



Zurich Financial Strength and Stability

Zurich reports continuing operating strength and near-record capital position

Zurich, November 5, 2009 – Zurich Financial Services Group (Zurich) reported today a solid nine-month operating performance, with balance sheet strength and solvency margins at near-record levels, and continued profitable growth in Global Life and Farmers underpinning the Group's 27th consecutive quarter of profitability.

Business operating profit for the discrete third quarter 2009 was USD 1.5 billion, a 138% increase over the same prior-year quarter, with net income¹ of USD 909 million, a 490% increase over the same prior-year quarter. Both figures represent the fourth consecutive quarter-on-quarter improvement since the third quarter 2008.

"In this period of ongoing economic uncertainty, our focus remains on maintaining our strong balance sheet, driving operational excellence and delivering sustained profitable growth," remarked Zurich's Chief Executive Officer James J. Schiro. "By effectively balancing these levers, we have generated excellent quarterly results and ensured that Zurich is well positioned for the future under any economic scenario."

Nine-month performance highlights² include:

- **Business operating profit (BOP) of USD 4.1 billion, down 3% but an increase of 2% as measured in local currencies, with all core operating segments improving on a local currency basis. Annualized BOP ROE³ after tax of 16.9%.**
- **Net income of USD 2.2 billion, a decrease of 24%. Annualized return on equity (ROE) of 11.6%.**
- **General Insurance gross written premiums and policy fees of USD 26.3 billion, down 10% or 3% in local currencies, and an improved combined ratio of 96.9%.**
- **Global Life new business value⁴, after tax, of USD 520 million, up 2% or 11% in local currencies. New business margin, after tax (as % of APE), of 21.8%, with APE up 5% or 17% in local currencies.**
- **Farmers Management Services' management fees and other related revenues up 8% to USD 2.0 billion, with business operating profit also up 8% to USD 992 million.**

- **Shareholders' equity of USD 28.5 billion, an increase of 29% over year end 2008, boosting the Group's solvency position to 209%.**

The Group continued to exploit emerging opportunities, expanding its product range and distribution capabilities organically as well as through the ongoing successful integration of its recent acquisitions completed in Europe, the U.S. and emerging markets. Furthermore, Zurich continued to transform its operating platforms in ways that improve the effectiveness and efficiency of its business. The company is well on track to meet its operational improvement target under The Zurich Way initiatives of USD 900 million after tax, as well as its additional expense saving target of USD 400 million for the current year.

General Insurance

in USD millions, for the nine months ended September 30	2009	2008	Change in USD	Change in LC
General Insurance gross written premiums and policy fees	26,321	29,207	-10%	-3%
General Insurance business operating profit	2,508	2,578	-3%	4%
General Insurance combined ratio (in %)	96.90%	98.70%	1.9 pts	

General Insurance continued to deliver a robust operating performance against the backdrop of challenging market conditions, characterized by contracting economic activity in both North America and Europe. The Group's continued focus on underwriting discipline, portfolio management and differentiated rate actions has proven successful in marking a turning point in the underlying loss trend.

The combined ratio improved to 96.9%, supported by a benign catastrophe experience and strict expense management. Business operating profit was USD 2.5 billion, down 3% in USD but up 4% in local currencies, as an improved underwriting result was partially offset by lower investment income. Gross written premiums and policy fees decreased 3% in local currencies, mainly reflecting lower volumes in North America and difficult market conditions across Western Europe.

In Europe General Insurance, premium volumes in local currencies were down 1%. A lower underwriting result and the drop in investment income reduced profitability. In contrast, North America Commercial posted an improved underwriting result and profitability, reflecting improved rates and lower catastrophe losses, while the ability to capitalize on growth opportunities in targeted market segments helped to partially mitigate the impact on volume.

Global Corporate also markedly improved its profitability, demonstrating its continued focus on underwriting and pricing discipline, with average rate increases of 5.8% on business written during the first nine months of 2009.

The Group's International Markets exhibited a 5% volume growth on a local currency basis, with the successful integration of last year's acquisition in Brazil underpinning a 22% increase in Latin America.

Global Life

in USD millions, for the nine months ended September 30	2009	2008	Change in USD	Change in LC
Global Life gross written premiums, policy fees and insurance deposits	17,406	15,060	16%	32%
Global Life business operating profit	1,157	1,232	-6%	4%
Global Life gross new business annual premium equivalent (APE)	2,392	2,282	5%	17%
Global Life new business margin, after tax (as % of APE)	21.80%	22.40%	(0.6 pts)	
Global Life new business value, after tax	520	511	2%	11%

The Global Life segment continued to deliver profitable growth, performing well on all key metrics despite a difficult market environment. New business value, after tax, reached USD 520 million, an increase of 11% on a local currency basis, primarily as a result of the acquisitions in Spain, growth in sales volumes in Latin America and further improved margins in the UK, Ireland, the U.S. and Australia.

The new business value has grown in each successive quarter of this year, driven by expense efficiencies and focused efforts to shift the new business mix towards protection business, driving up margins. Business operating profit of USD 1.2 billion was up 4% on a local currency basis, mainly driven by a more favorable view on future mortality, with the underlying business remaining strong. Net policyholder cash inflows increased to USD 2.6 billion during the first nine months, driven by net inflows from Spain, Ireland, Germany and within the International/Expatriate pillar.

New business annual premium equivalent (APE) grew by 5% or 17% in local currencies, with a continuing strong new business margin of 21.8% reflecting the quality of new business. APE growth was primarily driven by the Spanish bank distribution agreements, growth from Corporate Life & Pensions activities, higher sales of long-term savings products and

successful sales campaigns through major banking partners in the UK. Propositions within the recently launched Private Banking Client Solutions pillar also performed well.

The Agents pillar experienced growth in Latin America, Germany, Switzerland, Ireland, Spain and Austria via customer and distributor focused programs. However, this was offset by a decrease in Hong Kong due to recent market conditions, which also led to overall volume reductions within the International/Expatriate pillar in Asia.

Farmers⁵

in USD millions, for the nine months ended September 30	2009	2008	Change in USD	Change in LC
Farmers Management Services (FMS) management fees and other related revenues	1,973	1,831	8%	8%
Farmers Re gross written premiums and policy fees	4,964	2,346	112%	112%
Farmers business operating profit	1,132	996	14%	14%
FMS gross management result	950	875	9%	9%
FMS managed gross earned premium margin	7.20%	7.10%	0.1 pts	

Farmers Management Services (FMS) grew its management fees and other related revenues by 8% to USD 2.0 billion, reflecting the successful management of the Farmers Exchanges (Exchanges), the third largest personal lines insurer in the U.S.⁶, which Zurich manages but does not own. Underlying the increased revenue stream was a 7% gross earned premium growth at the Exchanges, driven by the acquisition of 21st Century in July of this year, the transfer of North America Commercial's Small Business Solutions book to the Exchanges in June 2008, as well as targeted investments in distribution capabilities and product enhancements.

In combination with a continued strict expense discipline, the gross management result of FMS improved by 9%, contributing to an 8% higher business operating profit of USD 992 million and an improved managed gross earned premium margin of 7.2%. The integration of 21st Century continues to progress in line with Farmers' previously successful integration track record.

Farmers Re, which provides reinsurance to the Exchanges, more than doubled its premium volume compared with the same period last year due to an increase of the existing All Lines quota share reinsurance treaty, first from 5% to 25% as of September 30, 2008, and then

from 25% to 37.5% in connection with the acquisition of 21st Century, effective June 30, 2009.

In combination with improved loss trends in some core underlying businesses of the Exchanges and a higher investment income, Farmers Re's business operating profit rose to USD 141 million, contributing thereby to an increased business operating profit for the Farmers segment of USD 1.1 billion.

Other Operating Businesses

The Other Operating Businesses segment, predominantly consisting of the Group's Headquarter and its Holding & Finance activities, reported a nearly halved business operating loss of USD 298 million, with improvement primarily arising from gains on buybacks of subordinated debt executed in advantageous market conditions.

Non-Core Businesses

The Non-Core Businesses segment, including the Group's run-off insurance businesses and, for the first time, the Group's banking activities (previously reported under Other Operating Businesses), reported a business operating loss of USD 433 million. The loss primarily resulted from an increase in certain life reserves predominantly addressing policyholders' behavior and from increased loan loss provisions in the banking operations.

Group investments

in USD millions, for the nine months ended September 30	2009	2008	Change in USD	Change in LC
Group investments average invested assets	189,780	185,308	2%	5%
Group investments results, net	4,325	4,728	-9%	
Group investments return (as % of average invested assets)	2.30%	2.60%	(0.3 pts)	
Total return on Group investments (as % of average invested assets)	5.40%	-0.40%	5.8 pts	

The total return for Group investments for the first nine months of 2009, including the change in unrealized gains and losses reported in shareholders' equity, was an excellent 5.4% (not annualized). The net investment result for Group investments, which includes investment income and realized losses and impairments, added USD 4.3 billion to Zurich's profit and loss, a non-annualized return of 2.3%. Net capital losses on investments and

impairments were USD 1.2 billion, which was largely driven by impairments of USD 1.1 billion and realized losses of USD 324 million from the sale of equities and bonds, partly offset by positive revaluations.

Net unrealized gains reported in shareholders' equity as of September 30, 2009 amounted to USD 1.6 billion as a result of positive movements of USD 5.9 billion during the first nine months. The greater part of this improvement, USD 5.3 billion, occurred in the third quarter as credit spreads continued to narrow, yields on government securities fell and equity markets posted further gains.

Capital management

Shareholders' equity improved by 29% over year end 2008, driven by the Group's solid operating performance as well as recovering financial markets. This translated into a Group Solvency I position of 209%, which underscores the Group's strong balance sheet and capital position. The Group remains confident that it is not only well positioned to continue its shareholder-oriented capital management strategy and weather the current financial-market crisis but also take advantage of opportunities both currently and once a more stable economic environment returns.

- 1) Attributable to shareholders.
- 2) All comparisons refer to the first nine months of 2008 unless stated otherwise.
- 3) ROE calculated on common shareholders' equity. See the Financial Supplement and the Financial Review on the Investor Relations page of our Web site www.zurich.com for further information on shareholders' and common shareholders' equity.
- 4) Calculated on the European Embedded Value basis.
- 5) The Farmers reporting segment newly includes Farmers Re.
- 6) As measured by the Farmers Exchanges' and 21st Century's combined direct written premium in the U.S. personal lines business for 2007, resulting in an overall market share of 7.6%. Source: SNL.

Note to editors:

There will be a telephone conference with a Q&A session for analyst and investors at 9:30 a.m. CET. Media may listen in by telephone. Please dial in to register approximately 3 to 5 minutes prior to the start of the conference.

Dial-in numbers:

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The presentation to analysts and investors will be [audio webcast](#) on our Web site www.zurich.com live, followed by a webcast playback available after 12 p.m. CEDT.

Supplemental financial information, including information on the business divisions, will be available on our Web site www.zurich.com. The presentation for analysts and media will be published at 06:45 a.m. CET. Please click on the „[Results Reporting for the nine months to September 30, 2009 - Media View](#)“ link on the bottom right corner of our homepage.

Multimedia material is available on The NewsMarket at <http://www.thenewsmarket.com/zurich>. If you are a first-time user, please take a moment to register. In case you have any questions, please e-mail: journalisthelp@thenewsmarket.com.

Name	Language	Size/Format
Financial Highlights (unaudited)	en	53 KB/pdf
News Release	en	0.2 MB/pdf

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