

## Zurich delivers strong Q3 net income

- Q3 NIAT<sup>1</sup> of USD 1.2 billion, an increase of 64% compared with prior year. NIAT<sup>1</sup> for the first nine months of USD 3.2 billion, an increase of 34% compared with prior year
- Strong Q3 net income supported by sound risk management actions
- Q3 BOP of USD 1.1 billion, down 11% compared with prior year, and first nine months of 2011 BOP of USD 3.3 billion, down 8% compared with prior year
- Solid underlying Q3 operating results with continued underwriting discipline
- Top-line growth in targeted emerging markets and select mature markets
- Capital and solvency position remains strong

## Select financial highlights – third quarter (Q3) and first nine months (9M) of 2011

(For a more comprehensive set of financial highlights covering the first nine months ended September 30, see page 7)

in USD millions, for the three and nine months ended September 30, unless otherwise stated	Q3 2011	Q3 2010	Change in USD	9M 2011	9M 2010	Change in USD
Business operating profit	1,117	1,248	(11%)	3,258	3,537	(8%)
Net income after tax attributable to shareholders	1,239	756	64%	3,210	2,399	34%
Total Group business volumes <sup>2</sup>	15,371	15,298	3%	50,729	50,240	1%
Net investment return on Group investments (not annualized and calculated on average Group investments)	1.7%	1.2%	0.5 pts	3.9%	3.2%	0.7 pts
Total return on Group investments (not annualized and calculated on average Group investments)	2.5%	2.7%	(0.2 pts)	4.4%	6.1%	(1.7 pts)
Shareholders' equity <sup>3</sup>	31,874	31,905	-	31,874	31,905	-
Diluted earnings per share (in CHF)	7.36	5.48	34%	19.07	17.43	9%
Book value per share <sup>3</sup> (in CHF)	197.53	202.18	(2%)	197.53	202.18	(2%)
Return on common shareholders' equity (ROE) <sup>4</sup>	15.7%	10.3%	5.4 pts	13.5%	10.8%	2.7 pts
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE) <sup>4</sup>	11.1%	13.4%	(2.3 pts)	10.6%	12.3%	(1.7 pts)

Zurich, November 10, 2011 – Zurich Financial Services Group (Zurich) today reported a business operating profit (BOP) of USD 3.3 billion and net income after tax<sup>1</sup> (NIAT) of USD 3.2 billion for the nine months ended September 30, 2011.

“This result again demonstrates the success of our strategy. Our focus on profitability and market risk mitigation has enabled us to deliver a strong result,” said Chief Executive Officer Martin Senn.

“I am also pleased with the performance of our Group investments, which delivered a net return of 3.9% for the first nine months.”

“In emerging markets, we closed two major transactions this year. Our long-term alliance with Banco Santander is now finalized in all the five Latin American markets of Brazil, Mexico, Chile, Argentina and Uruguay, allowing us to extend our life and general insurance distribution capabilities and become one of the top four insurers in this fast growing region. In Malaysia, we completed the acquisition of Malaysia Assurance Alliance Berhad (MAAB) and further enhanced our presence as a full service insurance provider,” Mr. Senn said.

The Group remains focused on delivering its targets. In General Insurance, underwriting discipline contributed to an improvement in the underlying loss ratio while maintaining the same level of gross written premiums. Global Life continues to make progress in diversifying into higher growth markets and Farmers maintains solid margins.

Results were impacted by significant weather events in the third quarter, particularly Hurricane Irene in the United States and hailstorms in Switzerland and Germany. Already, the half year results were impacted by a number of significant events, including the earthquakes in Japan and New Zealand as well as weather events in Australia and the United States.

Zurich’s capital position and solvency remain strong, and the capitalization ratio under the Swiss Solvency Test (SST), as filed with the regulator for the half year ended June 30, 2011, was 225%. While Zurich does not run full SST calculations on a quarterly

basis, the Group remains confident that the SST ratio was above 200% at the end of the third quarter. Shareholders' equity stands at USD 32 billion, which is the same level as year end 2010 and USD 801 million higher than at end of June 2011, and includes dividends of USD 2.7 billion paid out for 2010.

**Segment performance** (in the first nine months ended September 30)<sup>5</sup>

*General Insurance:*

in USD millions, for the nine months ended September 30, unless otherwise stated	2011	2010	Change in USD	Change in LC
General Insurance gross written premiums and policy fees	27,047	25,528	6%	0
General Insurance business operating profit	1,732	1,972	(12%)	(17%)
General Insurance combined ratio (in %)	98.8	97.7	(1.0 pt)	

Business operating profit from General Insurance was USD 1.7 billion, a decrease of 12%. The sustained focus on margin enhancements has continued to improve the underlying loss ratio, but these improvements were more than offset by the frequency and overall severity of catastrophes and significant weather-related loss events during the first nine months of 2011, making this year the worst catastrophe year since 2005, when Hurricane Katrina devastated New Orleans. In addition, the result was further impacted by changes in claims and premium reserving assumptions for some lines of business in Germany. Other technical expenses decreased as continued focus on expenses maintained a balance between investments in emerging markets and expense management actions. Gross written premiums and policy fees increased by 6% in U.S. dollar terms but remained flat on a local currency basis. In line with the strategy to improve margins, average rates increased by more than 3% and despite these increases customer retention levels have improved slightly compared with the same period of 2010. The Global Corporate business and International Markets were the primary drivers of growth, while we continued targeted investments in Asia-Pacific, Latin America and the Middle East. North America Commercial maintained its focus on re-underwriting, successfully protecting margins. European volumes continued to decline on a local currency basis, mainly due to underwriting actions implemented to improve profitability but also from the depressed levels of economic activity in certain European markets.

*Global Life:*

in USD millions for the nine months ended September 30, unless otherwise stated	2011	2010	Change in USD	Change in LC
Global Life gross written premiums, policy fees and insurance deposits	19,350	18,894	2%	(4%)
Global Life business operating profit	1,005	1,098	(8%)	(15%)
Global Life new business annual premium equivalent (APE)	2,770	2,495	11%	4%
Global Life new business margin, after tax (as % of APE)	26.3%	23.6%	2.7 pts	
Global Life new business value, after tax	729	589	24%	14%

New business value after tax<sup>6</sup> reached USD 729 million, an increase of 24% in U.S. dollar terms or 14% on a local currency basis, following a methodology refinement for the calculation of new business value for the corporate protection business, which is more reflective of the underlying economics. Excluding this refinement, new business value after tax increased by 5% in U.S. dollar terms and was broadly flat on a local currency basis. Global Life continues to progress against its strategic objective of diversifying into the higher growth markets of Latin America, Asia-Pacific and the Middle East, approaching its stated 2013 target of 30% of total new business value being generated in these regions. The new business annual premium equivalent (APE) and new business value (NBV) generated by growth in these regions mitigated challenging market conditions in individual life business in Europe: in Spain and Ireland pricing behavior in the market on certain lines of business was on terms considered uneconomic by the Group and the single premium market in Germany has declined compared with the same period in the previous year. Selective growth and new product innovation was sustained in Corporate Life & Pensions. Net policyholder flows<sup>7</sup> remained positive at USD 1.6 billion despite the lower deposit and premium volumes in Ireland, Spain and Germany. Business operating profit, however, decreased by 8% in U.S. dollar terms and by 15% on a local currency basis, as increases in fee income and margins from protection business were more than offset by financial market related impacts and increased costs related to investments in the global operations strategy.

*Farmers:*

in USD millions, for the nine months ended September 30, unless otherwise stated	2011	2010	Change in USD	Change in LC
Farmers Management Services management fees and other related revenues	2,071	2,096	(1%)	
Farmers Re gross written premiums and policy fees	2,261	3,722	(39%)	
Farmers business operating profit	1,096	1,295	(15%)	
Farmers Management Services gross management result	995	1,024	(3%)	
Farmers Management Services managed gross earned premium margin	7.3%	7.4%	(0.1 pts)	

Management fees and other related revenues from Farmers Management Services (FMS) decreased by 1% reflecting the run-off of the 21<sup>st</sup> Century agency auto book of business in the Farmers Exchanges, which are managed but not owned by Farmers Group Inc., a wholly owned subsidiary of Zurich. This was partially offset by continued increases in gross earned premiums in the Farmers Exchanges from the 21<sup>st</sup> Century direct as well as small business solutions and specialty businesses. As a result, the managed gross earned premium margin at Farmers Management Services decreased by 0.1 points to 7.3%. Gross written premiums in the Farmers Exchanges increased by USD 43 million to USD 13.9 billion. This was driven by premium growth in nearly all active lines of business and partially offset by the run-off of the 21<sup>st</sup> Century agency auto book of business. Excluding the effect of this run-off, gross written premiums increased by 1% compared with the same period of 2010. In Farmers Re, gross written premiums and policy fees decreased by 39% to USD 2.3 billion due to the change in the participation level of the quota share reinsurance treaty, which in combination with a significant increase in weather-related losses also resulted in a decreased business operating profit of USD 76 million. Overall, Farmers reported a business operating profit of USD 1.1 billion.

*Other Operating Businesses:* Other Operating Businesses, predominantly consisting of the Group's headquarter expenses and external financing activities, reported a business operating loss of USD 588 million, up from USD 573 million for the first nine months of 2010. This was impacted by the effects of a strong Swiss franc and positive one-off items in 2010.

**Non-Core Businesses:** Non-core businesses, which comprise primarily run-off portfolios that are managed with the intention to reduce risk while maximizing profit opportunities, reported a business operating profit of USD 13 million compared with a loss of USD 256 million for the same period in 2010. This change was driven primarily by lower banking loan loss provisions and the positive financial market impact on Centre's insurance portfolio.

**Group investments:**

in USD millions, for the nine months ended September 30, unless otherwise stated	2011	2010	Change in USD	Change in LC
Average Group investments	197,063	197,138	-	
Net investment result on Group investments	7,616	6,288	21%	
Net investment return on Group investments (not annualized and calculated on average Group investments)	3.9%	3.2%	0.7 pts	
Total return on Group investments (not annualized and calculated on average Group investments)	4.4%	6.1%	(1.7 pts)	

The net investment result on Group investments, which includes investment income, realized gains and losses and impairments, contributed USD 7.6 billion to the Group's total revenues for the first nine months of 2011, a net return of 3.9% (not annualized). Net capital gains on investments and impairments amounted to USD 2.2 billion. These included USD 1.5 billion of asset revaluations and USD 1.1 billion of gains realization arising from hedging the Group's economic exposures, partially offset by impairments of USD 359 million. Net unrealized gains reported in shareholders' equity for the nine months increased by USD 983 million driven by falling rates particularly in the third quarter. Total return on Group investments, which includes investment income, realized gains and losses and impairments as well as changes in unrealized gains and losses reported in shareholders' equity, was 4.4% (not annualized). The Group continues its disciplined approach and closely monitors its investment in eurozone peripheral government debt to ensure risk is well-balanced and diversified.

<sup>1</sup> Net income after tax attributable to shareholders.

<sup>2</sup> Total Group business volumes comprises gross written premiums, policy fees, insurance deposits and management fees generated within General Insurance, Global Life and Farmers.

<sup>3</sup> Prior year comparative as of December 31, 2010.

<sup>4</sup> See the Financial Supplement and the Operating and Financial Review on the Investor Relations' page of our website [www.zurich.com](http://www.zurich.com) for further information on shareholders' and common shareholders' equity.

<sup>5</sup> All further comparisons refer to the first nine months of 2010 unless stated otherwise.

<sup>6</sup> Calculated on the Market Consistent Embedded Value basis.

<sup>7</sup> Net policyholder flows are defined as the sum of gross written premiums and policy fees and deposits, less policyholder benefits.

## Financial Highlights (unaudited)

The following table presents the summarized consolidated results of the Group for the nine months ended September 30, 2011 and 2010 and the financial position as of September 30, 2011 and December 31, 2010, respectively. Interim results are not necessarily indicative of full year results. All amounts are shown in USD millions and rounded to the nearest million unless otherwise stated with the consequence that the rounded amounts may not add to the rounded total in all cases. All ratios and variances are calculated using the underlying amount rather than the rounded amount. This document should be read in conjunction with the Annual Report 2010 for the Zurich Financial Services Group available on [www.zurich.com](http://www.zurich.com) and with its unaudited Consolidated financial statements as of September 30, 2011. Certain comparatives have been restated as set out in note 1 of the unaudited Consolidated financial statements.

In addition to the figures stated according to the International Financial Reporting Standards (IFRS), Zurich Financial Services Group uses business operating profit (BOP) measures and other performance indicators to enhance the understanding of its results. These additional measures should be viewed as complementary to, and not a substitute for, the figures determined according to the IFRS. For a reconciliation of BOP to net income after income taxes see note 15 of the unaudited Consolidated financial statements.

in USD millions, for the nine months ended September 30, unless otherwise stated	2011	2010	Change <sup>1</sup>
Business operating profit	3,258	3,537	(8%)
Net income attributable to shareholders	3,210	2,399	34%
General Insurance gross written premiums and policy fees	27,047	25,528	6%
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General Insurance combined ratio	98.8%	97.7%	(1.0 pts)
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Net investment return on Group investments <sup>4</sup>	3.9%	3.2%	0.7 pts
Total return on Group investments <sup>4</sup>	4.4%	6.1%	(1.7 pts)
Shareholders' equity <sup>5</sup>	31,874	31,905	-
Swiss Solvency Test capitalization ratio <sup>6</sup>	225%	223%	2 pts
Diluted earnings per share (in CHF)	19.07	17.43	9%
Book value per share (in CHF) <sup>5</sup>	197.53	202.18	(2%)
Return on common shareholders' equity (ROE)	13.5%	10.8%	2.7 pts
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE)	10.6%	12.3%	(1.7 pts)

<sup>1</sup> Parentheses around numbers represent an adverse variance.

<sup>2</sup> Changes to the basis of calculation of embedded value, including new business, are set out in the New business overview and in the Global Life section of the Operating and financial review.

<sup>3</sup> Excluding average cash received as collateral for securities lending of USD 342 million in the nine months ended September 30, 2010.

<sup>4</sup> Not annualized and calculated on average Group investments.

<sup>5</sup> As of September 30, 2011 and December 31, 2010, respectively.

<sup>6</sup> As filed with the regulator for the periods ended June 30, 2011 and December 31, 2010, respectively, based on the results for the Group on a consolidated basis, subject to the Group regulator's review and the approval of the Group's internal model.

### Note to editors

A pre-recorded video presentation to accompany the analysts and investors slide presentation will be available from 6.45 hrs CET on our website [www.zurich.com](http://www.zurich.com).

In addition, there will be a conference Q&A session for analysts and investors with the CEO, Martin Senn, and the CFO, Pierre Wauthier, starting at 13.00 hrs CET. Media may listen in. Please dial-in to register approximately 3 to 5 minutes prior to the start of the Q&A session.

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Supplemental financial information is available on our website [www.zurich.com](http://www.zurich.com). Please click on the [«Q3 results reporting November 10, 2011»](#) link on the bottom left corner of our homepage.

#### For broadcast-standard and streaming-quality video and/or high resolution pictures

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**Zurich Financial Services Group (Zurich)** is a leading multi-line insurance provider with a global network of subsidiaries and offices in Europe, North America, Latin America, Asia-Pacific and the Middle East as well as other markets. It offers a wide range of general insurance and life insurance products and services for individuals, small businesses, mid-sized and large companies as well as multinational corporations. Zurich employs about 60,000 people serving customers in more than 170 countries. Founded in 1872, the Group is headquartered in Zurich, Switzerland. Zurich Financial Services Ltd (ZURN) is listed on the SIX Swiss Exchange and has a level I American Depositary Receipt program (ZFSVY), which is traded over-the-counter on OTCQX. Further information about Zurich is available at [www.zurich.com](http://www.zurich.com).

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