaction related costs are included in other administrative expenses and are excluded from BOP.

Macquarie Life Insurance Business

On October 1, 2016, the Group completed the acquisition of a part of the Australian Macquarie Life insurance business from the Macquarie Group, a financial group based in Australia. The transaction involves the transfer of Macquarie's retail life insurance protection business together with its assets, liabilities and employees for a total consideration of approximately USD 307 million subject to a price adjustment mechanism. The transaction will be reflected in the Group's consolidated financial statements as of December 31, 2016.

Kono Insurance Limited

On January 29, 2016, the Group completed the acquisition of 100 percent of Kono Insurance Limited, a general insurance company incorporated in Hong Kong, for approximately USD 27 million subject to a purchase price adjustment post closing. Based on the preliminary purchase accounting, net tangible assets acquired amounted to USD 13 million and identifiable intangible assets amounted to USD 1 million. Residual goodwill of USD 13 million reflects the expected future growth opportunities.

Loss of control

On February 12, 2016, the Group entered into a forward sale agreement, for its controlling interest in a UK based distributor of the Global Life business, for a fixed sales price of USD 1 to be completed by March 1, 2020 at the latest. Therefore, the Group is deemed to have lost control of this business from an accounting perspective and has derecognized the assets and liabilities at their carrying amount. A USD 47 million gain has been recorded within net gain/(loss) on divestments of businesses.

Divestments

During the nine months ended September 30, 2016, the Group entered into various agreements to sell its insurance operations in Morocco, Taiwan, the Middle East and South Africa, mainly comprising of general insurance operations. These transactions are subject to customary closing conditions, including regulatory approvals. The respective assets and liabilities have been reclassified to held for sale. As of September 30, 2016, the total assets and total liabilities reclassified were USD 1,275 million and USD 889 million, respectively. The majority of the transactions are expected to close in the last three months of 2016.

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.

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.

Net investment result on Group investments	Table 3.1							
	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	
	2016	2015	2016	2015	2016	2015	2016	2015
Cash and cash equivalents	7	18	–	–	7	18	–	–
Equity securities	398	377	246	586	645	962	(152)	(125)
Debt securities	3,065	3,084	884	863	3,949	3,947	(2)	(3)
Investment property	411	375	244	89	655	464	–	–
Mortgage loans	165	207	2	(41)	167	166	2	(41)
Other loans	327	337	16	4	343	341	(1)	–
Investments in associates and joint ventures	3	7	–	31	3	38	–	–
Derivative financial instruments	–	–	(84)	235	(84)	235	–	–
Investment result, gross, for Group investments	4,377	4,404	1,308	1,767	5,685	6,171	(152)	(170)
Investment expenses for Group investments ¹	(171)	(190)	–	–	(171)	(190)	–	–
Investment result, net, for Group investments	4,206	4,214	1,308	1,767	5,514	5,981	(152)	(170)

¹ Rental operating expenses for investment property included in investment expenses for Group investments amounted to USD 58 million and USD 54 million for the nine months ended September 30, 2016 and 2015, respectively.

Details of Group investments by category	Table 3.2			
	as of			
	09/30/16		12/31/15	
	USD millions	% of total	USD millions	% of total
Cash and cash equivalents	7,908	3.9	8,159	4.3
Equity securities:				
Fair value through profit or loss	3,556	1.7	3,519	1.8
Available-for-sale	14,078	6.9	15,354	8.0
Total equity securities	17,634	8.7	18,873	9.9
Debt securities:				
Fair value through profit or loss	6,037	3.0	6,180	3.2
Available-for-sale	141,387	69.5	128,181	67.0
Held-to-maturity	2,802	1.4	3,369	1.8
Total debt securities	150,227	73.9	137,730	72.0
Investment property	10,644	5.2	9,865	5.2
Mortgage loans	7,056	3.5	7,024	3.7
Other loans	9,816	4.8	9,569	5.0
Investments in associates and joint ventures	20	0.0	18	0.0
Total Group investments	203,305	100.0	191,238	100.0

Investments (including cash and cash equivalents) with a carrying value of USD 6,898 million and USD 6,492 million were held to meet local regulatory requirements as of September 30, 2016 and December 31, 2015, 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	
		09/30/16	12/31/15
	Equity securities: available-for-sale	1,086	1,219
	Debt securities: available-for-sale	15,271	8,724
	Other	492	366
	Gross unrealized gains/(losses) on Group investments	16,849	10,309
	Less amount of unrealized gains/(losses) on investments attributable to:		
	Life policyholder dividends and other policyholder liabilities	(8,850)	(5,814)
	Life deferred acquisition costs and present value of future profits	(1,040)	(654)
	Deferred income taxes	(1,652)	(968)
	Non-controlling interests	(58)	(23)
	Total¹	5,249	2,850

¹ Net unrealized gains/(losses) on Group investments include net gains arising on cash flow hedges of USD 555 million and USD 294 million as of September 30, 2016 and December 31, 2015, respectively.

Table 3.4			
Securities lending, repurchase and reverse repurchase agreements	in USD millions, as of	09/30/16	
		12/31/15	
	Securities lending agreements		
	Securities lent under securities lending agreements ¹	3,841	4,527
	Collateral received for securities lending	4,146	4,909
	of which: Cash collateral	190	93
	of which: Non cash collateral ²	3,956	4,815
	Liabilities for cash collateral received for securities lending	190	93
	Repurchase agreements		
	Securities sold under repurchase agreements ³	1,282	1,596
	Obligations to repurchase securities	1,280	1,596
	Reverse repurchase agreements		
	Securities purchased under reverse repurchase agreements ⁴	194	194
	Receivables under reverse repurchase agreements	190	193

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 3,841 million and USD 4,527 million as of September 30, 2016 and December 31, 2015, 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 3,929 million and USD 4,573 million as of September 30, 2016 and December 31, 2015, 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 717 million and USD 997 million as of September 30, 2016 and December 31, 2015, 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 and USD 99 million as of September 30, 2016 and December 31, 2015, respectively.

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

Table 4.1

Reserves for insurance contracts

in USD millions, as of

	Gross		Ceded		Net	
	09/30/16	12/31/15	09/30/16	12/31/15	09/30/16	12/31/15
Reserves for losses and loss adjustment expenses ¹	63,403	62,971	(10,058)	(9,231)	53,345	53,739
Reserves for unearned premiums	17,234	16,230	(3,133)	(2,681)	14,101	13,549
Future life policyholder benefits	76,607	71,952	(3,931)	(4,016)	72,675	67,935
Policyholder contract deposits and other funds	25,117	22,076	(1,962)	(1,956)	23,156	20,121
Reserves for unit-linked contracts	67,309	64,393	–	–	67,309	64,393
Total reserves for insurance contracts²	249,669	237,622	(19,084)	(17,885)	230,586	219,737

¹ Includes on a net basis USD 2.6 billion and USD 2.5 billion of discounted reserves for losses and loss adjustment expenses as of September 30, 2016 and December 31, 2015, respectively.

² Total reserves for insurance contracts ceded are gross of allowances for uncollectible amounts of USD 74 million and USD 111 million as of September 30, 2016 and December 31, 2015, respectively.

Table 4.2

Development of reserves for losses and loss adjustment expenses

in USD millions

	Gross		Ceded		Net	
	2016	2015	2016	2015	2016	2015
As of January 1	62,971	64,472	(9,231)	(9,770)	53,739	54,703
Losses and loss adjustment expenses incurred:						
Current year	17,672	18,096	(3,162)	(2,192)	14,511	15,903
Prior years	(237)	24	(36)	95	(273)	118
Total incurred	17,435	18,119	(3,198)	(2,098)	14,237	16,021
Losses and loss adjustment expenses paid:						
Current year	(5,015)	(5,555)	530	396	(4,485)	(5,159)
Prior years	(11,563)	(11,242)	1,915	1,886	(9,648)	(9,356)
Total paid	(16,578)	(16,797)	2,445	2,282	(14,132)	(14,515)
Acquisitions/(divestments) and transfers ¹	(305)	–	(99)	(44)	(404)	(44)
Foreign currency translation effects	(120)	(2,008)	24	254	(96)	(1,754)
As of September 30	63,403	63,787	(10,058)	(9,376)	53,345	54,412

¹ The 2016 net movement includes USD 29 million relating to the acquisition of RCIS, USD 40 million relating to the acquisition of Kono Insurance Limited and USD (473) million reclassification to assets and liabilities held for sale (see note 2). 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 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 395 million during the nine months ended September 30, 2016 in net reserves for losses and loss adjustment expenses is mainly driven by the transfer of net reserves of USD 473 million for entities classified as held for sale (see note 2) as well as a decrease of USD 96 million due to foreign currency translation effects. In addition, for the nine months ended September 30, 2016 net favorable reserve development emerged from reserves established in prior years amounting to USD 273 million. The main reductions were in Global Corporate, North America Commercial and the UK, partially offset by Group Reinsurance.

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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.

Table 4.3

Development of future life policyholder benefits	in USD millions		Gross		Ceded		Net	
	2016	2015	2016	2015	2016	2015	2016	2015
	As of January 1	71,952	77,652	(4,016)	(2,441)	67,935	75,211	
Premiums	9,869	8,704	(575)	(2,169)	9,294	6,535		
Claims	(6,700)	(6,586)	462	417	(6,238)	(6,168)		
Fee income and other expenses	(2,605)	(2,755)	77	98	(2,529)	(2,657)		
Interest and bonuses credited to policyholders	1,989	1,799	(112)	(82)	1,877	1,717		
Changes in assumptions	90	230	–	(2)	90	228		
Acquisitions/(divestments) and transfers ¹	(51)	(840)	5	–	(46)	(840)		
Increase/(decrease) recorded in other comprehensive income	221	(273)	–	–	221	(273)		
Foreign currency translation effects	1,841	(4,278)	230	106	2,071	(4,171)		
As of September 30	76,607	73,653	(3,931)	(4,071)	72,675	69,583		

¹ The 2016 net movement of USD (46) million relates to reclassifications to assets and liabilities held for sale (see note 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.

Table 4.4

Policyholder contract deposits and other funds gross	in USD millions, as of	
	09/30/16	12/31/15
Universal life and other contracts	12,462	12,120
Policyholder dividends	12,656	9,957
Total	25,117	22,076

Table 4.5

Development of policyholder contract deposits and other funds	in USD millions		Gross		Ceded		Net	
	2016	2015	2016	2015	2016	2015	2016	2015
	As of January 1	22,076	23,415	(1,956)	(1,994)	20,121	21,421	
Premiums	849	823	(44)	(40)	805	783		
Claims	(893)	(948)	100	124	(793)	(824)		
Fee income and other expenses	(348)	(368)	(6)	(4)	(353)	(371)		
Interest and bonuses credited to policyholders	574	1,247	(56)	(57)	518	1,190		
Acquisitions/(divestments) and transfers ¹	(7)	393	–	–	(7)	393		
Increase/(decrease) recorded in other comprehensive income	2,446	(987)	–	–	2,446	(987)		
Foreign currency translation effects	419	(1,141)	–	–	419	(1,141)		
As of September 30	25,117	22,433	(1,962)	(1,970)	23,156	20,463		

¹ The 2016 net movement of USD (7) million relates to reclassifications to liabilities held for sale (see note 2). The 2015 net movement relates to USD 393 million reclassified from future life policyholder benefits.

5. Policyholder dividends and participation in profits

Policyholder dividends and participation in profits	Table 5	
	in USD millions, for the nine months ended September 30	
	2016	2015
Change in policyholder contract deposits and other funds	454	1,194
Change in reserves for unit-linked products	4,851	779
Change in liabilities for investment contracts – unit-linked	5,918	(295)
Change in liabilities for investment contracts – other	178	141
Change in unit-linked liabilities related to UK capital gains tax	(238)	12
Total policyholder dividends and participation in profits	11,163	1,831

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6. Deferred policy acquisition costs and deferred origination costs

Table 6.1									
Development of deferred policy acquisition costs	in USD millions	General Insurance		Global Life		Other segments¹		Total	
		2016	2015	2016	2015	2016	2015	2016	2015
	As of January 1		4,226	3,984	13,298	13,584	153	182	17,677
Acquisition costs deferred		3,117	2,846	1,217	1,380	326	360	4,660	4,585
Amortization		(2,846)	(2,440)	(968)	(1,146)	(309)	(352)	(4,124)	(3,938)
Impairments		(2)	–	–	–	–	–	(2)	–
Amortization (charged)/ credited to other comprehensive income		–	–	(348)	253	–	–	(348)	253
Acquisitions/(divestments) and transfers ²		(28)	–	(16)	–	19	–	(24)	–
Foreign currency translation effects		117	(191)	(278)	(820)	–	–	(161)	(1,011)
As of September 30		4,584	4,198	12,905	13,251	189	190	17,678	17,640

¹ Net of eliminations from inter-segment transactions.

² The 2016 General Insurance movement of USD 28 million includes USD 24 million reclassified to assets held for sale (see note 2) and a portfolio transfer of USD 3 million to Non-Core Business. The 2016 Global Life movement of USD 16 million relates to the portfolio transfer of Zurich Life Insurance Singapore Pte Ltd to Non-Core Business.

As of September 30, 2016, December 31, 2015 and September 30, 2015, deferred policy acquisition costs relating to non-controlling interests were USD 390 million, USD 326 million and USD 310 million, respectively.

Table 6.2			
Development of deferred origination costs	in USD millions	2016	2015
	As of January 1	506	595
	Origination costs deferred	30	37
Amortization	(58)	(69)	
Foreign currency translation effects	(24)	(29)	
As of September 30	454	534	

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, 2016	1,025	1,667	2,501	3,715	4,672	173	13,753
Less: accumulated amortization/impairments	–	(378)	(2,035)	(963)	(3,167)	(130)	(6,673)
Net carrying value as of January 1, 2016	1,025	1,289	466	2,752	1,505	43	7,080
Additions and acquisitions	–	378	–	21	277	200	876
Divestments and transfers	–	(33)	–	(5)	(15)	(3)	(56)
Amortization ¹	–	–	(51)	(141)	(251)	(6)	(449)
Amortization charged to other comprehensive income	–	–	(15)	–	–	–	(15)
Impairments	–	–	–	(2)	(21)	(1)	(23)
Foreign currency translation effects	–	7	1	157	(5)	(3)	158
Net carrying value as of September 30, 2016	1,025	1,641	401	2,782	1,491	230	7,570
Plus: accumulated amortization/impairments	–	336	2,020	1,157	3,220	127	6,861
Gross carrying value as of September 30, 2016	1,025	1,977	2,421	3,939	4,711	357	14,431

¹ Amortization of distribution agreements is included within underwriting and policy acquisition costs.

As of September 30, 2016, intangible assets relating to non-controlling interests were USD 85 million for the present value of future profits (PVFP) of acquired insurance contracts, USD 1,227 million for distribution agreements and USD 15 million for software.

As a result of the acquisition of RCIS intangible assets increased by USD 465 million of which USD 365 million related to goodwill and USD 101 million to other intangible assets (see note 2). In addition, goodwill increased by USD 13 million and other intangible assets by USD 99 million related to the acquisition of Kono Insurance Limited and MAA Takaful Berhad, respectively (see note 2).

For the nine months ended September 30, 2016, divestments and transfers include USD 7 million reclassification to assets held for sale and remeasurements of goodwill and distribution agreements for Zurich Insurance Middle East of USD 33 million and USD 3 million, respectively (see note 2).

Following a review, software was identified, which was not utilized as originally expected, resulting in USD 21 million of impairments, primarily in General Insurance.

Table 7.2

Intangible assets by segment – current period

in USD millions, as of September 30, 2016

	Attorney-in-fact relationships	Goodwill	PVFP	Distribution agreements	Software	Other	Total
General Insurance	–	817	–	704	640	131	2,291
Global Life	–	5	401	2,078	366	1	2,851
Farmers	1,025	819	–	–	371	–	2,215
Other Operating Businesses	–	–	–	–	115	98	213
Net carrying value as of September 30, 2016	1,025	1,641	401	2,782	1,491	230	7,570

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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, 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 acquisitions	–	8	–	4	297	1	310
Amortization	–	–	(50)	(160)	(255)	(7)	(471)
Amortization charged to shareholders' equity	–	–	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 related 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 were no longer 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 7.4

Intangible assets by segment – prior period

in USD millions, as of December 31, 2015	Attorney- in-fact relationships	Goodwill	PVFP	Distribution agreements	Software	Other	Total
General Insurance	–	465	–	713	629	42	1,849
Global Life	–	5	466	2,039	394	1	2,905
Farmers	1,025	819	–	–	353	–	2,197
Other Operating Businesses	–	–	–	–	129	–	129
Net carrying value as of December 31, 2015	1,025	1,289	466	2,752	1,505	43	7,080

8. Restructuring provisions

Table 8			
Restructuring provisions	in USD millions		
		2016	2015
	As of January 1	386	125
	Provisions made during the period	102	77
	Increase of provisions set up in prior years	77	6
	Provisions used during the period	(234)	(65)
	Provisions reversed during the period	(13)	(4)
	Foreign currency translation effects	15	(6)
	As of September 30	333	133

During the nine months ended September 30, 2016, restructuring programs were initiated with estimated costs of USD 102 million impacting mainly General Insurance, Global Life and Other Operating Businesses. In addition, net adjustments were made of USD 63 million to provisions for restructuring programs initiated in prior years.

During the nine months ended September 30, 2015, restructuring programs were initiated with estimated costs of USD 77 million impacting mainly General Insurance in Europe and Global Life in Asia Pacific and Europe. In addition, net adjustments were made of USD 2 million to provisions for restructuring programs initiated in the years prior to 2015. The Group also recorded USD 49 million of software impairments (see note 7), resulting from restructuring decisions.

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9. Income taxes

Table 9.1			
Income tax expense – current/deferred split	in USD millions, for the nine months ended September 30		
			2016
	Current		2015
			1,179
	Deferred		(200)
	Total income tax expense/(benefit)	1,369	979

Table 9.2					
Expected and actual income tax expense	in USD millions, for the nine months ended September 30				
			Rate	2016	Rate
					2015
	Net income before income taxes			4,112	3,425
	less: income tax (expense)/benefit attributable to policyholders			(253)	18
	Net income before income taxes attributable to shareholders			3,859	3,443
	Expected income tax expense attributable to shareholders computed at the Swiss statutory tax rate	22.0%		849	757
	Increase/(reduction) in taxes resulting from:				
	<i>Tax rate differential in foreign jurisdictions</i>			254	211
	<i>Tax exempt and lower taxed income</i>			(36)	(59)
	<i>Non-deductible expenses</i>			90	33
	<i>Tax losses not recognized</i>			(39)	(16)
	<i>Prior year adjustments and other</i>			(1)	70
	Actual income tax expense attributable to shareholders	28.9%		1,116	28.9%
	plus: income tax expense/(benefit) attributable to policyholders			253	(18)
Actual income tax expense	33.3%		1,369	28.6%	

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		09/30/16	12/31/15	
in USD millions, as of				
Senior and subordinated debt	Senior debt			
	Zurich Insurance Company Ltd	Floating rate CHF 200 million notes, due June 2016 ¹	–	200
		2.25% CHF 500 million notes, due July 2017 ¹	515	498
		2.375% CHF 525 million notes, due November 2018 ¹	539	522
		1.50% CHF 400 million notes, due June 2019 ^{1,2}	427	415
		1.125% CHF 400 million notes, due September 2019 ^{1,2}	432	420
		0.625% CHF 250 million notes, due July 2020 ^{1,2}	268	259
		2.875% CHF 250 million notes, due July 2021 ¹	256	247
		3.375% EUR 500 million notes, due June 2022 ^{1,2,3}	603	587
		1.875% CHF 100 million notes, due September 2023 ^{1,2}	118	111
		1.750% EUR 500 million notes, due September 2024 ^{1,2,3}	580	545
		1.500% CHF 150 million notes, due July 2026 ^{1,2}	178	164
	Zurich Holding Comp. of America Inc	Euro Commercial Paper Notes, due in less than 3 months	399	400
	Zurich Santander Insurance America S.L.	7.5% EUR 61 million loan, due December 2035	68	74
Other	Various debt instruments	24	29	
	Senior debt	4,407	4,471	
	Subordinated debt			
Zurich Insurance Company Ltd	4.25% CHF 700 million perpetual notes, first callable May 2016 ¹	–	698	
	8.25% USD 500 million perpetual capital notes, first callable January 2018 ^{1,3}	499	498	
	4.625% CHF 500 million perpetual notes, first callable May 2018 ¹	514	496	
	7.5% EUR 425 million notes, due July 2039, first callable July 2019 ^{1,3}	476	460	
	2.75% CHF 225 million perpetual capital notes, first callable June 2021 ¹	231	–	
	2.75% CHF 200 million perpetual capital notes, first callable September 2021 ^{1,2}	218	209	
	4.75% USD 1 billion perpetual notes, first callable January 2022 ¹	993	–	
	4.25% EUR 1 billion notes, due October 2043, first callable October 2023 ^{1,3}	1,114	1,075	
	4.25% USD 300 million notes, due October 2045, first callable October 2025 ^{1,3}	299	298	
	5.625% USD 1 billion notes, due June 2046, first callable June 2026 ¹	996	–	
	3.5% EUR 750 million notes, due October 2046, first callable October 2026 ^{1,2}	849	–	
Zurich Finance (UK) plc	6.625% GBP 450 million perpetual notes, first callable October 2022 ¹	581	658	
ZFS Finance (USA) Trust II	Series II 6.45% USD 700 million Trust Preferred Securities (ECAPS), due December 2065, first callable June 2016	–	680	
ZFS Finance (USA) Trust V	Series V 6.5% USD 501 million Trust Preferred Securities, due May 2067, first callable May 2017 ⁴	501	501	
Other	Various debt instruments	17	41	
	Subordinated debt	7,285	5,614	
	Total senior and subordinated debt	11,693	10,086	

¹ Issued under the Group's Euro Medium Term Note Programme (EMTN Programme).

² The Group applied the fair value hedge methodology either partially or in full to hedge the interest rate exposure.

³ These bonds are part of a qualifying net investment hedge to hedge the foreign currency exposure.

⁴ 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.

None of the debt instruments listed in table 10 were in default as of September 30, 2016 or December 31, 2015.

Consolidated financial statements (unaudited) *continued*

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

Quantifiable commitments and contingencies	in USD millions, as of	09/30/16	12/31/15
	Remaining commitments under investment agreements	1,545	1,431
	Guarantees and letters of credit ¹	829	895
	Future operating lease commitments ²	1,985	1,512
	Undrawn loan commitments	10	8
	Other commitments and contingent liabilities ³	729	574

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

² Includes the lease commitment of Zurich North America's new headquarter building in Schaumburg, Illinois, as of September 30, 2016.

³ Includes an agreement to acquire the retail life insurance protection business of the Macquarie Group amounting to USD 307 million as of September 30, 2016 (see note 2).

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 could result in higher compliance costs, remedial actions and other related expenses for its life insurance, savings and pension business. There has also been increased scrutiny by various tax and law enforcement officials into cross-border business activities, including in particular by U.S. government authorities looking into U.S. taxpayers with investments held outside the U.S. and the non-U.S. financial institutions that hold such investments.

The Group, on its own initiative, undertook an internal review of the life insurance, savings and pension business sold by its non-U.S. operating companies with relevant cross-border business to customers with a nexus to the U.S. The Group engaged outside counsel and other advisors to assist in this review, which was focused on assessing compliance with relevant U.S. tax laws. The review confirmed that the Group's cross-border business with U.S. persons was very limited and of a legacy nature, with the large majority of sales having occurred more than a decade ago. The review also confirmed that the Group's U.S. operating companies were not involved in or connected to those activities.

The Group has voluntarily disclosed the results of the review and the regulatory issues presented by sales to U.S. residents to the Swiss Financial Market Supervisory Authority (FINMA), the U.S. Department of Justice (DOJ) and other authorities. The Group is cooperating with these authorities.

While at this stage in the process, it is unclear whether the Group will have any liability related to these matters, the Group does not currently believe this matter will have a material adverse effect on the Group's business or the Group's consolidated financial condition.

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 from 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 and 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. 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 February 27, 2015, the court issued its Statement of Decision for Phase 1A. The court ruled that all of the plaintiffs' fraudulent transfer causes of action were barred, and plaintiffs later confirmed on the record that their unfair competition claims were also barred as a result of the Decision for Phase 1A. 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.

Beginning in early 2015, certain plaintiffs voluntarily dismissed their claims with prejudice in exchange for an agreement that the defendants will not pursue them for litigation costs and such dismissals have been filed with the Court. As a result of these dismissals only one of the four coordinated actions remains pending; there has been no recent litigation activity in the remaining action. 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 remain 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 as well as other financial assets and financial liabilities.

Table 12.1 in USD millions, as of		Total fair value		Total carrying value	
		09/30/16	12/31/15	09/30/16	12/31/15
Fair value and carrying value of financial assets and financial liabilities	Available-for-sale securities				
	Equity securities	14,078	15,354	14,078	15,354
	Debt securities	141,387	128,181	141,387	128,181
	Total available-for-sale securities	155,465	143,535	155,465	143,535
	Fair value through profit or loss securities				
	Equity securities	3,556	3,519	3,556	3,519
	Debt securities	6,037	6,180	6,037	6,180
	Total fair value through profit or loss securities	9,594	9,699	9,594	9,699
	Derivative assets	1,321	1,120	1,321	1,120
	Held-to-maturity debt securities	3,679	4,086	2,802	3,369
	Investments in associates and joint ventures	20	18	20	18
	Mortgage loans	7,755	7,603	7,056	7,024
	Other loans	12,004	11,279	9,816	9,569
	Total financial assets	189,837	177,341	186,074	174,335
	Derivative liabilities	(339)	(362)	(339)	(362)
	Financial liabilities held at amortized cost				
	Liabilities related to investment contracts	(825)	(913)	(621)	(754)
	Liabilities related to investment contracts with DPF	(7,830)	(6,447)	(9,028)	(7,629)
	Senior debt	(4,592)	(4,596)	(4,407)	(4,471)
	Subordinated debt	(7,819)	(5,983)	(7,285)	(5,614)
	Total financial liabilities held at amortized cost	(21,066)	(17,940)	(21,342)	(18,468)
Total financial liabilities	(21,405)	(18,302)	(21,681)	(18,830)	

Recurring fair value measurements of assets and liabilities

Table 12.2a in USD millions, as of September 30, 2016		Level 1	Level 2	Level 3	Total
Fair value hierarchy – non unit-linked – current period	Available-for-sale securities				
	Equity securities	10,473	2,600	1,004	14,078
	Debt securities	–	135,390	5,997	141,387
	Total available-for-sale securities	10,473	137,990	7,001	155,465
	Fair value through profit or loss securities				
	Equity securities	1,060	39	2,457	3,556
	Debt securities	–	5,892	145	6,037
	Total fair value through profit or loss securities	1,060	5,931	2,602	9,594
	Derivative assets	1	756	563	1,321
	Total	11,535	144,677	10,167	166,379
	Derivative liabilities	(9)	(296)	(34)	(339)
	Total	(9)	(296)	(34)	(339)

For the nine months ended September 30, 2016, no material transfers between level 1 and level 2 occurred.

**Fair value hierarchy
– non unit-linked –
prior period**

in USD millions, as of December 31, 2015	Level 1	Level 2	Level 3	Total
Available-for-sale securities				
Equity securities	12,143	2,252	959	15,354
Debt securities	495	121,724	5,962	128,181
Total available-for-sale securities	12,638	123,977	6,921	143,535
Fair value through profit or loss securities				
Equity securities	1,017	82	2,419	3,519
Debt securities	–	6,034	146	6,180
Total fair value through profit or loss securities	1,017	6,116	2,565	9,699
Derivative assets	1	591	529	1,120
Total	13,656	130,683	10,015	154,354
Derivative liabilities	(5)	(258)	(99)	(362)
Total	(5)	(258)	(99)	(362)

For the year ended December 31, 2015 no material transfers between level 1 and level 2 occurred.

**Development of
assets and liabilities
classified within
level 3 – non
unit-linked –
current 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, 2016	959	5,962	2,419	146	529	(99)
Realized gains/(losses) recognized in income ¹	72	19	8	–	–	–
Unrealized gains/(losses) recognized in income ^{1,2}	(9)	(30)	83	–	(4)	12
Unrealized gains/(losses) recognized in other comprehensive income	(13)	130	–	–	180	54
Purchases	185	1,197	272	32	8	–
Settlements/sales/redemptions	(180)	(965)	(341)	(18)	(6)	–
Transfers into level 3	5	31	–	–	–	–
Transfers out of level 3	–	(312)	–	(4)	(158)	–
Foreign currency translation effects	(15)	(35)	16	(11)	14	(1)
As of September 30, 2016	1,004	5,997	2,457	145	563	(34)

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 and amortizations.

For the nine months ended September 30, 2016, the Group transferred USD 312 million of available-for-sale debt securities out of level 3 into level 2. The transfers were mainly due to credit rating upgrades of certain asset-backed securities resulting in an increase in market activity of these instruments and a review of the classification of certain corporate bonds due to the observability of the inputs used in the valuation techniques to determine its fair value. The Group also transferred derivatives with a market value of USD 158 million out of level 3 into level 2. The transfers resulted from an increase in significance of certain observable input parameters used to derive the fair value.

Consolidated financial statements (unaudited) *continued*

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

Table 12.3b

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, 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.

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.

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

Within level 3, the Group classified non-agency ABS/MBS, CLOs, and private debt placements amounting to USD 6,142 million and USD 5,830 million for Group investments as of September 30, 2016 and September 30, 2015, 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 3,462 million and USD 3,416 million for Group investments as of September 30, 2016 and September 30, 2015, 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.

Sensitivity analysis of level 3 investments to changes in key assumptions – current period

Table 12.4a

as of September 30, 2016

	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%	(692)	+20%	692
Discount rates	+20%	(143)	-20%	144
Spread rates	+20%	(141)	-20%	143
Prepayment rates	-20%	(1)	+20%	1

Sensitivity analysis of level 3 investments to changes in key assumptions – prior period

Table 12.4b

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

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

Table 12.5a

as of September 30, 2016

	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%	+10.0%	+10.0%	+10.0%	223
Equity levels -10%	-10.0%	-10.0%	-10.0%	-10.0%	(221)
Discount rates +10%	+0.7%	+10.0%	+7.5%	-2.0%	(97)
Discount rates -10%	-0.7%	-10.0%	-7.5%	+2.0%	99
Spread rates +10%	+0.7%	+7.5%	+10.0%	+0.2%	(97)

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

Table 12.5b

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)

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13. Segment Information

Table 13.1

in USD millions, for the nine months ended September 30

Business operating profit by segment

	General Insurance		Global Life	
	2016	2015	2016	2015
Revenues				
Direct written premiums ¹	24,678	25,248	9,644	8,541
Assumed written premiums	1,071	1,386	186	165
Gross Written Premiums	25,749	26,634	9,830	8,706
Policy fees	–	–	1,617	1,786
Gross written premiums and policy fees	25,749	26,634	11,447	10,492
Less premiums ceded to reinsurers	(5,396)	(4,294)	(606)	(2,199)
Net written premiums and policy fees	20,353	22,340	10,840	8,293
Net change in reserves for unearned premiums	(526)	(1,345)	(71)	(22)
Net earned premiums and policy fees	19,827	20,995	10,769	8,271
Farmers management fees and other related revenues	–	–	–	–
Net investment result on Group investments	1,565	1,501	2,996	3,456
Net investment income on Group investments	1,534	1,503	2,500	2,519
Net capital gains/(losses) and impairments on Group investments	31	(3)	497	937
Net investment result on unit-linked investments	–	–	10,201	433
Other income	465	615	633	806
Total BOP revenues	21,857	23,111	24,600	12,967
<i>of which: inter-segment revenues</i>	<i>(278)</i>	<i>(401)</i>	<i>(255)</i>	<i>(238)</i>
Benefits, losses and expenses				
Insurance benefits and losses, net ¹	13,331	14,809	8,741	5,716
Losses and loss adjustment expenses, net	13,331	14,807	–	–
Life insurance death and other benefits, net ¹	–	1	8,741	5,716
Policyholder dividends and participation in profits, net	5	4	10,583	1,756
Income tax expense/(benefit) attributable to policyholders	–	–	253	(18)
Underwriting and policy acquisition costs, net	4,308	4,377	1,731	1,992
Administrative and other operating expense (excl. depreciation/amortization)	2,097	2,473	1,747	1,772
Interest credited to policyholders and other interest	80	84	346	333
Restructuring provisions and other items not included in BOP	(151)	(22)	(175)	(67)
Total BOP benefits, losses and expenses (before interest, depreciation and amortization)	19,670	21,724	23,226	11,485
Business operating profit (before interest, depreciation and amortization)	2,187	1,387	1,373	1,482
Depreciation and impairments of property and equipment	77	68	17	21
Amortization and impairments of intangible assets	104	173	127	271
Interest expense on debt	72	78	8	11
Business operating profit before non-controlling interests	1,934	1,068	1,222	1,178
Non-controlling interests	111	85	190	177
Business operating profit	1,823	983	1,032	1,001

¹ Global Life includes approximately USD 2,978 million and USD 1,713 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, 2016 and 2015, respectively (see note 3 of the consolidated financial statements 2015).

		Farmers		Other Operating Businesses		Non-Core Businesses		Eliminations		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	
	-	-	-	-	46	54	-	-	34,368	33,843	
	1,215	1,721	35	34	62	68	(78)	(77)	2,490	3,297	
	1,215	1,721	35	34	108	122	(78)	(77)	36,858	37,140	
	-	-	-	-	215	210	-	-	1,832	1,996	
	1,215	1,721	35	34	323	332	(78)	(77)	38,690	39,136	
	-	-	(31)	(31)	(10)	(11)	78	77	(5,967)	(6,458)	
	1,215	1,721	3	3	313	321	-	-	32,724	32,678	
	(78)	(30)	1	2	35	-	-	-	(639)	(1,396)	
	1,136	1,691	5	5	348	321	-	-	32,085	31,282	
	2,144	2,081	-	-	-	-	-	-	2,144	2,081	
	30	38	224	225	478	278	(303)	(328)	4,990	5,170	
	30	38	224	225	222	256	(303)	(328)	4,206	4,214	
	-	-	-	-	256	22	-	-	784	956	
	-	-	-	-	512	(6)	-	-	10,713	427	
	81	44	715	842	41	47	(1,080)	(1,300)	855	1,054	
	3,391	3,853	944	1,073	1,379	639	(1,383)	(1,628)	50,787	40,014	
	(20)	(12)	(827)	(947)	(3)	(30)	1,383	1,628			
	828	1,168	-	2	605	416	-	-	23,503	22,111	
	828	1,168	-	2	79	44	-	-	14,237	16,021	
	-	-	-	-	525	372	-	-	9,266	6,089	
	-	-	-	-	574	71	-	-	11,163	1,831	
	-	-	-	-	-	-	-	-	253	(18)	
	364	525	-	-	8	6	(7)	(7)	6,405	6,894	
	1,040	1,005	877	892	81	88	(840)	(1,043)	5,002	5,187	
	-	-	92	102	62	68	(216)	(238)	363	349	
	(2)	(2)	(42)	(33)	(1)	(6)	-	-	(371)	(129)	
	2,229	2,696	927	963	1,329	643	(1,063)	(1,287)	46,319	36,224	
	1,162	1,157	17	110	49	(4)	(320)	(341)	4,469	3,790	
	25	29	7	6	-	-	-	-	126	124	
	67	58	32	79	-	-	-	-	329	582	
	-	-	547	579	7	7	(320)	(341)	314	334	
	1,070	1,070	(569)	(554)	42	(12)	-	-	3,699	2,751	
	-	-	(4)	(5)	-	-	-	-	297	257	
	1,070	1,070	(565)	(549)	42	(12)	-	-	3,403	2,494	

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	
	2016	2015	2016	2015
Business operating profit	1,823	983	1,032	1,001
Revenues/(expenses) not included in BOP:				
Net capital gains/(losses) on investments and impairments, net of policyholder allocation	340	398	149	238
Net gain/(loss) on divestments of businesses ¹	(39)	–	47	–
Restructuring provisions	(83)	(38)	(41)	(28)
Net income/(expense) on intercompany loans ²	(9)	(14)	(11)	(13)
Impairments of goodwill	–	–	–	(49)
Change in estimates of earn-out liabilities	8	31	(13)	(1)
Other adjustments ³	(66)	(2)	(110)	25
Add back:				
Business operating profit attributable to non-controlling interests	111	85	190	177
Net income before shareholders' taxes	2,084	1,444	1,244	1,350
Income tax expense/(benefit) attributable to policyholders	–	–	253	(18)
Net income before income taxes	2,084	1,444	1,496	1,332
Income tax (expense)/benefit				
attributable to policyholders				
attributable to shareholders				
Net income after taxes				
attributable to non-controlling interests				
attributable to shareholders				

¹ For the nine months ended September 30, 2016, USD 42 million of losses in General Insurance related to remeasurements of assets held for sale and USD 47 million of gains in Global Life related to a forward sale agreement of a UK based distributor (see note 2).

² The impact on Group level related to foreign currency translation differences.

³ For the nine months ended September 30, 2016, total Group included non-operating charges of USD 146 million and accounting and other restructuring charges of USD 55 million. For the nine months ended September 30, 2015, total Group included accounting and other restructuring charges of USD 102 million, of which USD 49 million related to software impairments (see note 7), relating to initiatives announced at the 2015 Investor Day. In addition, it included other adjustments in the amount of USD (72) million, mainly related to foreign currency gains of USD (113) million.

	Farmers		Other Operating Businesses		Non-Core Businesses		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	1,070	1,070	(565)	(549)	42	(12)	3,403	2,494
	8	16	(9)	154	37	6	524	811
	-	-	(1)	10	-	-	7	10
	(2)	(1)	(39)	(6)	(1)	(6)	(166)	(79)
	-	-	21	26	-	-	-	(1)
	-	-	-	-	-	-	-	(49)
	-	-	-	-	-	-	(5)	30
	-	(1)	(24)	(53)	-	-	(200)	(30)
	-	-	(4)	(5)	-	-	297	257
	1,076	1,084	(621)	(423)	77	(12)	3,859	3,443
	-	-	-	-	-	-	253	(18)
	1,076	1,084	(621)	(423)	77	(12)	4,112	3,425
							(1,369)	(979)
							(253)	18
							(1,116)	(996)
							2,743	2,447
							217	181
							2,526	2,266

Consolidated financial statements (unaudited) *continued*

14. Events after the balance sheet date

On November 3, 2016, the Group completed the sale of its operations in Morocco to Allianz Group. The financial implications of the sale will be reflected in the Group's consolidated financial statements as of December 31, 2016 (see note 2).

On October 20, 2016, changes to one of the US retirement benefit plans were announced. They will take effect January 1, 2019 and will result in a curtailment gain.

On October 1, 2016, the Group completed the acquisition of a part of the Australian Macquarie Life insurance business from the Macquarie Group, a financial group based in Australia (see note 2).

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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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